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Doing Business in Bolivia

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MSI's guide on Doing Business in Bolivia provides current information about the financial, regulatory and legal considerations that could affect business dealings within Bolivia. For further assistance, please contact our MSI member firm in Bolivia.

Country overview

Population

Bolivia has an estimated population of 11,75 million inhabitants, with a population density of 11 inhabitants per Km².

Government

Politics of Bolivia takes place in a framework of a presidential representative democratic republic, whereby the president is head of state, head of government and head of a diverse multi-party system. The government exercises executive power. Legislative power is vested in both the government and the two chambers of parliament. Both the Judiciary and the electoral branch are independent of the executive and the legislature.

The country is divided in 9 departments, which are divided in provinces and municipalities. A governor, elected democratically in elections, administers each department. In the same way, mayors are democratically elected and are in charge of the administration of each one of the 327 existing municipal governments.

Languages

Bolivia is a multilingual country where Spanish is the predominant language. A variety of indigenous languages is also spoken, such as Quechua, Aymara and Guaraní.

Currency

The official currency of Bolivia is the "boliviano" (BOB).

Economic summary

GDP: USD34.418 million
Income per capita: USD2.909
Inflation: 1,2%

Main sectors of the economy

Primary activities (13,5% of GDP). Most important activities are related to agriculture and gas production.

Bolivia has one of the largest natural gas reserves in Latin America. It also stands out in the production of other mining-oil goods such

as tin (fourth world producer), antimony, lead, silver, zinc and gold.

In primary activities, Bolivia has a large agro-industry with several sectors of great importance to the Bolivian economy that employs around 5% of the country's labor force. Livestock and the production of soy, sugar, rice, chestnuts, cotton, sesame, wheat, coca leaf, banana, cassava and quinoa stand out.

Secondary activities (38,6% of GDP).

Industrial production is a key component of Bolivia's economy, mainly concentrated in Santa Cruz, Cochabamba and La Paz.

Bolivia is a country with little industrialization and its production is mainly artisanal. Its productivity is not high and there is a lot of informality. Even so, it is very important due to its participation in the country's GDP.

In the secondary sector of Bolivia, the small and medium light industries stand out. The most developed industries in Bolivia are manufacturing, sugar refining, leather and leather goods, tobacco, cement, beer, dairy, textiles, chemicals, glass, jewelry, explosives, and paper.

Tertiary activities (53,2% of GDP). In the tertiary sector of Bolivia, activities such as tourism, finance, health, education, commerce, restaurants, shopping centers, transportation, telecommunications, and entertainment stand out. This sector employs 67% of the country's workforce.

In Bolivia, tourism continues to grow reaching more than 1.7 million visitors per year who marvel between the peaks of the Andes and the tropical forests in the Amazon.

Another important sector of these activities is telecommunications. Bolivia has 850 thousand fixed telephone lines and 7 million mobile telephone subscribers. In addition, it has 4,1 million Internet users.

EU country/ Non-EU and its impact on businesses and investors

Economic relations between Bolivia and the EU have increased in recent years. Europe is

the most important investor in Bolivia and the presence of the EU Delegation seeks to create conditions that allow the country to take advantage of the benefits of fluid trade with Europe.

In this regard, the EU and Bolivia maintain regular contacts to improve institutional and legal frameworks that favour trade and foreign investment.

Trade relations between the EU and Bolivia are governed under the Generalized System of Preferences Plus (GSP+), which allows Bolivia duty-free access to the European market for several products.

As a result, trade exchange between Bolivia and the EU reached €932 million in 2020. In addition, this system gives Bolivia the opportunity to diversify its exports, mainly based on raw materials, towards other products with higher benefit.

37% of Bolivia's exports to the EU are mineral (73% zinc), 20% are vegetable products (Brazil nut and quinoa mainly) and 17% are gold jewellery. 50% of imports from the EU are machinery and transport equipment.

Setting up a business

To give life to your business project you must familiarize yourself with all the legal aspects involved in creating a company in Bolivia.

Setting up your business in Bolivia is a great alternative. In the first place, the great diversity of its culture, the tourist flow of many of its cities and places, in addition to the fact that the cities of Santa Cruz, Cochabamba and La Paz, are the economic engine of the country.

Any foreign person, whether natural or legal, has the option of creating a company as a foreigner in Bolivia.

If you are not in Bolivia, you must grant a mandate by public deed to a person whose residence is in Bolivia, for representation before the corresponding instances.

On the other hand, if you live in the country, you must process at least the NIT before

National Taxes. To do this, you must go to the National Tax office that is closest to your Domicile.

Legal types of business entities

1. Sole Proprietorships
2. Collective society
3. Limited Partnership
4. Limited Liability Partnership
5. Corporation
6. Joint venture
7. Mixed economy companies (with participation of the Bolivia Government

The types of companies most frequently used in Bolivia are Sole Proprietorships, Limited Liability Partnerships ("S.R.L.") and Corporations ("S.A."). For foreign investment, the most frequently used investment vehicles are S.R.L. and S.A. Both types of companies have specific advantages and disadvantages, in terms of the time required for incorporation, ease of transfer of property titles and shares, corporate obligations and internal structure.

Accounting and auditing in Bolivia

The financial reporting framework in Bolivia is established under the Law 3911 of 1957 and the Code of Commerce of 1977. The Code of Commerce contains basic requirements for financial reporting for all companies in Bolivia, including requirements for the preparation of financial statements.

The Law 2495 of 2003 empowers the Authority for Fiscal and Social Control of Businesses (AEMP), an entity within the Ministry of Finance, to set Bolivian Generally Accepted Accounting Principles (Bolivian GAAP) and auditing standards for all companies. In Bolivia, all legally established companies are required to present auditing and financial statements to the tax office annually.

The AEMP has delegated its standard-setting responsibility to the National Technical Board of Auditors and Accountants (CTNAC) of the Colegio de Auditores o Contadores Públicos de Bolivia. However, the AEMP must ultimately approve and issue the standards through an official Administrative Resolution. In 2012, the CTNAC adopted IFRS and IFRS for Small- and Medium-sized Entities (SMEs) as issued by the IASB through the Resolution 002/2012 and, in 2015, ISA as issued by the IAASB by the Resolution 001/2015 in the absence of any other national technical pronouncements from the AEMP. In 2021, the AEMP, through Administrative Resolution AEMP No. 009/2021, approved the CTNAC standards. In addition, the AEMP resolution stated that the technical pronouncements issued by the International Federation of

Accounting (IFAC) must be adopted in the absence of any national technical pronouncements or local regulations on a given matter (e.g., accounting, auditing, ethics, education, administration and finance, public sector).

Lastly, to comply with the requirements of the AEMP, regulated companies are under the legal obligation to comply with any additional financial reporting requirements issued by the Supervisory Authority of the Financial System and the Supervisory Authority of Pensions and Insurance.

Economic and fiscal incentives

Law No. 516 "Investment Promotion Law" regulating foreign investment, establishes the following parameters:

An investment is considered foreign when the company or the investor has been abroad for no less than two years.

Investments may be made through commercial companies; public enterprises; mixed capital companies where the State has a majority shareholding; contracts or other joint investment instruments and must be subject to the constitutional precepts and current trade or related regulations.

Investment contributions may be made through freely convertible national or foreign currency, movable or immovable property, reinvested profits, intellectual property rights, technological contributions, and rights over intangible assets, acquisition of shares – registered or listed on the Bolivian Stock Exchange – of companies that operate in the country, industrial plants, new or reconditioned machinery or equipment, spare parts, raw material and intermediate products among others.

If the investments are made in strategic sectors (hydrocarbons, mining, tourism, textiles, agro-industry and others considered in the economic and social development planning of the country), they will be preferential and will have fiscal or financial incentives of 1 to 20 years, upon request to the Ministry of Development Planning, attaching the identification and justification study, which includes the indicators and its economic effects in the country.

Taxation

Taxes in Bolivia include rates, special contributions and municipal licenses that are deducted at various rates depending on the financial and economic activity of the entity.

Taxes in Bolivia are deducted according to the economic activities carried out by natural person companies. These contributions can

be of a municipal nature (payment of the operating license to operate) or those taxes established by the National Tax Service such as the Business Income Tax (IUE), which is paid for the profits of a company generated during each fiscal year.

The money collected in Bolivia has as its source all those economic activities carried out in the country by commercial or individual companies. These Government resources are used to develop wellness programs to improve the quality of life of citizens and support the growth of the economy.

Corporate Tax in Bolivia

The corporate tax operates on the taxable income of a company. Companies have to comply with the corporate income tax that is extracted from commercial activities carried out in Bolivian territory. Taxable income comprises the gross income of the business less deductible expenses (that is, expenses necessary for the development of the business). Certain income, such as foreign source income and dividends, are exempt.

Value added tax (VAT)

The value added tax (VAT) in Bolivia stands at a low fraction of 13%. VAT is an additional value added to goods and services as part of the transformation production process.

Companies that need to pay their VAT must use Form 200 v3, Form 210 for exporters requesting a refund of the tax and form 1000 of the payroll. This tax is paid monthly according to expiration date, considering the last digit of the company's tax identity number (known locally as NIT).

Transactions tax (TT)

A tax that applies to any type of person who has income. Tax is 3% of all gross income, that is, income without any discount. The IT transaction tax can be offset by the annual IUE tax (Income Tax).

Income tax

The corporate income tax (IUE) refers to the distribution of business profits. Public and private companies, including sales companies, are subject to a 25% net profit distribution to employees. This tax is paid annually.

Fiscal benefits

Additionally, there may be tax benefits in Bolivia for local and foreign companies. They can receive tax breaks and other benefits if they invest in new companies or in the production of non-traditional exports. Non-resident parent companies are expected to pay a 12.5% tax on income and net dividends.

Other points to keep in mind

The hydrocarbon industry pays an additional 18%, which is a 50% decrease, in the royalty and tax rate for new projects and a 60%

decrease in the royalty and tax rate for existing projects. This is established in the Hydrocarbons Law under article 9 of the World Trade Organization (WTO).

Registration procedures

Private persons and companies are registered with the tax authorities and are given a fiscal registration numbers. Communication with the tax authorities by way of tax returns and tax assessments is largely done in an electronic way.

HR/ Labour Law

Employment law

Labour General Law of 1942 regulates labor relationships. Relationships between employers and employees are complex, and Bolivia's regulations are regularly updated so companies can adapt to modern labour conditions.

The Ministry of Labour regulates a labour relationship as the entity that controls all Bolivia's labor laws be accomplished for employers and employees. Some of the most important aspects to take into account in labor law are:

- In 2021, National Minimum Wage is USD 310.
- There are 13 salaries to be paid in a year (12 salaries + Christmas bonus)
- Standard working hours are 8 per day
- An employee is entitled to 15 days' vacation each year.

Types of labour relationships in Bolivia

In Bolivia, labour contracts can be both oral and written. According to Bolivia's labor laws, a labor relationship contains the following requirements:

- Provision of service on a specific schedule
- Subordination and dependency
- Receiving a remuneration (salary).

If these three conditions are fulfilled, it will be automatically considered as labor relationship.

Social security

In Bolivia, the Social Security Rate is a tax related with labour income charged to both companies and employees. Revenues from the Social Security Rate are an important source of income for the government of Bolivia because they help to pay for many social programs including welfare, health care and many other benefits.

The Social Security Rate for Employees in Bolivia stands at 12.71 percent.

Pension

Regulatory Framework: The first law is from 1949 (social insurance).

Current laws: Since the first law, changes were introduced (social security), implemented in 1959; 2007 (universal pension), implemented in 2008; 2010 (integrated pensions system); 2011 (social security regulations); 2012 (persons with disabilities); 2013 (disability solidarity grant); and 2013 (increases in universal and solidarity pension).

The current type of program is a universal and mandatory individual account system.

In 1997, all active members of the old social insurance program were transferred to the mandatory individual account program.

The coverage is universal for resident citizens of Bolivia.

Exclusions are for the public-sector employees (for the disability solidarity grant). It is mandatory to have individual accounts for employed persons, including military personnel, and apprentices.

In addition, there is a voluntary coverage for self-employed persons.

Despite being one of the least developed countries in South America, Bolivia's pension coverage is one of the highest in the region. This achievement is a result of the implementation of a universal social pension (the Renta Dignidad, or "Dignity Pension") in 2008 that guarantees a basic pension to all older people over the age of 60. Funded mainly with income from taxes on hydrocarbons, the budget for the programme is around one per cent of the country's GDP (2012). This makes it one of the most significant transfers in the region in terms of expenditure, more so even than conditional cash transfer programmes in other countries.

Payroll

When starting a business and employing staff, the company must register with the Ministry of Labour. Wage tax and social security is paid monthly to the short-term and long-term security authorities. The process of registration takes several weeks.

However, staff can be employed even if registration is not complete.

Visa and work permits

However, investors and executives may use fixed purpose and business visas, employees who plan to work in-country must obtain a residence and work visa.

Employees working in Bolivia for a short time may apply for transitory residence or work visas, which are valid for 30 to 180 days.

Longer stays require a temporary residence visa, which lasts for one to three years. After living in-country for three years, employees may apply for permanent residence.

The cost of each visa increases with the duration of the employee's stay.

Requirements to Obtain Bolivia Work Visas

To apply for a temporary residence or work visa, candidates must file the following documents with the Bolivian Consulate in their home country:

- A completed and signed application.
- Their passport with at least six months of validity.
- Proof of a yellow fever vaccination if their workplace is in a high-risk area.
- Documents that prove employment, such as an invitation from the company and other supporting documents.
- Police record issued through INTERPOL and criminal and police records from their last country of residence.
- A medical certificate.
- A passport photograph.
- Any other supporting documents the consulate requests.

Application Process

Once an applicant files the above documents with the consulate, the entire process of obtaining the necessary visas could take another one to five months. The employee cannot start working in Bolivia until they have the appropriate visa.

Some employees choose to enter the country with a temporary residence visa and change their status later through an attorney. To do so, the attorney must work with the Department of Immigration to collect the proper documents on the employee's behalf.

Other Important Considerations

The Immigration Office can sanction employees who work without a visa or perform work after their visa expires. If your company does not submit an employment contract to the Ministry of Labour for timely approval, you could be subject to sanctions.

Some international workers must have an international identity card for actions like opening a bank account. Only some visas allow global employees to obtain these documents.

Bolivian nationals must make up at least 85 percent of your in-country staff. If more than 15 percent of your employees are from other countries, the Ministry of Labour may sanction your company.

Contact us

The information provided in this guide cannot be exhaustive and we recommend anyone considering doing business in Bolivia should seek professional advice from our member firms before making any business or investment decision.

Contact our member firm in Bolivia to discuss your requirements:

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