



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
Last updated	July 2017	July 2017	July 2017	July 2017	July 2017	July 2017	July 2017
Establishing HoldCo							
Are advanced rulings available?	No	No ⁴	N/A	No	No	Yes ⁵	No
Are there restrictions on activities?	No	Yes ⁶	Yes ⁷	No	No	No ⁸	No ⁹
Are there substance requirements?	Yes	Yes ¹⁰	Yes ¹¹	No	No	Yes ¹²	Yes ¹³
Is capital duty payable?	No in Buenos Aires City; yes in many provinces	No	N/A	No	No ¹⁴	No ¹⁵	0.7% registration tax/0.3% notary duties
Is there a special tax regime for holding companies?	No	Yes ¹⁶	N/A	No	No ¹⁷	Yes ¹⁸	No
Is there CFC or equivalent legislation?	Yes ¹⁹	No	N/A	Yes ²⁰	No	Yes ²¹	Yes ²²
Number of jurisdictions with active income tax treaties (minimum)	18 ²³	37	9 ²⁴	32 ²⁵	0 ²⁶	32	12 ²⁷
What is the corporate tax rate?	35%	0.25% – 2.5% ²⁸	0% ²⁹	34% ³⁰	N/A ³¹	25%/25.5% First Category Income Tax ³²	34% ³³

	Argentina	Barbados	Bermuda	Brazil	Cayman Islands	Chile	Colombia
Last updated	July 2017	July 2017	July 2017	July 2017	July 2017	July 2017	July 2017
General							
Are there exchange controls?	Yes ³⁴	No ³⁵	Yes ³⁶	Yes ³⁷	No	No ³⁸	Yes ³⁹
Tax treatment of disposal of HoldCo							
Is any tax payable in HoldCo country on disposal of HoldCo shares by a nonresident corporate shareholder?	Yes ⁴⁰	No ⁴¹	No ⁴²	Yes ⁴³	No	Yes ⁴⁴	Yes ⁴⁵
Tax treatment of payments by HoldCo							
Dividends							
What is the rate of withholding tax on dividends paid to nonresidents? – Non-treaty – Treaty	35% dividend equalisation tax ⁴⁶ 10% – 35% dividend equalisation tax ⁴⁷	Generally exempt ⁴⁸ Generally exempt	N/A ⁴⁹ N/A	0% ⁵⁰ 0%	N/A ⁵¹ N/A	35% ⁵² 35% ⁵³	5%/40% ⁵⁴ 0%/5% – 35% ⁵⁵
Are there restrictions on interest deductibility?	2:1 (limited application)	No	N/A	Yes ⁵⁶	No	Yes ⁵⁷	Yes ⁵⁸
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 ⁵⁹	N/A ⁶⁰	Yes ⁶¹	No

	Argentina	Barbados	Bermuda	Brazil	Cayman Islands	Chile	Colombia
Last updated	July 2017	July 2017	July 2017	July 2017	July 2017	July 2017	July 2017
What is the rate of withholding tax on interest paid to nonresidents?							
– Non-treaty	15.05%/35% ⁶²	Exempt ⁶³	0%	15% ⁶⁴	N/A ⁶⁵	4%/35% ⁶⁶	5%/15% ⁶⁸
– Treaty	0% – 35% (typically 12%)	Exempt	0%	12.5%/15%	N/A	5%/10%/15% ⁶⁷	0%/5% – 14%
Liquidation payments							
Is there any withholding tax on liquidation payments?	35% equalisation tax if paid as dividends or profit distribution	No	No	Generally no ⁶⁹	N/A ⁷⁰	No ⁷¹	Yes ⁷²
Taxation of HoldCo income							
Dividends							
How are dividends taxed?	Local dividends – exempt; foreign dividends – 35%, with credit ⁷³	Exempt/taxable in full with credit for foreign tax paid ⁷⁴	N/A ⁷⁵	Domestic dividends – exempt; foreign dividends – subject to CFC provisions ⁷⁶	N/A ⁷⁷	Taxed at 25.5% ⁷⁸	40% on gross amount with credit for foreign tax ⁷⁹
Does the foreign subsidiary have to meet any substance requirements for any exemption in HoldCo jurisdiction to apply?⁸⁰	N/A	No	N/A	No	N/A	Yes ⁸¹	N/A ⁸²
Does the foreign subsidiary have to pay tax in its own jurisdiction for any exemption in HoldCo jurisdiction to apply?⁸³	N/A	No	No	No	N/A	No ⁸⁴	N/A

	Argentina	Barbados	Bermuda	Brazil	Cayman Islands	Chile	Colombia
Last updated	July 2017	July 2017	July 2017	July 2017	July 2017	July 2017	July 2017
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	10%	N/A	N/A	N/A	N/A	N/A
<u>Gains on disposal of participations</u>							
How are gains on the sale of a subsidiary taxed?	Taxed as ordinary profits at 35%	N/A ⁸⁵	N/A ⁸⁶	Taxed at 34% ⁸⁷	N/A ⁸⁸	Taxed as ordinary profits at 25%/25.5% and 35% AWIT on proceeds ⁸⁹	10%/39% ⁹⁰
Are capital losses deductible?	Yes, limited ⁹¹	No	N/A	Depends ⁹²	N/A ⁹³	Generally yes ⁹⁴	No
Is relief available for the write-down in value of subsidiaries?	No	N/A	N/A	No	N/A ⁹⁵	No	No
Does the foreign subsidiary have to meet any substance requirements for any exemption in HoldCo jurisdiction to apply?⁹⁶	N/A	No	N/A	N/A	N/A	Yes ⁹⁷	N/A ⁹⁸

	Argentina	Barbados	Bermuda	Brazil	Cayman Islands	Chile	Colombia
Last updated	July 2017	July 2017	July 2017	July 2017	July 2017	July 2017	July 2017
Does the foreign subsidiary have to pay tax in its own jurisdiction for any exemption in HoldCo jurisdiction to apply?⁹⁹	N/A	No	N/A	N/A	N/A	N/A	N/A
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 ¹⁰⁰	No	No	N/A ¹⁰¹	No ¹⁰²	No

	Costa Rica	Dominican Republic	Mexico	Panama	Peru	Uruguay
Last updated	July 2017	July 2017	July 2017	July 2017	July 2017	July 2017
Establishing HoldCo						
Are advanced rulings available?	Yes ¹⁰³	No ¹⁰⁴	Yes	No	Limited availability to certain applicants only ¹⁰⁵	
Are there restrictions on activities?	No	Yes ¹⁰⁶	No	No	No	No ¹⁰⁷
Are there substance requirements?	No	No	No	No	No ¹⁰⁸	No
Is capital duty payable?	Stamp taxes ¹⁰⁹	Yes ¹¹⁰	No	No ¹¹¹	No ¹¹²	No, but other charges may apply ¹¹³
Is there a special tax regime for holding companies?	No	Yes ¹¹⁴	No	No ¹¹⁵	No	No but Uruguay's taxation regime based on the source of income may be beneficial ¹¹⁶
Is there CFC or equivalent legislation?	No	No	Yes ¹¹⁷	No	Yes ¹¹⁸	No
Number of jurisdictions with active income tax treaties (minimum)	2 ¹¹⁹	2 ¹²⁰	55	15 ¹²¹	10 ¹²²	17 ¹²³
What is the corporate tax rate?	15% ¹²⁴	27% ¹²⁵	30%	25% ¹²⁶	29.5% ¹²⁷	0% (in this particular situation)
General						
Are there exchange controls?	No	No	No	No	No	No

	Costa Rica	Dominican Republic	Mexico	Panama	Peru	Uruguay
Last updated	July 2017	July 2017	July 2017	July 2017	July 2017	July 2017
Tax treatment of disposal of HoldCo						
Is any tax payable in HoldCo country on disposal of HoldCo shares by a nonresident corporate shareholder?	Depends ¹²⁸	27% on capital gain ¹²⁹	Yes ¹³⁰	Yes ¹³¹	Yes - 5% or 30% ¹³²	12%/25% on 20%/30% of the sale price ¹³³
Tax treatment of payments by HoldCo						
Dividends						
What is the rate of withholding tax on dividends paid to nonresidents?						
– Non-treaty	5%/15% ¹³⁴	10% ¹³⁵	10% ¹³⁷	0%/5%/10%, 20% ¹³⁸	5% ¹⁴⁰	0% ¹⁴¹
– Treaty	5%/15%	0%/10% ¹³⁶	0% – 15%	0% – 15% ¹³⁹	10% – 15%	0%
Are there restrictions on interest deductibility?	No thin cap rules but some restrictions apply ¹⁴²	Yes ¹⁴³	Thin cap rules 3:1/restrictions for back-to-back loans/BEPS ¹⁴⁴	No ¹⁴⁵	Yes – 3:1 debt-equity ratio ¹⁴⁶	No
Is interest on loans to acquire subsidiaries deductible against HoldCo's profits?	Depends ¹⁴⁷	No	Yes	No ¹⁴⁸	Possibly, in some circumstances ¹⁴⁹	No

	Costa Rica	Dominican Republic	Mexico	Panama	Peru	Uruguay
Last updated	July 2017	July 2017	July 2017	July 2017	July 2017	July 2017
What is the rate of withholding tax on interest paid to nonresidents?						
– Non-treaty	Varies ¹⁵⁰	10%	Various ¹⁵¹	12.5% ¹⁵³	4.99%/30% ¹⁵⁵	0% ¹⁵⁶
– Treaty	Varies	10%	4.9%/10% – 15% ¹⁵²	0% – 10% ¹⁵⁴	15%	0% ¹⁵⁷
Liquidation payments						
Is there any withholding tax on liquidation payments?	Yes ¹⁵⁸	Yes	No	Yes ¹⁵⁹	Possibly, in some circumstances ¹⁶⁰	Foreign participations – no; Uruguayan participations – yes ¹⁶¹
Taxation of HoldCo income						
Dividends						
How are dividends taxed?	Exempt ¹⁶²	Domestic dividends – tax withheld at source; foreign dividends – taxable with credit for foreign tax ¹⁶³	Local dividends – exempt; foreign dividends – at the corporate tax rate with credit for direct and indirect foreign tax	Tax withheld at source by payer at 0%/5%/10%/20% ¹⁶⁴	Domestic dividends – exempt; foreign dividends – taxable with credit for foreign tax ¹⁶⁵	Exempt
Does the foreign subsidiary have to meet any substance requirements for any exemption in HoldCo jurisdiction to apply?¹⁶⁶	No	No	No	No	CFC rules may apply to effectively tax income received by the subsidiary ¹⁶⁷	No
Does the foreign subsidiary have to pay tax in its own jurisdiction for any exemption in HoldCo jurisdiction to apply?¹⁶⁸	No	No	No	No	Depends on the applicability of CFC rules ¹⁶⁹	No ¹⁷⁰

	Costa Rica	Dominican Republic	Mexico	Panama	Peru	Uruguay
Last updated	July 2017	July 2017	July 2017	July 2017	July 2017	July 2017
What is the required holding period?	N/A	N/A	Local dividends – N/A; foreign dividends – 6 months to obtain the tax credit	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 tax credit	N/A	N/A	N/A
<u>Gains on disposal of participations</u>						
How are gains on the sale of a subsidiary taxed?	Exempt ¹⁷¹	27% on capital gains	Taxed as ordinary profits at the corporate tax rate	Taxed at 10% ¹⁷²	Taxed as ordinary income at 29.5% corporate tax rate ¹⁷³	Foreign participations – exempt; Uruguayan participations – taxed at 25%
Are capital losses deductible?	No ¹⁷⁴	Only against capital gains	Limited ¹⁷⁵	No	Depends ¹⁷⁶	Foreign participations – no; Uruguayan participations – yes
Is relief available for the write-down in value of subsidiaries?	No	No	No	No	No ¹⁷⁷	No
Does the foreign subsidiary have to meet any substance requirements for any exemption in HoldCo jurisdiction to apply?¹⁷⁸	No	No	No	N/A	CFC rules may apply to effectively tax income received by the subsidiary	No
Does the foreign subsidiary have to pay tax in its own jurisdiction for any exemption in HoldCo jurisdiction to apply?¹⁷⁹	No	No	No	N/A	Depends on the applicability of CFC rules ¹⁸⁰	Foreign participations – no; Uruguayan participations – yes



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What is the required holding period?	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
Is joint taxation for groups available?	No	No ¹⁸¹	Yes ¹⁸²	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 may only be requested in respect of an actual situation and are not required to incorporate a HoldCo.

⁶ **BAR:** For regular Barbados companies, permission is required from the Exchange Control Authority to have foreign ownership and to engage in international business outside Barbados. IBCs and ISRLs are restricted to the business of international manufacturing or international trade and commerce.

⁷ **BER:** As for other exempt companies, HoldCos may only conduct business outside Bermuda and with other exempt companies in Bermuda.

⁸ **CHI:** HoldCos are not subject to restrictions on the activities that they may undertake. However, HoldCos that abide by the Participation Exemption Regime of Article 41D of the Chilean Income Tax Law (CITL) may only hold shares/rights in Chilean and foreign corporations and undertake remunerated activities that relate to their subsidiaries (see 'Is there a special tax regime for holding companies'). Under the 41D regime, a HoldCo is taxed only on its Chilean source income, as for income tax purposes it is deemed not to be resident or domiciled in Chile. These entities are highly regulated and must file their accounting statements with the Chilean SEC.

⁹ **COL:** For developing financial activities and public services activities, special requirements must be met.

¹⁰ **BAR:** Central management and control must be exercised in Barbados and there must be at least one local director. An IBC must file financial statements and renew its International Licence annually with the Ministry of International Business. A regular business company must file financial statements and an Annual Return annually with the Registrar of Corporate Affairs by 31 March of the subsequent year.

¹¹ **BER:** The requirements are for: i) a registered office or place of business in Bermuda; ii) at least one director, who may be an individual or a corporate body; iii) at least one ordinarily resident director, secretary or resident representative; iv) books of accounts to be kept in Bermuda that will at least enable the directors or a resident representative to ascertain with reasonable accuracy the financial position of the company at the end of each three month period and v) compliance with the other provisions of the Companies Act 1981.

¹² **CHI:** A general anti-avoidance provision (GAAR) allows the Chilean IRS to apply to the tax court to assess taxes, interest and penalties on operations that are considered abusive or artificial.

¹³ **COL:** Substance requirements also apply for double tax treaty purposes.

¹⁴ **CAY:** See note to "Is there a special tax regime for holding companies?".

¹⁵ **CHI:** An annual municipal licence tax is payable by HoldCos as it is by other taxpayers. The tax is calculated on the tax base equity of the company at rates ranging from 0.25% to 0.5%, capped at 8,000 Monthly Tax Units (approx. USD 564,000). Each municipality may determine its own tax rate within the stated range. If a HoldCo owns subsidiaries that are subject to municipal licence, the HoldCo may deduct the tax basis of its investment in the subsidiaries from its tax base.

¹⁶ **BAR:** There is no tax regime specific to holding companies but a special tax regime applies to IBCs and ISRLs, including: i) tax on income on a sliding scale from 2.5% to a minimum of 0.25%; ii) no estate duty; iii) tax credit for tax paid outside Barbados but only insofar as it does not reduce the tax payable in Barbados to less than 0.25% of profits; iv) tax concessions for specially qualified individuals; v) exemption from exchange control; vi) exemption from customs duty, Value Added Tax (VAT) and other duties on equipment and machinery imported for business use; and vii) tax exemption for dividends derived from a foreign company provided the Barbados company holds at least 10% of the capital of the foreign company.

Regular business companies would be subject to the following regime: i) full access to Barbados' double taxation treaty network; ii) tax exemption for dividends derived from a foreign company provided the Barbados company holds at least 10% of the capital of the foreign company; iii) exemption for dividends paid out of foreign earned income; iv)

tax credit for tax paid outside Barbados (but the credit may not exceed the taxable income originally payable) and v) foreign currency earnings credit ranging from 35% to 93% of foreign earnings from qualifying activities.

¹⁷ **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%.

¹⁸ **CHI:** In general, holding companies are subject to the general regime. Nevertheless, Article 41D of the CITL establishes a special tax regime under which Chilean publicly held stock corporations or closely-held stock corporations that voluntarily abide by the Chilean SEC's supervision and meet certain legal requirements, are deemed not resident in Chile for income tax purposes and are taxed only on their Chilean source income. Dividends paid out of a 41D HoldCo to foreign shareholders are exempt from WHT. Capital gains on the disposal of shares in a 41D entity by a non-resident are not taxed in Chile, except for the portion of such capital gain that derives from any Chilean companies owned by HoldCo.

¹⁹ **ARG:** Mainly related to subsidiaries in non-cooperative countries and obtaining mainly foreign passive income.

²⁰ **BRA:** There is some flexibility over the determination of taxable income (see note to "Dividends: How are dividends taxed?"). Additionally, taxes paid abroad may be offset against income tax payable by the Brazilian HoldCo under the credit system. Further guidance and regulations issued by the Brazilian tax authorities in December 2014 and 2016 also specified new procedures to electronically report information regarding the taxpayer's CFC entities under the ECF (corporate tax income electronic reporting) environment. Disclosure of a CFC's attributes is required under certain schedules depending on the specific circumstances of each group: (i) active and passive income, (ii) results abroad; (iii) consolidation schedule, (iv) losses carryforward, (v) corporate structure and (vi) foreign tax schedule.

²¹ **CHI:** Taxpayers incorporated, resident, domiciled or established in Chile that directly or indirectly control a foreign corporation (CFC) are taxed in Chile on an accruals basis on the CFC's passive income.

²² **COL:** The controlled foreign company regime applies where a Colombian company owns, directly or indirectly, at least 10% of the shares in a foreign company which is managed by one or more Colombian tax residents and also satisfies the requirements to be considered as a controlled company, namely that it is: i) a subordinated or controlled company according to the commercial regulations and ii) considered a foreign related party. Under the regime, the Colombian company must report passive income earned from the CFC as if it were obtained directly by the Colombian tax resident.

²³ **ARG:** No treaty with the US.

²⁴ **BER:** A double tax treaty is in force with Bahrain. Treaties which apply only to individuals are in force with Denmark, Finland, Iceland, Japan, Netherlands, Norway and Sweden. Bermuda has also entered into 41 tax information exchange agreements that are currently in force and is a signatory to the Convention on Mutual Administrative Assistance in Tax Matters.

²⁵ **BRA:** No treaty with Germany, UK or US.

²⁶ **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.

²⁷ **COL:** Tax treaties with France and the UK have been signed but are not yet in force.

²⁸ **BAR:** These are the rates applicable to IBCs and ISRLs. The regular corporate tax rate is 25%.

²⁹ **BER:** Bermuda does not impose corporate income tax.

³⁰ **BRA:** Comprised of IRPJ (15% plus surtax of 10% on amounts exceeding BRL 240,000 per year) and CSLL (9%).

³¹ **CAY:** See note to "Is there a special tax regime for holding companies?". There is no corporate tax in the Cayman Islands.

³² **CHI:** HoldCos other than those under the Article 41D Tax Regime are subject to First Category Income Tax (FCIT) at a rate determined by the regime applicable to the company. For companies subject to the fully integrated regime, the rate is 25%. For companies within the partially integrated regime, the rate is 25.5% for 2017 and 27% for

2018 onwards. (For details of the attributed income tax regime and the partially integrated tax regime, please see "Taxation of HoldCo income: Dividends: How are dividends taxed?".)

³³ **COL:** For tax year 2017 the corporate income tax rate is 34%, reducing to 33% for tax year 2018 and subsequent years. The income tax for equality (CREE) is eliminated as from tax year 2017. For taxpayers with net taxable income of at least US\$266,667 there is also an income tax surcharge at 6% for tax year 2017 (4% for tax year 2018). For tax year 2016, the rate is 40%.

³⁴ **ARG:** Argentina operates a limited foreign exchange control regime. The transfer of funds into and out of the country must be carried out in accordance with central bank regulations. Dividends may be paid without approval with respect to profits arising from an audited financial statement.

³⁵ **BAR:** IBCs and ISRLs are exempt from exchange controls. Exchange controls do apply to regular Barbados companies unless an exemption is granted by the Exchange Control authority.

³⁶ **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.

³⁷ **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.

³⁸ **CHI:** There are no exchange controls but reporting obligations exist.

³⁹ **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.

⁴⁰ **ARG:** Income tax at 13.5% is applicable on the gross proceeds or 15% on the entire gross profit less expenses incurred in deriving the gain. Stamp tax may also be applicable.

⁴¹ **BAR:** IBCs and ISRLs are not subject to property transfer tax. Any transfer of shares in a regular business company will be subject to the provisions of the Property Transfer Act.

⁴² **BER:** There are no capital gain taxes in Bermuda but the transfer or disposal of shares requires specific permission from the Bermuda Monetary Authority.

⁴³ **BRA:** From 1 January 2017, the following progressive rates apply: 15% on gains that do not exceed BRL 5 million; 17.5% on gains over BRL 5 million and below BRL 10 million; 20% on gains over BRL 10 million and below BRL 30 million; and 22.5% on gains over BRL 30 million. The rate is increased to 25% if the shareholder is resident in a tax haven country.

⁴⁴ **CHI:** Any gain obtained from the disposal of interests/shares in companies incorporated in Chile by partners/shareholders without residence or domicile in Chile is subject to FCIT and to 35% additional withholding income tax (AWIT), with the FCIT available as a credit. There are treaty caps available.

⁴⁵ **COL:** The transferor is subject to tax in Colombia and must file a return with the Taxpayers' Office. If the transfer price exceeds the tax basis and the shares have been held for less than two years, the portion of the gain corresponding to untaxed profits will be subject to 33% withholding tax on the gross amount. If the shares have been held for more than two years, capital gains tax at 10% is payable. Nevertheless, in principle, the indirect sale of Colombian assets is not taxable in Colombia.

⁴⁶ **ARG:** Dividends have not been subject to withholding tax since 22 July 2016. There is a 35% dividend equalisation tax which is levied as a withholding tax on the excess element of dividends which exceed accumulated taxable income with certain adjustments.

⁴⁷ **ARG:** Dividends have not been subject to withholding tax since 22 July 2016. There is a 35% dividend equalisation tax which is levied as a withholding tax on the excess element of dividends which exceed accumulated taxable income with certain adjustments. Reduced WHT rates provided for in double tax treaties apply.

⁴⁸ **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. Dividends paid by a regular Barbados company would be subject to a withholding tax of 15%, unless paid out of foreign earned income, in which case they are exempt.

⁴⁹ **BER:** Bermuda does not impose taxation on dividends.

⁵⁰ **BRA:** Dividends are determined based on IFRS.

⁵¹ **CAY:** See note to "Is there a special tax regime for holding companies?". Cayman does not impose withholding taxes.

⁵² **CHI:** The FCIT paid at the HoldCo level is available as a credit against the AWIT payable. (see "Taxation of HoldCo Income: Dividends. How are dividends taxed?"). However, under the partially integrated tax regime, distribution of profits to shareholders/partners without domicile or residence in Chile will be subject to a 35% AWIT, against which only 65% of the FCIT will be creditable, with the remaining 35% being paid back to the Chilean Treasury as AWIT (resulting in an overall 44.45% burden), unless the recipient of the distributions is a shareholder/partner resident in a country with whom Chile has a tax treaty. In that case the full FCIT will be creditable.

⁵³ **CHI:** The FCIT paid at the HoldCo level is available as a credit against the AWIT payable. (see "Taxation of HoldCo Income: Dividends. How are dividends taxed?"). However, under the partially integrated tax regime, distribution of profits to shareholders/partners without domicile or residence in Chile will be subject to a 35% AWIT, against which only 65% of the FCIT will be creditable, with the remaining 35% being paid back to the Chilean Treasury as AWIT (resulting in an overall 44.45% burden), unless the recipient of the distributions is a shareholder/partner resident in a country with whom Chile has a tax treaty. In that case the full FCIT will be creditable.

⁵⁴ **COL:** As from 1 January 2017, the 5% rate applies to dividends paid to foreign companies and non-resident individuals where the dividends are paid from profits that have been taxed at the level of the payer company. Dividends and income from profit participations received by non-residents (companies, other entities and individuals) from profits that have not been taxed at the corporate level are subject to a 35% withholding tax, plus a special rate of 5% (the 5% rate applies after deducting the 35% tax). The tax must be withheld at the time of payment of the dividend or credit to the relevant account. These dividend taxation rules apply only to dividends related to profits generated from the taxable year 2017; previously, dividends paid from profits that had not been taxed at the corporate level were subject to a 33% rate, while dividends paid from previously-taxed profits were exempt.

⁵⁵ **COL:** Treaty withholding rates may be 0% or various different rates between 5% and 35%, or the lower domestic rate may apply.

⁵⁶ **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. New transfer pricing rules impose certain limits depending on the type of transaction.

⁵⁷ **CHI:** As a general rule, interest expense is deductible provided that it is necessary to produce taxable income. Expenses deriving from payments made abroad to non-resident related parties are deductible in the calendar year in which the expenses are paid, credited to the beneficiary's account, or made available to the beneficiary, and the corresponding tax has been withheld, filed and paid. The Chilean payer declares and pays the corresponding WHT, except for those payments that are exempt from WHT in accordance with domestic law or a tax treaty.

⁵⁸ **COL:** Thin capitalisation rules apply with a general debt:equity ratio of 3:1. Transfer pricing rules and general requirements for deductibility of expenses also apply.

⁵⁹ **BRA:** Subject to thin capitalisation and transfer pricing limitations in respect of related party loans, as well as loans with lenders located in tax havens or jurisdictions with tax privileged regimes.

⁶⁰ **CAY:** See note to "Is there a special tax regime for holding companies?". There is no corporate tax in the Cayman Islands.

⁶¹ **CHI:** Interest on loans used to purchase shares/equity rights in subsidiaries is tax deductible. Under the Tax Reform, interest and other financial expenses incurred to finance the acquisition of shares or quota rights, bonds and any other movable capital, is tax deductible for FCIT purposes.

⁶² **ARG:** 15.05% where the lender is a bank or financial institution located in a cooperative 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.

⁶³ **BAR:** IBCs are exempt from withholding taxes on payments to a non-resident or another IBC or ISRL. ISRLs are exempt from withholding taxes on payments to a non-resident or another ISRL or IBC. Interest paid by a regular Barbados company to a non-resident is subject to a withholding tax of 15%.

⁶⁴ **BRA:** The rate is 25% on interest paid to tax haven countries.

⁶⁵ **CAY:** See note to "Is there a special tax regime for holding companies?". Cayman does not impose withholding taxes.

⁶⁶ **CHI:** Interest paid on foreign loans granted to taxpayers domiciled or resident in Chile is subject to a 35% WHT, with no deductions allowed. If the beneficial owner of the interest payments is a tax resident of a country with which Chile has a tax treaty in effect, reduced tax rates may be available under treaty caps (5%-15%). However, under domestic law, and irrespective of the existence of a tax treaty, a 4% reduced WHT is available on interest arising from, among others, loans granted by foreign banks and financial institutions. When the parties to the loan are related and a WHT rate of less than 35% applies, thin capitalisation rules must be observed, under which a 35% single tax is applied on interest, commissions, services or any other financial expenses attributable to the portion of the debt that is considered excessive. The total indebtedness is

determined annually, considering related or unrelated debt, whether domestic or foreign. This 35% tax applies to the debtor, who is entitled to credit the 4% WHT (or other reduced rate) applied to the relevant interest, commissions or other financial expenses. Additionally, this penalty tax can be deducted as an expense.

⁶⁷ **CHI:** Interest paid on foreign loans granted to taxpayers domiciled or resident in Chile is subject to a 35% WHT, with no deductions allowed. If the beneficial owner of the interest payments is a tax resident of a country with which Chile has a tax treaty in effect, reduced tax rates may be available under treaty caps (5%-15%). However, under domestic law, and irrespective of the existence of a tax treaty, a 4% reduced WHT is available on interest arising from, among others, loans granted by foreign banks and financial institutions. When the parties to the loan are related and a WHT rate of less than 35% applies, thin capitalisation rules must be observed, under which a 35% single tax is applied on interest, commissions, services or any other financial expenses attributable to the portion of the debt that is considered excessive. The total indebtedness is determined annually, considering related or unrelated debt, whether domestic or foreign. This 35% tax applies to the debtor, who is entitled to credit the 4% WHT (or other reduced rate) applied to the relevant interest, commissions or other financial expenses. Additionally, this penalty tax can be deducted as an expense.

⁶⁸ **COL:** Interest paid to a non-resident is subject to a withholding tax rate of 15% as from 1 January 2017 (previously, the rate was 33% on loans with a term not exceeding 12 months, and generally was 14% otherwise). Interest payments made to a foreign entity on loans granted for the development of infrastructure programs that meet certain requirements are subject to a reduced withholding tax rate of 5%.

⁶⁹ **BRA:** No withholding taxes, unless there is a capital gain.

⁷⁰ **CAY:** There are no tax consequences of liquidation.

⁷¹ **CHI:** The dissolved entity is subject to a 35% single tax on its undistributed taxable profits at the time of liquidation.

⁷² **COL:** Only the excess amount over the initial investment will be subject to tax.

⁷³ **ARG:** Foreign dividends are taxed at 35%, with credit for direct and indirect foreign tax (provided certain conditions are satisfied).

⁷⁴ **BAR:** Dividends received by a resident Barbados company from another resident company are exempt. Dividends derived by a Barbadian resident company from a foreign company are exempt from tax in Barbados where the Barbados resident is a shareholder representing at least 10% of the capital of the foreign company and the shares are not held as a portfolio investment. Other dividends are taxable in full, with credit for foreign tax paid but an IBC or ISRL's tax credit may not reduce the tax payable to less than 0.25% of profits.

⁷⁵ **BER:** Bermuda does not impose taxation on dividends.

⁷⁶ **BRA:** As a general rule, profits of foreign subsidiaries must be added back to the taxable basis of HoldCo in the year in which the profits are registered. However, Brazilian taxpayers have the option to make an irrevocable election (on a calendar year basis) to consolidate the profits and losses arising from active and passive income of CFCs until 2022. This election is only available if certain disclosure and other requirements are met. The taxation of the profits of affiliate entities should generally take place at the time the profits are distributed to the Brazilian entity provided certain requirements specified in Law 12,973/14 are met. Otherwise, the profits of such entities will be taxed when computed on 31 December of each year. New rules introduced in March 2016 grant Brazilian taxpayers the option to elect to have the foreign profits of affiliate entities taxed on 31 December of each year (i.e. under the methodology applicable to controlled entities). However, the election will not be available where the affiliate is deemed a controlling entity under specific combined ownership circumstances.

⁷⁷ **CAY:** See note to "Is there a special tax regime for holding companies?". There is no income or corporate taxation in the Cayman Islands.

⁷⁸ **CHI:** Dividends received by a HoldCo from a Chilean entity are not taxable at the HoldCo level unless such entity elects to be subject to the attributed income regime (see explanation below). Dividends received from a foreign company are subject to FCIT. Income taxes paid abroad are creditable against both the FCIT and the 35% WHT applicable to dividends paid on by HoldCo to non-resident shareholders, subject to rate caps and requirements.

From 1 January 2017, a Holdco must choose between:

i) the fully integrated tax regime – under which companies attribute all their taxable income to their ultimate shareholder (in the case of foreign shareholders, this would be the first foreign shareholder in the chain above the Chilean entity), who is subject to final taxes on such income, regardless of actual dividend distributions (accrual method). The ultimate shareholder is entitled to credit the FCIT paid against the attributed income. Dividend payments covered by attributed income will be exempt from further taxation in Chile; or

ii) the partially integrated tax regime – under which the ultimate shareholder is subject to final taxes upon distribution but with a credit of 65% of the FCIT paid, unless the shareholder is resident in a country that has entered into a tax treaty with Chile. The fully integrated regime is only available to certain taxpayers.

⁷⁹ **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.

⁸⁰ 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.

⁸¹ **CHI:** If the foreign subsidiary is incorporated in a tax treaty country, it must meet the requirements specified in the relevant treaty to determine if it has sufficient substance to receive the benefits from the treaty. The general anti-avoidance rule in the Tax Code also includes substance requirements.

⁸² **COL:** However, HoldCo must register its investment in the foreign subsidiary with the Central Bank.

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 **CHI:** Except where CFC rules apply. For details see: Establishing HoldCo: Is there CFC or equivalent legislation?

⁸⁵ **BAR:** There are no specific rules on the taxation of capital gains in Barbados.

⁸⁶ **BER:** There are no capital gain taxes in Bermuda.

⁸⁷ **BRA:** Gains on the sale of both domestic and foreign participations are taxable.

⁸⁸ **CAY:** See note to "Is there a special tax regime for holding companies?". There is no income or corporate taxation in the Cayman Islands.

⁸⁹ **CHI:** As a general rule, capital gains obtained by a HoldCo on the transfer of shares/equity rights in a Chilean entity are subject to FCIT. Distributions of the proceeds out of Chile as dividends are subject to 35% AWIT, with the FCIT available as a credit.

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. Any gain generated from the sale of fixed assets, such as shares, held for less than two years is deemed to be ordinary income, chargeable to 39% income tax for tax year 2017 (37% for tax year 2018 and 33% for tax year 2019 and subsequent years). For tax year 2016, the rate is 25% income tax plus 9% income tax for equality (CREE) plus the CREE surcharge of 6%.

A profit on the sale of an asset held for more than two years is deemed a capital gain and taxed at 10%.

⁹¹ **ARG:** Losses on the disposal of shares can only be offset against profits on the sale of shares.

⁹² **BRA:** Losses on the disposal of interests in Brazilian entities are tax deductible; losses on the disposal of foreign participations are not.

⁹³ **CAY:** See note to "Is there a special tax regime for holding companies?". There is no income or corporate taxation in the Cayman Islands.

⁹⁴ **CHI:** Capital losses are deductible provided the disposal of the shares is subject to the ordinary income regime.

⁹⁵ **CAY:** See note to "Is there a special tax regime for holding companies?". There is no corporate tax in the Cayman Islands.

⁹⁶ 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.

⁹⁷ **CHI:** The general anti-avoidance rule in the Tax Code includes substance requirements.

⁹⁸ **COL:** The sale of the interest in the foreign subsidiary must be reported to the Central Bank.

⁹⁹ 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.

¹⁰⁰ **BAR:** The Barbados Income Tax Act does not provide for taxation of groups on a consolidated basis. The ability to utilise group losses is withdrawn with effect from income year 2015.

¹⁰¹ **CAY:** See note to "Is there a special tax regime for holding companies?". There is no corporate tax in the Cayman Islands.

¹⁰² **CHI:** Chilean entities may not file consolidated returns.

¹⁰³ **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.

¹⁰⁴ **DR:** Qualification as and treatment of holding companies is specified by legislation.

¹⁰⁵ **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.). A private binding ruling regime was enacted at the beginning of 2015 as part of the Peruvian tax reform. A private binding ruling regime was enacted at the beginning of 2015 as part of the Peruvian tax reform. A decree setting out the conditions for submitting a private binding ruling request and providing guidelines for the gradual implementation of the regime was published by the Peruvian tax authorities (SUNAT) in September 2015. Following its enactment, the SUNAT has published a resolution appointing a specific department to evaluate such requests and guidance on its website, including a sample of the application letter to be used.

¹⁰⁶ **DR:** A holding company is only allowed to have investments in other companies.

¹⁰⁷ **URU:** However, companies, other than investment companies, are not permitted to hold participations in excess of their own equity.

¹⁰⁸ **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.

¹⁰⁹ **CR:** Several stamp taxes are payable when capital contributions or returns of capital are made.

¹¹⁰ **DR:** Holding companies, in common with all other companies registered and incorporated under the Dominican Republic's commercial legislation are subject to the payment of a 1% tax on authorised capital.

¹¹¹ **PAN:** Capital contributions are not taxable. Panama does not impose tax on the issue of shares or on corporate capital contributions. There is, however, an annual Notice of Operation Tax that is levied at 2% on the company's net worth. This only applies to companies that perform economic and commercial functions within Panama. An offshore holding company will not be subject to this tax. The minimum tax is USD 100, with a maximum of USD 60,000. Companies located in Panama's Colon Free Trade Zone are subject to a reduced net worth tax rate of 0.5%, subject to a minimum of USD 100 and a maximum of USD 50,000.

¹¹² **PER:** No capital duty but registration fees are payable on the incorporation of a company.

¹¹³ **URU:** No duty is payable on the incorporation of HoldCo, but an annual tax (ICOSA) of approximately USD 520 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.

¹¹⁴ **DR:** The special tax regime is: i) income tax: a holding company's obligation is limited to the filing of the annual income tax return, provided all its income has been subject to withholding by the companies in which it has investments; ii) dividends: not subject to withholding when they are the result of benefits distributed by the holding company to its shareholders and iii) investments in other companies registered in its balance sheet will not be subject to the assets tax.

¹¹⁵ **PAN:** Holding companies are not subject to Panama taxes or tax filing requirements provided no local activities are performed within Panama (i.e., 100% of income must originate from foreign sources). There is a special regime for companies that offer commercial, financial, or other support services to related entities located in other countries, such as a main office. Such companies may apply for a "License of Site Office for a Multinational Corporation". Entities registered under this special regime are exempt from income and dividend taxes on services provided to foreign domiciled entities and from VAT on export services to such entities.

New legislation introduced in 2016 (Law No. 52) requires offshore or holding entities to maintain accounting records reflecting their operations. These accounting records and any supporting documentation should be kept on file in the offices of the legal entity's resident agent, or in any other place as determined by its management. The documentation must be readily available and provided to the Tax Authorities upon request. The law provides for sanctions for offshore entities that do not maintain the required records.

¹¹⁶ **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.

¹¹⁷ **MEX:** As a general rule, 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.

¹¹⁸ **PER:** CFC rules apply to the passive income of non-resident entities owned by resident taxpayers, as long as the latter are subject to tax in Peru on their foreign-source income. There are specific requirements with which a foreign company must comply in order to be treated as a CFC and a list of the passive income that must be reported by the resident taxpayer, including additional formal obligations connected with accounting records.

¹¹⁹ **CR:** Treaties are in effect with Germany and Spain. A treaty has been signed with Mexico but is not yet in force.

¹²⁰ **DR:** Treaties are in force with Canada and Spain.

¹²¹ **PAN:** Panama has signed 17 double tax treaties, of which 15 are in effect: Barbados, Czech Republic, France, Ireland, Israel, Luxembourg, Mexico, Netherlands, Portugal, Qatar, Singapore, South Korea, Spain, United Arab Emirates and United Kingdom. Treaties with Italy and Vietnam are not yet in effect, although the treaty with Vietnam will apply from 1 January 2018. A further three treaties (with Austria, Bahrain and Belgium) have been successfully negotiated but not yet signed. In addition, nine tax information exchange agreements have been signed with Canada, Denmark, Faroe Islands, Finland, Greenland, Iceland, Japan, Norway, Sweden and the United States.

Under legislation released in October 2016, Panama may apply retaliatory measures in the form of increased withholding tax rates on dividends and other remittances abroad (amongst others) to countries that operate discriminatory rates against Panama. A list of applicable countries has yet to be published.

¹²² **PER:** Comprises seven bilateral treaties with Brazil, Canada, Chile, Korea, Mexico, Portugal and Switzerland, and a multilateral agreement with the Andean Community Countries (Bolivia, Colombia and Ecuador).

¹²³ **URU:** Treaties are in force with Argentina, Ecuador, Finland, Germany, Hungary, India, Liechtenstein, Malta, Mexico, Portugal, Romania, South Korea, Spain, Switzerland, United Arab Emirates, United Kingdom and Vietnam.

¹²⁴ **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%.

¹²⁵ **DR:** Reduced from 28% for fiscal year 2015 and subsequent years.

¹²⁶ **PAN:** The 25% is a flat rate applied to net taxable income. An alternative tax, known as CAIR, is imposed on companies whose annual income exceeds USD 1.5 million. This is calculated as 1.17% of gross taxable income. The greater of the two amounts is the tax that must be paid by the company.

¹²⁷ **PER:** Increased from 28% with effect from 1 January 2017.

¹²⁸ **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.

¹²⁹ **DR:** The Dominican Tax Code specifies that the disposal made by the non-resident shareholder will be subject to capital gains tax.

¹³⁰ **MEX:** Under Mexican tax law, foreign taxpayers are subject to income tax in Mexico with respect to revenues derived from sources of wealth located in Mexico. The alienation or transfer of shares has a source of wealth in Mexican territory for the seller when: (i) the person who issued the shares is a Mexican resident (direct transfer) or (ii) when more than 50% of the book value of the shares derives directly or indirectly from real estate in Mexico (indirect transfer). The tax would be 25% on gross proceeds or 30% on the net gain if some requirements are met.

¹³¹ **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. In order to calculate the proportion of the sale attributable to the Panama operation, a special formula is provided within the Tax Code which states that the greater of the following two percentages must be applied to the total sales proceeds before applying the 5% advance withholding tax rate: (1) total Panamanian assets transferred to total assets transferred; or (2) total Panamanian equity to total equity transferred.

If HoldCo does not generate Panamanian source income, no capital gains tax will apply. In addition there are special rules, where no capital gains tax applies, if no gain arises on the transfer.

Additionally, stamp tax applies to any contract or document supporting the transfer that is not subject to local VAT. The tax is assessed at a rate of \$0.10 for every \$100 of value represented by the contract.

¹³² **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% if the shares are listed in Peru and the transaction is carried out in the country, otherwise the rate is 30%. Under certain conditions, tax would also be levied in Peru at 5% or 30% on an indirect disposal of HoldCo shares. Some disposals made through the Peruvian Stock Exchange are exempt.

¹³³ **URU:** In general, the tax charge is 12% on 20% of the sale price. The 25% rate on 30% of the sale price applies when the company is situated in a tax haven jurisdiction. The sale would be exempt if the shares meet certain conditions (e.g. are listed on the stock market and the sale is carried out through a public offer).

¹³⁴ **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.

¹³⁵ **DR:** All cash dividend payments to a resident or non-resident shareholder are subject to a 10% withholding tax.

¹³⁶ **DR:** The 0% rate applies under the treaty with Spain where the Spanish beneficial owner of the dividends holds directly at least 75% of the capital of the payer company.

¹³⁷ **MEX:** Dividends are taxed at the level of the paying company on a grossed up basis at the corporate tax rate of 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. With effect from 1 January 2016, taxpayers with investments in renewable sources of energy may create a special net profit account (CUFIER) and if dividends are not paid from this account, the paying company will also be required to pay tax. Additionally, Mexican legislation provides for a 10% withholding tax on dividends paid in respect of profits generated from 2014. Any distribution derived from investments in renewable sources of energy will be also subject to the additional 10% withholding tax.

¹³⁸ **PAN:** In the case of offshore or holding companies that generate 100% of their income from foreign sources, the dividend tax is not applicable and the withholding tax rate is 0%; in the case of entities that are not holding companies, the following rates apply: 5% on dividends paid out of foreign-source profits and certain exempted profits; 10% on dividends paid out of domestic profits and 20% in the case of bearer shares.

If an entity falls under one of Panama's special tax regimes, special reduced rates or exemption may apply, depending on the regime.

Under legislation released in October 2016, Panama may apply retaliatory measures in the form of increased withholding tax rates on dividends and other remittances abroad (amongst others) to countries that operate discriminatory rates against Panama. A list of applicable countries has yet to be published.

¹³⁹ **PAN:** Where a reduced or 0% withholding tax rate may be payable in accordance with the terms of a double tax treaty, the treaty may require a specific minimum holding period or percentage ownership. The treaty withholding tax rate may be 0%, 4%, 5%, 6%, 7.5%, 10% or 15% depending on the relevant treaty.

If an entity falls under one of Panama's special tax regimes, special reduced rates or exemption may apply, depending on the regime.

Under legislation released in October 2016, Panama may apply retaliatory measures in the form of increased withholding tax rates on dividends and other remittances abroad (amongst others) to countries that operate discriminatory rates against Panama. A list of applicable countries has yet to be published.

¹⁴⁰ **PER:** The 5% rate applies to profits generated from fiscal year 2017 onwards. The rate is 6.8% for profits arising in fiscal years 2015 and 2016 and 4.1% for profits arising in fiscal year 2014 and earlier years.

¹⁴¹ **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.

¹⁴² **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.

¹⁴³ **DR:** Under the thin capitalisation rules, the deductible amount may not exceed the result from multiplying the total amount of all interest accrued in the fiscal period by three times the annual average balance of equity divided by the annual average balance of all of the taxpayer's interest-bearing debt. After applying the annually allowed interest deduction, any excess interest may be carried forward for deduction in the following three fiscal years (subject to the same limitation). Interest payments to non-residents are only deductible when the appropriate withholding provided by the legislation has been applied; 10% for interest payments to local and non-domiciled entities and resident or non-resident individuals.

¹⁴⁴ **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 or the full amount of the interest on loans from foreign related parties may be non-deductible if the thin cap provisions or the back-to-back rules are met. Debts incurred for the construction, operation or maintenance of productive infrastructure linked to strategic areas or for the generation of electricity are excluded. Interest payments made to a foreign controlling or controlled entity may be non-deductible when: i) the recipient is a transparent entity (not applicable where

shareholders or members are subject to income tax and the payment is made on an arm's length basis); ii) the payment is disregarded for tax purposes in the jurisdiction in which the recipient entity is located or iii) the recipient entity does not consider the payment as taxable income.

¹⁴⁵ **PAN:** The interest should be related to the generation and maintenance of Panamanian source income. Interest related to loans used within Panama and paid to foreign entities should be subject to WHT in order to be deductible. There is no thin capitalisation legislation. In the case of transactions between related parties in different countries, interest payments are subject to transfer pricing rules and should be charged at fair market value.

¹⁴⁶ **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.

¹⁴⁷ **CR:** Only if necessary to generate taxable income. The company would have to prove that its normal trade or business is selling stock.

¹⁴⁸ **PAN:** The interest should be related to the generation and maintenance of Panamanian source income.

¹⁴⁹ **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.

¹⁵⁰ **CR:** The general withholding tax rate on interest is 15%. An 8% rate applies to interest in respect of titles or stock registered on an official stock market and a 0% rate to interest paid to 'first rank' approved banks and financial institutions. For interest paid to foreign banks that are part of a Costa Rican group or a financial conglomerate regulated by the National Council of Financial System Supervision, the withholding tax rate is 5.5% for the first year, 9% for the second year, 13% for the third year and 15% for the fourth and subsequent years.

¹⁵¹ **MEX:** The non-treaty rate may be 4.9%, 10%, 21%, 35% or 40%. The 40% rate applies on payments to tax havens, with some exceptions.

¹⁵² **MEX:** The treaty rate depends on the country, the beneficial owner of the interest and, in some cases, the use of the credit.

¹⁵³ **PAN:** Under legislation released in October 2016, Panama may apply retaliatory measures in the form of increased withholding tax rates on dividends and other remittances abroad (amongst others) to countries that operate discriminatory rates against Panama. A list of applicable countries has yet to be published.

¹⁵⁴ **PAN:** The treaty withholding tax rate may be 0%, 5%, 7.5% or 10% depending on the relevant treaty. Under legislation released in October 2016, Panama may apply retaliatory measures in the form of increased withholding tax rates on dividends and other remittances abroad (amongst others) to countries that operate discriminatory rates against Panama. A list of applicable countries has yet to be published.

¹⁵⁵ **PER:** 4.99% if certain specific conditions established in the Income Tax Law are met. 30% if the conditions are not met or where the borrowing is from a related party.

¹⁵⁶ **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/25% rate if the company is situated in a tax haven jurisdiction would not be applicable.

¹⁵⁷ **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/25% rate if the company is situated in a tax haven jurisdiction would not be applicable.

¹⁵⁸ **CR:** Only on the dividend element of the return.

¹⁵⁹ **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.

¹⁶⁰ **PER:** Any amount paid to the shareholder in excess of the nominal value of the shares qualifies as a dividend subject to 5% withholding tax in 2017.

¹⁶¹ **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.

¹⁶² **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.

¹⁶³ **DR:** Dividends paid by a holding company to its shareholders are not subject to withholding. Dividends received by a holding company from a DR incorporated affiliate or subsidiary will be subject to a 10% withholding at source. Dividends received by the DR HoldCo from foreign subsidiaries are subject to income tax with credit for foreign tax paid.

¹⁶⁴ **PAN:** Dividends paid by one Panama company to another are subject to withholding tax at the time of distribution of: 0% in the case of offshore or holding companies (that is, if no local income was generated); but 20% in the case of bearer shares, 5% on dividends paid out of foreign-source profits and certain exempted profits, and 10% on

dividends paid out of domestic profits. Panama's Tax Code states that dividends are not subject to further taxation if a dividend tax has already been paid on such distributions; therefore, the dividend income received is not treated as part of the operational taxable income of the recipient Panama company and no further tax is payable.

¹⁶⁵ **PER:** Dividends received from foreign subsidiaries are treated as foreign source income and subject to the corporate tax rate of 29.5% for 2017 (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 5% withholding tax (rate for 2017).

¹⁶⁶ 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.

¹⁶⁷ **PER:** Any actual dividend distributions by CFCs would not be taxed in Peru to the extent already reported as passive income under the CFC rules by the Peruvian resident HoldCo.

¹⁶⁸ 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.

¹⁶⁹ **PER:** If qualifying as passive income attributable to the HoldCo, the latter would report it in the annual income tax return. The foreign subsidiary would not pay tax locally.

¹⁷⁰ **URU:** Provided it does not obtain any Uruguayan-sourced income.

¹⁷¹ **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.

¹⁷² **PAN:** Capital gains derived from the transfer of bonds, shares and other securities that are economically – directly or indirectly – invested in Panama 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 attributable to the Panama operation, as an advance payment of the capital gains tax. In order to calculate the proportion of the sale applicable to the Panama operation, a special formula is provided within the Tax Code which states that the greater of the following two percentages must be applied to the total sales proceeds before applying the 5% advance withholding tax rate: (1) total Panamanian assets transferred to total assets transferred; or (2) total Panamanian equity to total equity transferred. If HoldCo does not generate Panamanian source income, no capital gains tax will apply. In addition there are special rules, where no capital gains tax applies, if no gain arises on the transfer. It is irrelevant whether the subsidiary is a Panamanian subsidiary or a foreign subsidiary. Additionally, stamp tax applies to any contract or document supporting the transfer that is not subject to local VAT. The tax is assessed at a rate of \$0.10 for every \$100 of value represented by the contract.

¹⁷³ **PER:** Gains on the disposal of foreign participations are treated as foreign source income (separate basket) and subject to the standard 29.5% corporate tax rate for 2017.

¹⁷⁴ **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.

¹⁷⁵ **MEX:** Losses on the disposal of shares only may be offset against profits on the sale of shares or similar assets.

¹⁷⁶ **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.

¹⁷⁷ **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.

¹⁷⁸ 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.

¹⁷⁹ 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.

¹⁸⁰ **PER:** If qualifying as passive income attributable to the HoldCo, the latter would report it in the annual income tax return. The foreign subsidiary would not pay tax locally.

¹⁸¹ **DR:** The legislation does set out the economic group principle, however, the Dominican Republic Tax Administration has never approved joint taxation for groups and every company in a group is taxed separately.

¹⁸² **MEX:** An optional regime for groups of companies has applied since 1 January 2014. Under the regime, groups may net their income tax results to the extent of the participation of the Mexican holding company. Certain requirements must be met and the taxpayer must receive authorisation from the SAT to apply the regime.



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