



## International tax

# Bolivia Highlights 2013

### Investment basics:

**Currency** – Bolivian Boliviano (BOB)

**Foreign exchange control** – There are no restrictions on foreign currency exchange, and commercial operations are carried out in Bolivianos and US dollars.

**Accounting principles/financial statements** – Bolivian GAAP

**Principal business entities** – These are the joint stock company, limited liability company, partnership, co-operative and branch of a foreign company.

### Corporate taxation:

**Residence** – Bolivia does have a definition of the concept of residence.

**Basis** – Bolivia operates a territorial system. All legal entities in Bolivia, whether domestic or foreign, are subject to tax on Bolivian-source income.

**Taxable income** – Businesses are subject to corporate income tax on income derived from business activities carried out in Bolivia. Taxable income is comprised of gross business income less deductible expenses (i.e. expenses that are necessary for the carrying on of the business). Certain income, such as foreign-source income and dividends, is exempt.

**Taxation of dividends** – Dividends distributed between domestic companies are not subject to income tax at the level of the recipient nor are they subject to withholding tax. Since Bolivia operates a territorial system, dividends received from a foreign corporation are not subject to tax.

**Capital gains** – Certain capital gains, such as gains derived from the sale of fixed assets, immovable property and securities are included in gross income and are subject to the normal corporate income tax. Gains derived from the sale of securities listed on a recognized stock exchange, however, are exempt.

**Losses** – Losses may be carried forward for 3 years. The carryback of losses is not permitted.

**Rate** – 25%

**Surtax** – A 12.5% surtax is applied to mining companies and when the sales price has exceeded established limits and for banking companies.

**Alternative minimum tax** – No

**Foreign tax credit** – No

**Participation exemption** – No

**Holding company regime** – No

**Incentives** – Certain regions (Oruro, Potosi, El Alto and Cobija) grant special incentives for new industries.

### Withholding tax:

**Dividends** – Dividends paid to a nonresident are subject to a 25% withholding tax levied on 50% of the gross dividend, resulting in an effective rate of 12.5%.

**Interest** – Interest paid to a nonresident is subject to a 25% withholding tax levied on 50% of the gross amount, resulting in an effective rate of 12.5%.

**Royalties** – Royalties paid to a nonresident are subject to a 25% withholding tax levied on 50% of the gross amount, resulting in an effective rate of 12.5%.

**Technical service fees** – Technical service fees paid to a nonresident are subject to a 25% withholding tax levied on 50% of the gross amount, resulting in an effective rate of 12.5%.

**Branch remittance tax** – Bolivia levies a withholding tax of 25% on 50% of the Bolivian-source profits of a Bolivian branch upon a distribution to the foreign head office, resulting in an effective tax rate of 12.5%. The tax may be deferred if the branch reinvests the profits.

### Other taxes on corporations:

**Capital duty** – No

**Payroll tax** – No

**Real property tax** – A municipal tax is levied annually on the cadastral value of real property. The rates, which are progressive, are set by the local government.

**Social security** – Both the employer and the employee are required to contribute to the social security system. Contributions are calculated using the employee's income as a basis. The employer must contribute 14.71% (16.71% for mining companies) and the employee contribution varies between 12.71% and 28.71%. The employer also must contribute 2% to the National Housing Fund.

**Stamp duty** – No

**Transfer tax** – The owner of immovable property is required to pay a transfer tax at a rate of 3% of the higher of the consideration paid for the property sold or the officially appraised value.

**Other** – Companies engaging in mining activities are subject to a maximum mining royalty of 7%. The rate is variable and depends on the type of mineral. Companies engaged in the exploitation of hydrocarbons are subject to a combined 18% royalty and 32% tax.

### Anti-avoidance rules:

**Transfer pricing** – There are no transfer pricing rules, but transactions between related parties must be on arm's length terms.

**Thin capitalization** – Although Bolivia does not have specific thin capitalization rules, interest paid to members or shareholders must not exceed Libor plus 3% for loans granted abroad or the domestic banking lending rate for domestic loans. In both cases, interest exceeding 30% of interest that would be paid to a third party is non-deductible for income tax purposes.

**Controlled foreign companies** – No

**Disclosure requirements** – No

### Administration and compliance:

**Tax year** – The tax year is usually the calendar year, although mining companies operate from 1 October through 30 September, manufacturing and oil companies from 1 April through 31 March and

agricultural companies from 1 July through 30 June.

**Consolidated returns** – The filing of a consolidated return is not permitted; each company in a group is taxed separately.

**Filing requirements** – The annual tax return must be filed within 120 calendar days following the end of the tax year and any tax liability must be paid at that time.

**Penalties** – Interest is levied for late payment of tax, calculated on a daily basis (compound interest) and a fine of up to 100% of the omitted tax can be imposed.

**Rulings** – No

### Personal taxation:

**Basis** – Individuals are subject to tax on Bolivia-source income unless the income is specifically exempt. Individuals operating a business or exercising a profession are subject to the corporate income tax rules.

**Residence** – Bolivia does not define the concept of residence.

**Filing status** – Joint returns are not permitted; spouses are taxed separately.

**Taxable income** – Taxable income is comprised of employment income, business income and investment income.

**Capital gains** – Capital gains are taxable as corporate income tax for individuals exercising a profession or business or individual income tax for other individuals.

**Deductions and allowances** – Up to 50% of tax due may be deducted, with a credit for

the 13% VAT included in invoices issued to the taxpayer for purchases of goods and services.

**Rates** – The rate is 12.5% for individuals exercising a profession or engaged in business activities, and 13% for all other taxpayers.

### Other taxes on individuals:

**Capital duty** – No

**Stamp duty** – No

**Capital acquisitions tax** – No

**Real property tax** – A municipal tax is levied annually on the cadastral value of real property. The rates, which are progressive, are set by the local government. The owner of immovable property is required to pay transfer tax at a rate of 3% of the higher of the consideration paid for the property sold or the officially appraised value.

**Inheritance/estate tax** – Tax is levied on transfers of real assets, shares and recordable rights. The rate is variable (1% to 20%) and is defined on the basis lineage.

**Net wealth/net worth tax** – No

**Social security** – The employee contributes between 12.71% and 18.71% to the pension fund and 16.71% for social security.

### Administration and compliance:

**Tax year** – Calendar year

**Filing and payment** – Employment income is taxed by withholding. Individuals with other

sources of income must file a tax return by 30 April following the end of the tax year.

**Penalties** – Interest is levied for late payment of tax, calculated on a daily basis (compound interest) and a fine of up to 100% of the omitted tax can be imposed.

### Value added tax:

**Taxable transactions** – VAT is imposed on the supply of goods and services and on imports.

**Rates** – The standard rate is 13%. Exports are not taxed.

**Registration** – Registration with the National Taxes Service is required.

**Filing and payment** – The tax form, which is prepared monthly, must be submitted and VAT paid in the month following that in which the tax was determined. The last digit of the tax identification number (NIT) determines the due date.

**Source of tax law:** Law 843

**Tax treaties:** Bolivia has concluded 9 tax treaties.

**Tax authorities:** National Tax Service (*Servicio de Impuestos Nacionales*)

**International organizations:** Andean Community and Mercosur

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