

Ernst & Young

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About Ernst & Young

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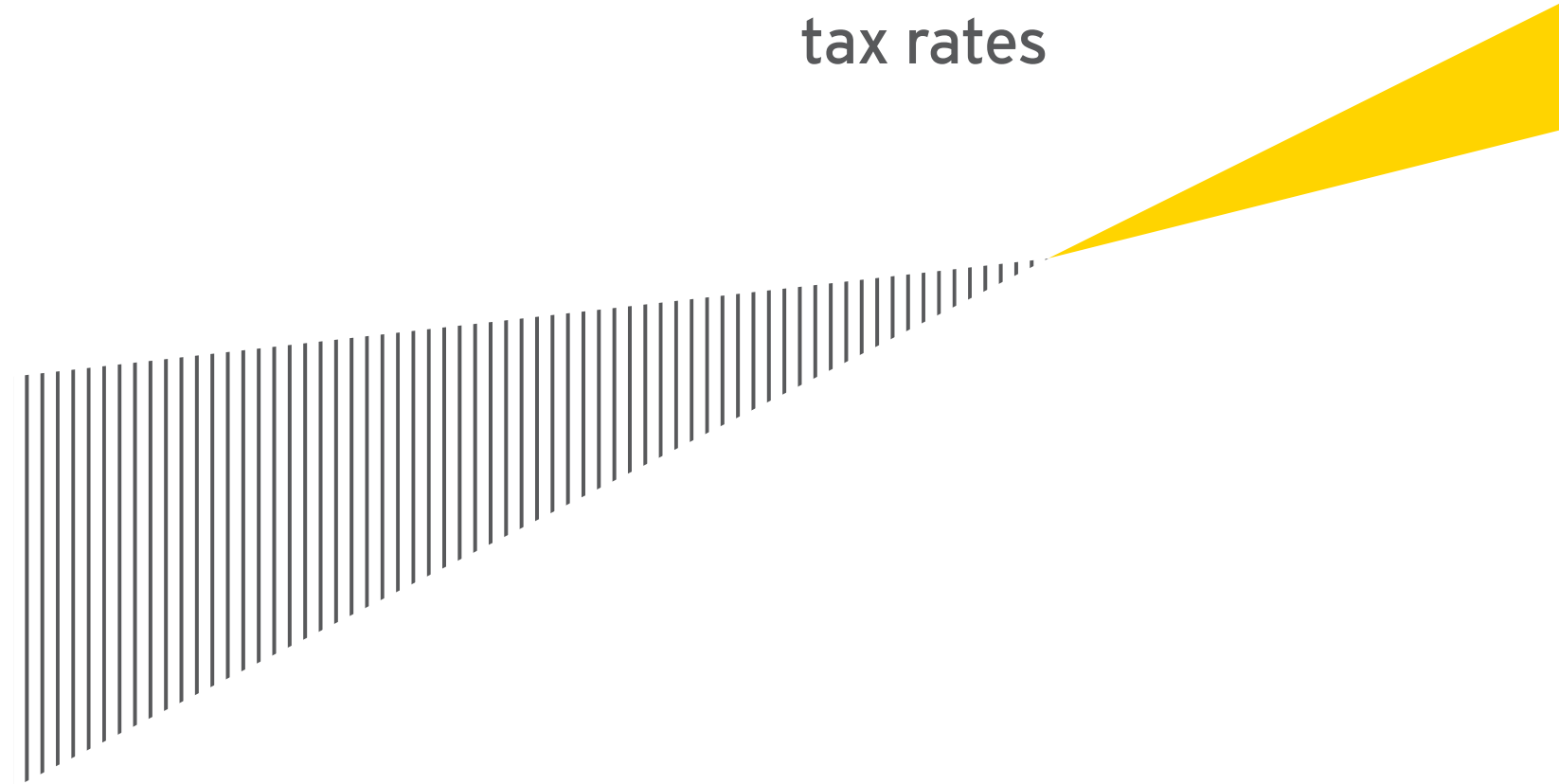
About Ernst & Young's International Tax Services

In the current challenging environment, executives are looking to align their global tax position with their overall business strategy to maintain competitive advantage and provide value to shareholders. We help you manage your tax requirements by leveraging our integrated global network of dedicated international tax professionals – working together to uncover opportunities, manage global tax risks, meet cross-border reporting obligations and deal with transfer pricing issues.

Multidisciplinary teams help you assess your tax strategies and exposures, assisting with international tax issues, from forward planning, through reporting, to maintaining effective relationships with the tax authorities. Our talented people draw on their global insights and perspectives to help you build proactive and integrated global tax strategies that address the tax risks of today's businesses and help achieve sustainable growth. It's how Ernst & Young makes a difference.

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2011 Latin America comparative corporate tax rates



Country	Corporate income tax [1]	Alternative minimum tax	Employee profit sharing	Withholding tax on dividends	Withholding tax on interest	Withholding tax on royalties
Argentina	35%	0.2% or 1.0%	None	None	15.05% or 35.00%	21.0%, 28.0% or 31.5%
Bolivia	25%	None	Lesser of one month's salary or 25% of annual net profit	12.50%	12.50%	12.50%
Brazil	34% (25% income tax rate plus 9% social contribution)	None	None	None	15% or 25%	15% or 25%
Chile	20.0% (18.5% for 2012)	None	30% of net income or 25% of salary	35.0%; effective tax rate 21.7%	4% or 35%	15% or 30%
Colombia	33%	4.8% on tax net equity	None	0%, 20% or 33%	0% or 33%	19.8%, 26.4%, 33.0%
Ecuador	25%	0.0015% at a municipal level	15%	0%–10%	25%	25%
Mexico	30%, 29% during 2013 and 28% during 2014	None	10%	None	4.9%, 10%, 15%, 21%, 30% or 40% depending on status of beneficial owner	5%, 25%, 30% or 40% depending on the type of asset
Paraguay	10%	None	None	5%	6%	15% or 30%
Peru	30%	0.40%	5%, 8% or 10% depending on industry or activity	4.10%	4.99% or 30%	30%
Uruguay	25%	1.50%	7%	7%	0%, 12%	12%
Venezuela	34%	None	15% subject to a cap of four monthly salaries	34%	4.95% or 32.30%	30.60%

[1] Unless otherwise noted, this rate applies to both corporations and branches.

[2] Unless otherwise noted, unused net operation losses (NOLs) are not adjusted for inflation.

[3] NOLs may be used to offset a maximum of 30% of each year's taxable income.

[4] The 18%–19% ICMS rate is applicable on intrastate transactions. The rate for interstate transactions varies from 7%–12%. ICMS is also applicable on imports at the rate of 18%–25%. IPI rates vary according to the essentiality of the goods.

Withholding tax on services	Withholding tax on operating leases	Loss carryforward [2]	VAT or sales tax	Capital gains tax on sale of shares by non-residents	Other relevant taxes
0.0%, 21.0%, 28.0% or 31.5%	14% or 21%	Five years	21% VAT (general rate); other rates: 10.5%–27%	None	Tax on gross receipts (various rates); tax on financial transactions: 0.6%; export duties (various rates); stamp taxes (various rates)
12.50%	12.5% or 13.0%	Indefinite, adjusted for inflation	13%	25%. Capital gain exempt if shares are quoted in stock exchange	3% transactions tax on gross receipts; 0.15% financial transactions tax
15% or 25%	0%, 15% or 25%	Indefinite [3]	ICMS at 18%–9% (depending on the state) 10–15%. IPI [4]	15% or 25%	IOF; PIS/COFINS; ISS [5]
35% or 15%	1.75% effective [6]	Indefinite, adjusted for inflation	19%	35%, 17% or 0%	Stamp duty on financing transactions (cap of 0.6%)
0%, 10% or 33%	0% or 33%	Unlimited time period - possibility to make voluntary adjustments [7]	16% general applicable rate (various rates for specific products)	33%	Stamp tax reduced to 0% from 2010; 0.4% financial transaction tax; 0.414%–1.380% gross revenue tax at a municipal level
25%	0% or 25%	Five years	0% or 12%	None	2% currency exportation tax (calculated over the total amount of the values transferred abroad)
25 or 40%	5%, 25% or 40%	10 years	16% (general rate); other rates 0% or 11%	25% gross basis or 30% net basis; 40% shares traded in the stock exchange are exempt provided certain requirements	17.5% flat rate business tax, which is paid if it exceeds the income tax liability; flat rate business tax is generally not creditable against income tax
15% or 30%	6%	None	10%	15%	None
15% or 30%	30% of gross income	Two methods: (i) Four years carrying forward period; or, (ii) carried forward indefinitely (only to offset against 50% on net income each year)	19%	5% when the sale is within the Peruvian stock exchange, otherwise the the rate is 30%; (tax basis may be deducted (with prior approval from tax authority))	0.05% tax on financial transactions for year 2010
12%	12%	Five years	22% or 10% VAT reduced rate on some essential consumer goods	12% applicable on a 20% of sale price	None
10.2% or 17.0%	5%	Three years; one year for losses arising from inflation adjustments	12% VAT	1% if traded in the Venezuela tax exchange, otherwise 15% to 34%	Municipal taxes based on gross income or sales; rates vary from 0.5% to 10.0%

[5] IOF rates range from 0%–25%. PIS and COFINS are taxed applicable on: (i) a Brazilian company gross revenues at either 9.25% or 3.65% combined rate; and (ii) on the importation of goods and services at a 9.25% combined rate. ISS is a municipal tax on services, generally applicable by each Municipality at rates varying from 2%–5%.

[6] The effective rate is determined applying a 35% rate to 5% of the gross income derived from the leasing activities if certain conditions are met. Otherwise the rate is 35%.

[7] NOLs incurred prior to 2003 may be carried forward five years. NOLs from 2003–2006 may be carried forward for eight years, but only 25% of accumulated post-2006 tax year may be carried for an unlimited time period. In addition, the amount of tax losses available for offset each year against taxable income is not limited.