



## COMPARISON OF LATIN AMERICA AND CARIBBEAN HOLDING COMPANY REGIMES<sup>1</sup>

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 <sup>2</sup>	Bermuda	Brazil	Cayman Islands <sup>3</sup>	Chile	Colombia
<b>Last updated</b>	January 2016	January 2016	January 2016	January 2016	January 2016	January 2016	January 2016
<b>Establishing HoldCo</b>							
<b>Are advanced rulings available?</b>	No	No <sup>4</sup>	N/A	No	No	Yes <sup>5</sup>	No
<b>Are there restrictions on activities?</b>	No	Yes <sup>6</sup>	Yes <sup>7</sup>	No	No	No <sup>8</sup>	No
<b>Are there substance requirements?</b>	Yes	Yes <sup>9</sup>	No <sup>10</sup>	No	No	Yes <sup>11</sup>	No restrictions on shareholding activities <sup>12</sup>
<b>Is capital duty payable?</b>	No in Buenos Aires City; yes in many provinces	No	N/A	No	No <sup>13</sup>	No <sup>14</sup>	0.7% registration tax/0.3% notary duties
<b>Is there a special tax regime for holding companies?</b>	No	Yes <sup>15</sup>	N/A	No	No <sup>16</sup>	Yes <sup>17</sup>	No
<b>Is there CFC or equivalent legislation?</b>	Yes <sup>18</sup>	No	N/A	Yes <sup>19</sup>	No	Yes – effective from 1 January 2016 <sup>20</sup>	No
<b>Number of jurisdictions with active income tax treaties (minimum)</b>	17 <sup>21</sup>	27	9 <sup>22</sup>	32 <sup>23</sup>	0 <sup>24</sup>	26 <sup>25</sup>	9 <sup>26</sup>
<b>What is the corporate tax rate?</b>	35%	0.25% – 2.5% <sup>27</sup>	0% <sup>28</sup>	34% <sup>29</sup>	N/A <sup>30</sup>	24% First Category Income Tax <sup>31</sup>	39% <sup>32</sup>

	Argentina	Barbados	Bermuda	Brazil	Cayman Islands	Chile	Colombia
<b>Last updated</b>	January 2016	January 2016	January 2016	January 2016	January 2016	January 2016	January 2016
<b>General</b>							
<b>Are there exchange controls?</b>	Yes <sup>33</sup>	No <sup>34</sup>	Yes <sup>35</sup>	Yes <sup>36</sup>	No	No <sup>37</sup>	Yes <sup>38</sup>
<b>Tax treatment of disposal of HoldCo</b>							
<b>Is any tax payable in HoldCo country on disposal of HoldCo shares by a nonresident corporate shareholder?</b>	Yes <sup>39</sup>	No <sup>40</sup>	No <sup>41</sup>	Yes <sup>42</sup>	No	Yes <sup>43</sup>	Yes <sup>44</sup>
<b>Tax treatment of payments by HoldCo</b>							
<b>Dividends</b>							
<b>What is the rate of withholding tax on dividends paid to nonresidents?</b>							
– Non-treaty	10% WHT plus 35% dividend equalisation tax <sup>45</sup>	Generally exempt <sup>47</sup>	N/A <sup>48</sup>	0% <sup>49</sup>	N/A <sup>50</sup>	35% <sup>51</sup>	0%/33% <sup>53</sup>
– Treaty	10% – 35% <sup>46</sup>	Generally exempt	N/A	0%	N/A	35% <sup>52</sup>	0%/5% – 10% <sup>54</sup>
<b>Are there restrictions on interest deductibility?</b>	2:1 (limited application)	No	N/A	Yes <sup>55</sup>	No	Yes <sup>56</sup>	Yes <sup>57</sup>
<b>Is interest on loans to acquire subsidiaries deductible against HoldCo's profits?</b>	Loans to acquire foreign subsidiaries – yes; local subsidiaries – controversial	Yes	N/A	Yes <sup>58</sup>	N/A <sup>59</sup>	Yes <sup>60</sup>	Yes <sup>61</sup>

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<b>Last updated</b>	January 2016	January 2016	January 2016	January 2016	January 2016	January 2016	January 2016
<b>What is the rate of withholding tax on interest paid to nonresidents?</b>							
– Non-treaty	15.05%/35% <sup>62</sup>	Exempt <sup>63</sup>	N/A	15% <sup>64</sup>	N/A <sup>65</sup>	4%/35% <sup>66</sup>	14%/33% <sup>68</sup>
– Treaty	0% – 35% (typically 12%)	Exempt	N/A	12.5%/15%	N/A	5%/10%/15% <sup>67</sup>	0%/5% – 10%
<b>Liquidation payments</b>							
<b>Is there any withholding tax on liquidation payments?</b>	10% withholding tax. Also 35% equalisation tax if paid as dividends or profit distribution	No	N/A	Generally no <sup>69</sup>	N/A <sup>70</sup>	No <sup>71</sup>	Yes <sup>72</sup>
<b>Taxation of HoldCo income</b>							
<b>Dividends</b>							
<b>How are dividends taxed?</b>	Local dividends – exempt; foreign dividends – 35%, with credit <sup>73</sup>	Exempt/taxable in full with credit for foreign tax paid <sup>74</sup>	N/A <sup>75</sup>	Domestic dividends – exempt; foreign dividends – subject to CFC provisions <sup>76</sup>	N/A <sup>77</sup>	Local dividends – exempt; foreign dividends – 24% <sup>78</sup>	40% on gross amount with credit for foreign tax <sup>79</sup>
<b>Does the foreign subsidiary have to meet any substance requirements for any exemption in HoldCo jurisdiction to apply?<sup>80</sup></b>	N/A	No	N/A	No	N/A	Yes <sup>81</sup>	N/A <sup>82</sup>
<b>Does the foreign subsidiary have to pay tax in its own jurisdiction for any exemption in HoldCo jurisdiction to apply?<sup>83</sup></b>	N/A	No	N/A	No	N/A	No <sup>84</sup>	N/A

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<b>Last updated</b>	January 2016	January 2016	January 2016	January 2016	January 2016	January 2016	January 2016
<b>Does the foreign subsidiary have to pay tax in its own jurisdiction for any exemption in HoldCo jurisdiction to apply?<sup>85</sup></b>	N/A	No	N/A	No	N/A	No <sup>86</sup>	N/A
<b>What is the required holding period?</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>What is the required percentage ownership?</b>	N/A	10%	N/A	N/A	N/A	N/A	N/A
<b><u>Gains on disposal of participations</u></b>							
<b>How are gains on the sale of a subsidiary taxed?</b>	Taxed as ordinary profits at 35%	N/A <sup>87</sup>	N/A <sup>88</sup>	Taxed at 34% <sup>89</sup>	N/A <sup>90</sup>	Taxed as ordinary profits at 24% and 35% AWIT on proceeds <sup>91</sup>	10%/40% <sup>92</sup>
<b>Are capital losses deductible?</b>	Yes, limited <sup>93</sup>	No	N/A	Depends <sup>94</sup>	N/A <sup>95</sup>	Generally yes <sup>96</sup>	No
<b>Is relief available for the write-down in value of subsidiaries?</b>	No	N/A	N/A	No	N/A <sup>97</sup>	No	No
<b>Does the foreign subsidiary have to meet any substance requirements for any exemption in HoldCo jurisdiction to apply?<sup>98</sup></b>	N/A	No	N/A	N/A	N/A	Yes <sup>99</sup>	N/A <sup>100</sup>



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Last updated	January 2016	January 2016	January 2016	January 2016	January 2016	January 2016	January 2016
Does the foreign subsidiary have to pay tax in its own jurisdiction for any exemption in HoldCo jurisdiction to apply? <sup>101</sup>	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 <sup>102</sup>	N/A	No	N/A <sup>103</sup>	No <sup>104</sup>	No

	Costa Rica	Dominican Republic	Mexico	Panama	Peru	Uruguay
<b>Last updated</b>	January 2016	January 2016	January 2016	January 2016	January 2016	January 2016
<b>Establishing HoldCo</b>						
<b>Are advanced rulings available?</b>	Yes <sup>105</sup>	No <sup>106</sup>	Yes	No	Limited availability to certain applicants only <sup>107</sup>	No
<b>Are there restrictions on activities?</b>	No	Yes <sup>108</sup>	No	No	No	No <sup>109</sup>
<b>Are there substance requirements?</b>	No	No	No	No	No <sup>110</sup>	No
<b>Is capital duty payable?</b>	Stamp taxes <sup>111</sup>	Yes <sup>112</sup>	No	Yes <sup>113</sup>	No <sup>114</sup>	No, but other charges may apply <sup>115</sup>
<b>Is there a special tax regime for holding companies?</b>	No	Yes <sup>116</sup>	No	No <sup>117</sup>	No	No but Uruguay's taxation regime based on the source of income may be beneficial <sup>118</sup>
<b>Is there CFC or equivalent legislation?</b>	No	No	Yes <sup>119</sup>	No	Yes <sup>120</sup>	No
<b>Number of jurisdictions with active income tax treaties (minimum)</b>	1 <sup>121</sup>	2 <sup>122</sup>	55	15 <sup>123</sup>	10 <sup>124</sup>	13 <sup>125</sup>
<b>What is the corporate tax rate?</b>	15% <sup>126</sup>	27% <sup>127</sup>	30%	25%	28% <sup>128</sup>	0% (in this particular situation)
<b>General</b>						
<b>Are there exchange controls?</b>	No	No	No	No	No	No

	Costa Rica	Dominican Republic	Mexico	Panama	Peru	Uruguay
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<b>Tax treatment of disposal of HoldCo</b>						
<b>Is any tax payable in HoldCo country on disposal of HoldCo shares by a nonresident corporate shareholder?</b>	Depends <sup>129</sup>	27% on capital gain <sup>130</sup>	Yes <sup>131</sup>	Yes <sup>132</sup>	Yes - 5% or 30% <sup>133</sup>	12% on 20% of the sale price <sup>134</sup>
<b>Tax treatment of payments by HoldCo</b>						
<b>Dividends</b>						
<b>What is the rate of withholding tax on dividends paid to nonresidents?</b>						
– Non-treaty	5%/15% <sup>135</sup>	10% <sup>136</sup>	10% <sup>138</sup>	0%/5%/10%, 20% <sup>139</sup>	6.8% <sup>141</sup>	0% <sup>142</sup>
– Treaty	5%/15%	0%/10% <sup>137</sup>	0% – 15%	0% – 15% <sup>140</sup>	10% – 15%	0%
<b>Are there restrictions on interest deductibility?</b>	No thin cap rules but some restrictions apply <sup>143</sup>	Yes <sup>144</sup>	Thin cap rules 3:1/restrictions for back-to-back loans/BEPS <sup>145</sup>	No <sup>146</sup>	Yes – 3:1 debt-equity ratio <sup>147</sup>	No
<b>Is interest on loans to acquire subsidiaries deductible against HoldCo's profits?</b>	Depends <sup>148</sup>	No	Yes	No <sup>149</sup>	Possibly, in some circumstances <sup>150</sup>	No

	Costa Rica	Dominican Republic	Mexico	Panama	Peru	Uruguay
<b>Last updated</b>	January 2016	January 2016	January 2016	January 2016	January 2016	January 2016
<b>What is the rate of withholding tax on interest paid to nonresidents?</b>						
– Non-treaty	Varies <sup>151</sup>	10%	Various <sup>152</sup>	12.5%	4.99%/30% <sup>155</sup>	0% <sup>156</sup>
– Treaty	Varies	10%	4.9%/10% – 15% <sup>153</sup>	0% – 10% <sup>154</sup>	15%	0% <sup>157</sup>
<b>Liquidation payments</b>						
<b>Is there any withholding tax on liquidation payments?</b>	Yes <sup>158</sup>	Yes	No	Yes <sup>159</sup>	Possibly, in some circumstances <sup>160</sup>	Foreign participations – no; Uruguayan participations – yes <sup>161</sup>
<b>Taxation of HoldCo income</b>						
<b>Dividends</b>						
<b>How are dividends taxed?</b>	Exempt <sup>162</sup>	Domestic dividends – tax withheld at source; foreign dividends – taxable with credit for foreign tax <sup>163</sup>	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% <sup>164</sup>	Domestic dividends – exempt; foreign dividends – taxable with credit for foreign tax <sup>165</sup>	Exempt
<b>Does the foreign subsidiary have to meet any substance requirements for any exemption in HoldCo jurisdiction to apply?<sup>166</sup></b>	No	No	No	No	CFC rules may apply to effectively tax income received by the subsidiary <sup>167</sup>	No
<b>Does the foreign subsidiary have to pay tax in its own jurisdiction for any exemption in HoldCo jurisdiction to apply?<sup>168</sup></b>	No	No	No	No	Depends on the applicability of CFC rules <sup>169</sup>	No <sup>170</sup>



	Costa Rica	Dominican Republic	Mexico	Panama	Peru	Uruguay
<b>Last updated</b>	January 2016	January 2016	January 2016	January 2016	January 2016	January 2016
<b>What is the required holding period?</b>	N/A	N/A	Local dividends – N/A; foreign dividends – 6 months to obtain the tax credit	N/A	N/A	N/A
<b>What is the required percentage ownership?</b>	N/A	N/A	Local dividends – N/A; foreign dividends – 10% participation to obtain the tax credit	N/A	N/A	N/A
<b><u>Gains on disposal of participations</u></b>						
<b>How are gains on the sale of a subsidiary taxed?</b>	Exempt <sup>171</sup>	27% on capital gains	Taxed as ordinary profits at the corporate tax rate	Taxed at 10% <sup>172</sup>	Taxed as ordinary income at 28% corporate tax rate <sup>173</sup>	Foreign participations – exempt; Uruguayan participations – taxed at 25%
<b>Are capital losses deductible?</b>	No <sup>174</sup>	Only against capital gains	Limited <sup>175</sup>	No	Depends <sup>176</sup>	Foreign participations – no; Uruguayan participations – yes
<b>Is relief available for the write-down in value of subsidiaries?</b>	No	No	No	No	No <sup>177</sup>	No
<b>Does the foreign subsidiary have to meet any substance requirements for any exemption in HoldCo jurisdiction to apply?<sup>178</sup></b>	No	No	No	N/A	CFC rules may apply to effectively tax income received by the subsidiary	No
<b>Does the foreign subsidiary have to pay tax in its own jurisdiction for any exemption in HoldCo jurisdiction to apply?<sup>179</sup></b>	No	No	No	N/A	Depends on the applicability of CFC rules <sup>180</sup>	Foreign participations - no; Uruguayan participations - yes



	Costa Rica	Dominican Republic	Mexico	Panama	Peru	Uruguay
Last updated	January 2016	January 2016	January 2016	January 2016	January 2016	January 2016
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 <sup>181</sup>	Yes <sup>182</sup>	No	No	No

## Notes

<sup>1</sup> 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.

<sup>2</sup> **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).

<sup>3</sup> **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.

<sup>4</sup> **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.

<sup>5</sup> **CHI:** Letter rulings may only be requested in respect of an actual situation and are not required to incorporate a HoldCo.

<sup>6</sup> **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.

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

<sup>8</sup> **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.

<sup>9</sup> **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.

<sup>10</sup> **BER:** There are no specific substance requirements for tax residence in Bermuda other than registration of the company in Bermuda and compliance with the provisions of the Companies Act 1981.

<sup>11</sup> **CHI:** A general anti-avoidance provision (GAAR) which allows the Chilean IRS to apply to the tax court to assess taxes, interest and penalties on operations that are considered abusive or artificial entered into force on 30 September 2015 and applies to transactions executed or concluded on or after that date.

<sup>12</sup> **COL:** Substance requirements may apply for double tax treaty purposes.

<sup>13</sup> **CAY:** See note to "Is there a special tax regime for holding companies?".

<sup>14</sup> **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 540,000). 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.

<sup>15</sup> **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.

<sup>16</sup> **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%.

<sup>17</sup> **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.

<sup>18</sup> **ARG:** Mainly related to subsidiaries in non-cooperative countries and obtaining mainly foreign passive income.

<sup>19</sup> **BRA:** CFC rules are mandatory for 2015 and subsequent years. 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 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: (i) active and passive income, (ii) results abroad; (iii) consolidation schedule, (iv) losses carryforward, (v) corporate structure and (vi) foreign tax schedule.

<sup>20</sup> **CHI:** The 2014 Tax Reform introduced CFC rules for passive income sourced abroad. Under Article 41G of the CITL, 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.

<sup>21</sup> **ARG:** No treaty with the US.

<sup>22</sup> **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.

<sup>23</sup> **BRA:** No treaty with Germany, UK or US.

<sup>24</sup> **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.

<sup>25</sup> **CHI:** Treaties with Argentina, Austria, China (PRC), Italy, Japan, South Africa and the US have been signed but are not yet in force.

<sup>26</sup> **COL:** Nine bilateral treaties are in effect as at 1 January 2016, with Canada, Chile, Czech Republic, India, Korea (ROK), Mexico, Portugal, Spain and Switzerland. Additionally, there is an agreement in place to avoid double taxation and prevent tax evasion between the member countries of the Andean Community of Nations (Bolivia, Colombia, Ecuador and Peru).

<sup>27</sup> **BAR:** These are the rates applicable to IBCs and ISRLs. The regular corporate tax rate is 25%.

<sup>28</sup> **BER:** Bermuda does not impose corporate income tax.

<sup>29</sup> **BRA:** Comprised of IRPJ (15% plus surtax of 10% on amounts exceeding BRL 240,000 per year) and CSLL (9%).

<sup>30</sup> **CAY:** See note to "Is there a special tax regime for holding companies?". There is no corporate tax in the Cayman Islands.

<sup>31</sup> **CHI:** HoldCos other than those under the Article 41D Tax Regime are subject to First Category Income Tax (FCIT) of 24% for business year 2016. The rate of FCIT is scheduled to increase progressively to 25% (fully attributed regime)/25.5% (partially integrated regime) for 2017 and 25% (fully attributed regime)/27% (partially integrated regime) for 2018. (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?".)

<sup>32</sup> **COL:** 25% income tax plus 9% income tax for equality (CREE) and 5% CREE surcharge for 2016. For the financial year 2016, the CREE surcharge will be increased to 6%, giving an effective overall corporate tax rate of 40%. The CREE surcharge rate is to increase further to 8% in FY 2017 and 9% in FY 2018, giving effective overall rates of 42% and 43% in FY 2017 and FY 2018 respectively. From FY 2019, the CREE surcharge will cease to apply, reducing the effective rate to 34%.

<sup>33</sup> **ARG:** Argentina operates a complex foreign exchange control regime. Transfers of funds into and out of the country must be made according to central bank regulations. Restrictions or conditions are imposed on inward and outward investment and on interest and other amounts payable in foreign currency. The foreign exchange rules that required the repatriation (and conversion into pesos) within a specified period of time of foreign currency proceeds disbursed by non-residents with respect to the indebtedness of an Argentine resident have been eliminated. The minimum term of maturity has been reduced from 365 to 120 days and the non-remunerated deposit is also eliminated. However, it is still necessary to bring the funds into the country and sell them on the Argentine exchange market if the Argentine borrower intends to repay the debt and related interest in foreign currency from bank accounts in Argentina. Dividends paid out of profits reported in an audited financial statement may be paid without prior approval. Capital contributions can enter Argentina without restriction but central bank authorization is required for repatriation.

<sup>34</sup> **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.

<sup>35</sup> **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.

<sup>36</sup> **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.

<sup>37</sup> **CHI:** There are no exchange controls but reporting obligations exist.

<sup>38</sup> **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.

<sup>39</sup> **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.

<sup>40</sup> **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.

<sup>41</sup> **BER:** There are no capital gain taxes in Bermuda but the transfer or disposal of shares requires specific permission from the Bermuda Monetary Authority.

<sup>42</sup> **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. Proposals to replace the income tax rates applicable to capital gains with progressive rates varying from 15% to 30% are pending approval by the Brazilian Congress. If approved during 2016, the changes will apply from 1 January 2017.

<sup>43</sup> **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 at 24% for business year 2016 and to 35% additional withholding income tax (AWIT), with the FCIT available as a credit. However, if the shares/interests are held for at least one year and then sold to an unrelated party by a non-customary seller, the gain is subject to a 24% FCIT as a single tax.

One of the main amendments introduced by the Tax Reform regarding the taxation of capital gains on the disposal of shares is the repeal of the FCIT single tax regime. Therefore, as from 1 January 2017, capital gains arising on the disposal of shares/equity rights will be subject to a tax burden of at least 35%. Exemptions exist for gains realised on the disposal of publicly traded shares listed on the stock exchange. Shares acquired prior to 31 January 1984 are exempt from income taxes, provided that parties are unrelated and the transferor is not a customary trader. The indirect transfer of Chilean entities through the sale of an offshore company may be a taxable event provided certain requirements and thresholds are met.

<sup>44</sup> **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.

<sup>45</sup> **ARG:** Dividends and other profit distributions to non-residents and resident individuals are subject to 10% withholding tax. There is also an additional 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. Clarification of the exact application of and interaction between the two taxes is awaited.

<sup>46</sup> **ARG:** Dividends and other profit distributions to non-residents and resident individuals are subject to 10% withholding tax. There is also an additional 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 to the aggregate of the two taxes. Clarification of the exact application of and interaction between the two taxes is awaited.

<sup>47</sup> **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.

<sup>48</sup> **BER:** Bermuda does not impose taxation on dividends.

<sup>49</sup> **BRA:** From calendar year 2015, dividends are determined based on IFRS.

<sup>50</sup> **CAY:** See note to "Is there a special tax regime for holding companies?". Cayman does not impose withholding taxes.

<sup>51</sup> **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, from 1 January 2017 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).

<sup>52</sup> **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, from 1 January 2017 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). However, if the recipient of the distributions is a shareholder/partner resident in a country with whom Chile has a tax treaty the full FCIT will be creditable.

<sup>53</sup> **COL:** Dividends distributed by Colombian companies out of profits that have been taxed at the corporate level are not subject to tax for the partners or shareholders. Dividends paid out of profits that have not been taxed at a company level are taxed at 33%.

<sup>54</sup> **COL:** Treaty withholding rates may be 0% or various different rates between 5% and 10%, or the lower domestic rate may apply.

<sup>55</sup> **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.

<sup>56</sup> **CHI:** As a general rule, interest expense is deductible provided that it is necessary to produce taxable income. As from 1 January 2015, 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.

<sup>57</sup> **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.

<sup>58</sup> **BRA:** Subject to thin capitalisation and transfer pricing limitations in respect of related party loans.

<sup>59</sup> **CAY:** See note to "Is there a special tax regime for holding companies?". There is no corporate tax in the Cayman Islands.

<sup>60</sup> **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

<sup>61</sup> **COL:** Subject to the general 3:1 thin capitalisation rules. Transfer pricing rules and general requirements for deductibility of expenses also apply.

<sup>62</sup> **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.

<sup>63</sup> **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%.

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

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

<sup>66</sup> **CHI:** Interest paid on foreign loans granted to taxpayers domiciled or resident in Chile is subject to a 35% WHT, with no deductions allowed. Under domestic law, 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, thin capitalisation rules must be observed. The Tax Reform amended the thin capitalisation rules so that 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% (or other reduced rate) WHT applied to the relevant interest, commissions or other financial expenses. Additionally, this penalty tax can be deducted as an expense.

<sup>67</sup> **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%, 10% or 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, thin capitalisation rules must be observed. The Tax Reform amended the thin capitalisation rules so that 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% (or other reduced rate) WHT applied to the relevant interest, commissions or other financial expenses. Additionally, this penalty tax can be deducted as an expense.

<sup>68</sup> **COL:** 33% if the loan term does not exceed 12 months; otherwise, the rate is 14%. A 5% rate applies to interest payments in connection with programmes for the development of infrastructure, provided that they meet certain requirements.

<sup>69</sup> **BRA:** No withholding taxes, unless there is a capital gain.

<sup>70</sup> **CAY:** There are no tax consequences of liquidation.

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

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

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

<sup>74</sup> **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.

<sup>75</sup> **BER:** Bermuda does not impose taxation on dividends.

<sup>76</sup> **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 non-controlled 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.

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

<sup>78</sup> **CHI:** Dividends received by a HoldCo from a Chilean entity are not taxable at the HoldCo level. Dividends received from a foreign company are subject to FCIT at 24% for business year 2016. 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.

Under the Tax Reform, from 1 January 2017, taxpayers obliged to determine their effective taxable income through full accounting records must choose between:

i) the fully integrated tax regime – under which companies shall attribute all their taxable income to their ultimate shareholder, who will be 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 will be 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 entered into a tax treaty with Chile. The fully integrated regime is only available to certain taxpayers.

<sup>79</sup> **COL:** 40% rate applies for FY 2016. 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.

<sup>80</sup> 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.

- <sup>81</sup> **CHI:** The Tax Reform introduced a general anti-avoidance rule in the Tax Code, which includes substance requirements. The provisions became effective on 30 September 2015 and apply only to transactions executed or concluded on or after that date.
- <sup>82</sup> **COL:** However, HoldCo must register its investment in the foreign subsidiary with the Central Bank.
- <sup>83</sup> 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.
- <sup>84</sup> **CHI:** Except where CFC rules apply. For details see: Establishing HoldCo: Is there CFC or equivalent legislation?
- <sup>85</sup> 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.
- <sup>86</sup> **CHI:** Except where CFC rules apply. For details see: Establishing HoldCo: Is there CFC or equivalent legislation?
- <sup>87</sup> **BAR:** There are no specific rules on the taxation of capital gains in Barbados.
- <sup>88</sup> **BER:** There are no capital gain taxes in Bermuda.
- <sup>89</sup> **BRA:** Gains on the sale of both domestic and foreign participations are taxable.
- <sup>90</sup> **CAY:** See note to "Is there a special tax regime for holding companies?". There is no income or corporate taxation in the Cayman Islands.
- <sup>91</sup> **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 a dividend are subject to 35% AWIT, with the FCIT available as a credit. However, 24% FCIT as a single tax may apply on the gain provided that the parties are unrelated, the seller has owned the shares for at least a year and the seller is a non-customary trader. Distributions of the proceeds of gain subject to the FCIT as a single tax are non-taxable; however, these profits should be distributed after those subject to full taxation. As from 1 January 2017, the single tax regime will no longer be available.
- <sup>92</sup> **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 25% income tax plus 9% income tax for equality (CREE) plus the CREE surcharge of 6% for FY 2016. A profit on the sale of an asset held for more than two years is deemed a capital gain and taxed at 10%.
- <sup>93</sup> **ARG:** Losses on the disposal of shares can only be offset against profits on the sale of shares.
- <sup>94</sup> **BRA:** Losses on the disposal of interests in Brazilian entities are tax deductible; losses on the disposal of foreign participations are not.
- <sup>95</sup> **CAY:** See note to "Is there a special tax regime for holding companies?". There is no income or corporate taxation in the Cayman Islands.
- <sup>96</sup> **CHI:** Capital losses are deductible provided the disposal of the shares is subject to the ordinary income regime.
- <sup>97</sup> **CAY:** See note to "Is there a special tax regime for holding companies?". There is no corporate tax in the Cayman Islands.
- <sup>98</sup> 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.
- <sup>99</sup> **CHI:** The Tax Reform introduced a general anti-avoidance rule in the Tax Code, which includes substance requirements. The provisions became effective on 30 September 2015 and apply only to transactions executed or concluded on or after that date.
- <sup>100</sup> **COL:** The sale of the interest in the foreign subsidiary must be reported to the Central Bank.
- <sup>101</sup> 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.
- <sup>102</sup> **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.
- <sup>103</sup> **CAY:** See note to "Is there a special tax regime for holding companies?". There is no corporate tax in the Cayman Islands.
- <sup>104</sup> **CHI:** Chilean entities may not file consolidated returns.
- <sup>105</sup> **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.
- <sup>106</sup> **DR:** Qualification as and treatment of holding companies is specified by legislation.



<sup>107</sup> **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.

<sup>108</sup> **DR:** A holding company is only allowed to have investments in other companies.

<sup>109</sup> **URU:** However, companies, other than investment companies, are not permitted to hold participations in excess of their own equity.

<sup>110</sup> **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.

<sup>111</sup> **CR:** Several stamp taxes are payable when capital contributions or returns of capital are made.

<sup>112</sup> **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.

<sup>113</sup> **PAN:** No capital duty is payable where the holding company operates exclusively outside of Panama.

<sup>114</sup> **PER:** No capital duty but registration fees are payable on the incorporation of a company.

<sup>115</sup> **URU:** No duty is payable on the incorporation of HoldCo, but an annual tax (ICOSA) of approximately USD 450 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.

<sup>116</sup> **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.

<sup>117</sup> **PAN:** Holding companies are exempt from paying Panama taxes as long as no local activities are performed within Panama. There is also a special regime for 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.

<sup>118</sup> **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.

<sup>119</sup> **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.

<sup>120</sup> **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.

<sup>121</sup> **CR:** The only tax treaty currently in effect is with Spain. Treaties have also been signed with Germany and Mexico but are not yet in force.

<sup>122</sup> **DR:** Treaties are in force with Canada and Spain.

<sup>123</sup> **PAN:** Panama has signed 16 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. A further four treaties (with Austria, Bahrain, Belgium and Vietnam) 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, Norway, Sweden and the United States.

<sup>124</sup> **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).

<sup>125</sup> **URU:** Treaties are in force with Ecuador, Finland, Germany, Hungary, India, Liechtenstein, Malta, Mexico, Portugal, Romania, South Korea, Spain and Switzerland.

<sup>126</sup> **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%.

<sup>127</sup> **DR:** Reduced from 28% for fiscal year 2015 and subsequent years.

<sup>128</sup> **PER:** Reduced from 30% with effect from 1 January 2015 for 2015 and 2016. The rate is to be further reduced to 27% for 2017 and 2018, and then to 26% for 2019 and subsequent years.

<sup>129</sup> **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.

<sup>130</sup> **DR:** The Dominican Tax Code specifies that the disposal made by the non-resident shareholder will be subject to capital gains tax.

<sup>131</sup> **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.

<sup>132</sup> **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. 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.

<sup>133</sup> **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. From 1 January 2016, some disposals made through the Peruvian Stock Exchange will be exempt; regulations specifying the conditions to qualify for the exemption are awaited.

<sup>134</sup> **URU:** Includes bearer shares from 1 January 2014. 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).

<sup>135</sup> **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.

<sup>136</sup> **DR:** All cash dividend payments to a resident or non-resident shareholder are subject to a 10% withholding tax.

<sup>137</sup> **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.

<sup>138</sup> **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.

<sup>139</sup> **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 certain exempted profits; and 10% on dividends paid out of domestic profits.

<sup>140</sup> **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.

<sup>141</sup> **PER:** The non-treaty rate is 6.8% for 2015 and 2016 (increased from 4.1% in 2014). It will increase to 8% for 2017 and 2018, and then 9.13% for 2019 and subsequent years.

<sup>142</sup> **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.

<sup>143</sup> **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.

<sup>144</sup> **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.

<sup>145</sup> **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 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.

<sup>146</sup> **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.

<sup>147</sup> **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.

<sup>148</sup> **CR:** Only if necessary to generate taxable income. The company would have to prove that its normal trade or business is selling stock.

<sup>149</sup> **PAN:** The interest should be related to the generation and maintenance of Panamanian source income.

<sup>150</sup> **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.

<sup>151</sup> **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.

<sup>152</sup> **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.

<sup>153</sup> **MEX:** The treaty rate depends on the country, the beneficial owner of the interest and, in some cases, the use of the credit.

<sup>154</sup> **PAN:** The treaty withholding tax rate may be 0%, 5%, 7.5% or 10% depending on the relevant treaty.

<sup>155</sup> **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.

<sup>156</sup> **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.

<sup>157</sup> **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.

<sup>158</sup> **CR:** Only on the dividend element of the return.

<sup>159</sup> **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.

<sup>160</sup> **PER:** Any amount paid to the shareholder in excess of the nominal value of the shares qualifies as a dividend subject to 6.8% withholding tax in 2015 and 2016. The rate increases to 8% for 2017 and 2018, and then 9.3% for 2019 and subsequent years.

- <sup>161</sup> **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.
- <sup>162</sup> **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.
- <sup>163</sup> **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.
- <sup>164</sup> **PAN:** Dividends paid by one Panama company to another are subject to withholding tax at the time of distribution of: 0% if no local income was generated (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. 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.
- <sup>165</sup> **PER:** Dividends received from foreign subsidiaries are treated as foreign source income and subject to the corporate tax rate of 28% (there are separate baskets for determining foreign and Peruvian source income). The 28% rate applies for 2015 and 2016. Dividends paid between Peruvian legal entities are not taxed and are not subject to the 6.8% withholding tax (rate for 2015 and 2016).
- <sup>166</sup> 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.
- <sup>167</sup> **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.
- <sup>168</sup> 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.
- <sup>169</sup> **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.
- <sup>170</sup> **URU:** Provided it does not obtain any Uruguayan-sourced income.
- <sup>171</sup> **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.
- <sup>172</sup> **PAN:** Capital gains derived from the transfer of bonds, shares and other securities economically 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 that pertains to the Panama operation, which is an advance payment of the capital gains tax. Note that under Panama's territorial system of taxation, if a Panamanian HoldCo disposes of shares in a subsidiary, any gains on the sale of that subsidiary will be taxed at 10% in Panama only where the subsidiary has invested in Panama or generated Panamanian-source income. It is irrelevant whether the subsidiary is a Panamanian subsidiary or a foreign subsidiary.
- <sup>173</sup> **PER:** Gains on the disposal of foreign participations are treated as foreign source income (separate basket) and subject to the standard 28% corporate tax rate for 2015 and 2016.
- <sup>174</sup> **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.
- <sup>175</sup> **MEX:** Losses on the disposal of shares only may be offset against profits on the sale of shares or similar assets.
- <sup>176</sup> **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.
- <sup>177</sup> **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.
- <sup>178</sup> 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.
- <sup>179</sup> 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.
- <sup>180</sup> **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.
- <sup>181</sup> **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.

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<sup>182</sup> **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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