

# FOREIGN INVESTMENTS IN BOLIVIA.

## INVEST IN BOLIVIA.

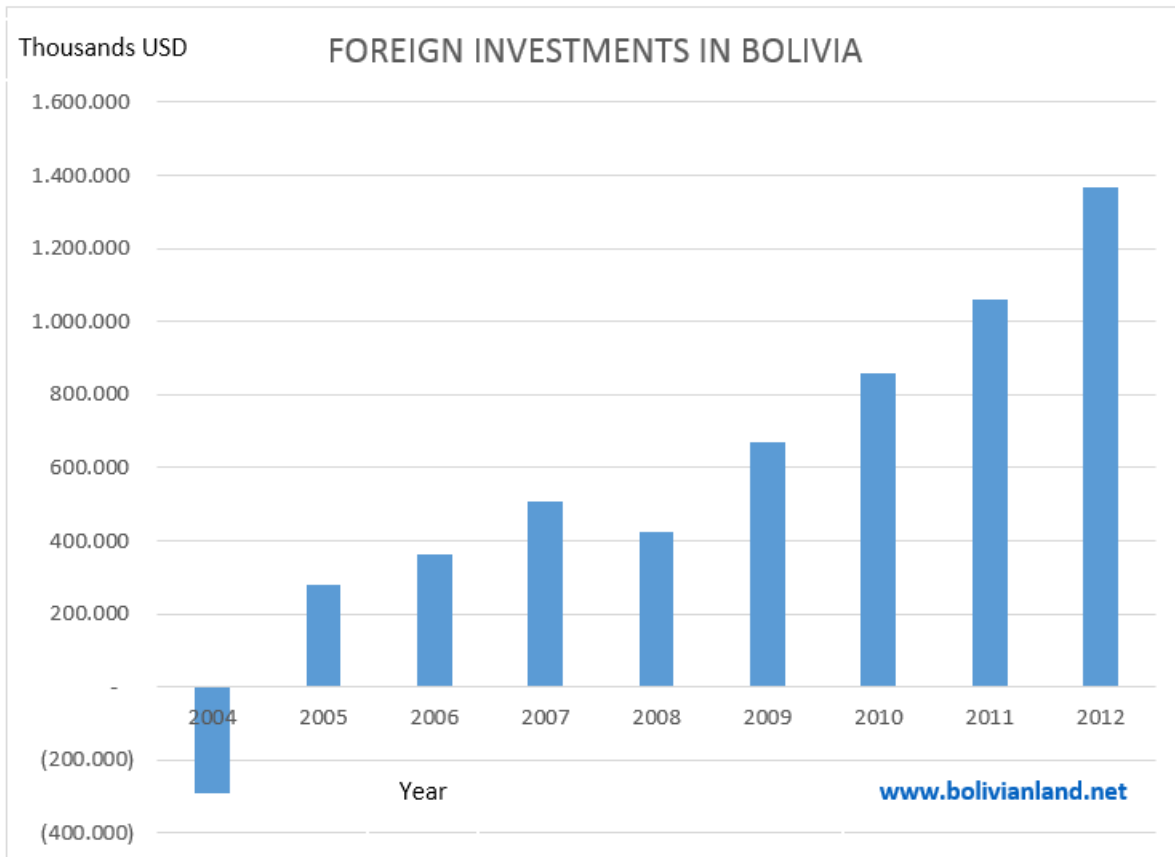
ADVANTAGES OF INVESTING - GUARANTEE FOR FOREIGN INVESTMENT - INVESTMENT LAW - INVESTMENT SECTORS - LEGAL FRAMEWORK FOR INVESTMENT - TYPES OF COMPANIES - MAIN TAXES - FREE TRADE AND INDUSTRIAL ZONES.

### **BOLIVIA OFFERS INVESTORS THE FOLLOWING ADVANTAGES:**

- ✓ Bolivia has a democratic, representative system, with a stable political and economic system.
- ✓ Economy of Bolivia has shown sustained growth.
- ✓ Over the last 15 years, the rate of inflation in Bolivia is amongst the lowest in Latin America.
- ✓ Bolivia is a member of the Latin American Association for Integration (ALADI), the Andean Community (CAN), and an associate member of the Southern Common Market (MERCOSUR). This implies access to a potential market of over 270 million people.
- ✓ Bolivia is a member of the World Trade Organization (WTO).
- ✓ Bolivia has preferential access to American and European markets, with “most favored” country status through the Law of Preferential Customs Fees for Andean Countries (LPAA), and the Generalized Preference System (SGP).
- ✓ Foreign investors in Bolivia have the same rights, duties, and guarantees as the national investors, besides having the right to ownership.
- ✓ Bolivian system of free exchange is guaranteed, there are no restrictions for capital to enter or leave, or for remitting dividends, interest, and royalties overseas for transfer of technology and/or other commercial concepts.
- ✓ Freedom of production, sales, imports, and exports of goods and services, as well as the free determination of prices.
- ✓ Exporters of goods and services recover their internal taxes and the tariffs paid on supplies and goods incorporated into the merchandise to be exported.
- ✓ Bolivia has a simple, attractive tax system.
- ✓ Through reciprocal international agreements with many countries, income tax payment in Bolivia avoids double taxation overseas.

Year	2004	2005	2006	2007	2008	2009	2010	2011	2012
Foreign Investments	- 291	278	362	508	426	672	859	1.060	1.366

In millions of U.S. dollars



## **GUARANTEE FOR FOREIGN INVESTMENT IN BOLIVIA.**

**MULTILATERAL INVESTMENT GUARANTEE AGENCY.** Investment Guarantee Agency provides "Assurance Program" for the protection of foreign investment in Bolivia. The program insures the investor against the risks associated with the loss of remittances, expropriation, war and social problems in the country and breach of contract. How long the warranty is 15 years, during which time, MIGA cannot terminate the contract of guarantee in compliance with all terms of the contract signed with MIGA. MIGA insurance premium varies from 0.2% to 1.25% and may be adjusted upward or downward, depending on the risk level of profitability of the project. The maximum amount of the guarantee, regardless of the nature of the project is 90% of the total project cost. Prior to

signing the contract with MIGA, the local authorities must approve the project. Bolivia has signed an agreement with MIGA in 1986 and ratified it in 1990.

**OVERSEAS PRIVATE INVESTMENT CORPORATION.** The Overseas Private Investment Corporation is the U.S. government's development finance institution. It mobilizes private capital to help solve critical development challenges and, in doing so, advances U.S. foreign policy. Because OPIC works with the private sector, it helps U.S. businesses gain footholds in emerging markets, catalyzing revenues, jobs and growth opportunities both at home and abroad. OPIC achieves its mission by providing investors with financing, guarantees, political risk insurance, and support for private equity investment funds.

### **INVESTMENT LAW OF BOLIVIA.**

The framework Law for private investments in Bolivia is the Investment Law. The objective of the Law is to encourage and guarantee national and foreign investments, promote Bolivia's growth and social and economic development through a system that governs both national and foreign investments.

**The following are some outstanding points of the Investment Law of Bolivia:**

- ✓ It guarantees the same treatment – the same rights, obligations, and guarantees – to national and foreign investors. Also, private investments do not require any prior authorization or registration before any kind of entity.
- ✓ It guarantees the right to ownership without any limitations, except for those that are stipulated in the Constitution and/or laws.
- ✓ There are no restrictions on capital entering or leaving the country, or on overseas remittances of dividends, interest, and royalties.
- ✓ It guarantees free money exchange and the faculty to carry out all kinds of operations in local or foreign currencies.
- ✓ It guarantees freedom to contract investment insurance in the country of overseas.
- ✓ It guarantees freedom to import and export goods and services.
- ✓ It guarantees the freedom to determine prices and the freedom to produce and sell goods and services.
- ✓ It guarantees the freedom to submit contractual differences to arbitral tribunals.
- ✓ It guarantees the freedom to negotiate and establish salaries and labor benefits between the parties (employers and workers).

- ✓ It guarantees the freedom to make joint investments between national and foreign investors, under joint ventures.
- ✓ There are industrial free zones oriented towards exports, commercial free zones, and storage terminals, as well as a temporary entrance system for exports, with the faculty to function under a customs and fiscal segregation system, with tax and tariff exemptions.

## **INVESTMENT SECTORS IN BOLIVIA.**

**JEWELRY SECTOR.** Bolivia, traditional mining country, has enormous resources of raw materials for the jewelry industry. It has large mineral deposits that allow the supply of gold, silver, copper, tin and others, as well as significant deposits of precious and unique in the world that offer ample opportunities for investment. There are companies (domestic and foreign) in the departments of La Paz and Santa Cruz, dedicated to the production of jewelry for export.

**AGRICULTURAL SECTOR.** Agricultural production in Bolivia is very varied and is subject to special characteristics and determining conditions. The climate and rainfall are the two most important conditions for crops and livestock. In Bolivia, there are three major regions with different climatic characteristics:

- ✓ **Highlands** - with average altitude of 3,799 meters above sea level and average rainfall of 442 mm per year. Production: corn, quinoa, tubers, ovine and camels cattle.
- ✓ **Valleys** - with average altitude of 2,790 meters above sea level and average rainfall of 515 mm per year. Production: vegetables, fruits and dairy cattle.
- ✓ **Llanos (grasslands, savannas)** - with average altitude of 250 meters above sea level and average rainfall of 1,424 mm per year. Production: cotton, sugarcane, soybeans and other similar products. In this area, there are large pastures for raising cattle.

Among the wide variety of agricultural products produced in Bolivia can be mentioned:

**Grains** (corn, rice, wheat, barley, quinoa and oat);

**Industrial crops** (soybean, cotton, sunflower, chia, sugar cane...);

**Tubers** (cassava, camote and variety of potatoes);

**Vegetables** (pea, broad beans, garlic, onions, beans, tomato, carrot, pumpkin, spinach and other similar products);

**Stimulant products** (cocoa, coffee, coca tea);

**Fruits** (bananas, pineapple, orange, tangerine, grapefruit, strawberry, grape, apple, cherimoya, achachairú, mango, papaya, passiflora edulis, avocado, peach, pear and other exotic fruits).

**LIGHT INDUSTRY SECTOR.** Taking advantage of the variety of fibers of cotton, alpaca, angora and llama, Bolivia has increased very markedly the production of different types of textiles and clothing. The leather, it is processed in Bolivia, has optimal characteristics of thickness, color, texture, which can be used in the manufacture of products for international market.

## **LEGAL FRAMEWORK FOR INVESTMENT IN BOLIVIA.**

**Law on foreign investment in Bolivia.** The purpose of this law is to encourage and ensure foreign investment, promoting growth and economic and social development of Bolivia.

**Commercial Code of Bolivia.** This Commercial Code regulates all legal relations arising from commercial activity.

**Law on Sectorial Regulatory System in Bolivia. (SIRESE).** Objective of this law is to regulate, control and supervise the activities of telecommunications, electricity, oil and gas industry and transport.

**Law “Ley de Corazón” of Bolivia.** This law flexibilizes the prohibition for foreign and national perform a variety private activities within 50 km of the national border, unless such activities are considered of national need.

**Stock Market Law in Bolivia.** The field of application of this law extends to the stock market and OTC market, the stock exchanges, the brokerage of securities, fund management companies and investment funds.

**Mining Law of Bolivia.** This law defines the legal framework within which they operate mining activities in Bolivia.

**Electricity Law of Bolivia.** This law regulates the activities of the electricity industry and establishes the principles for fixing prices and tariffs of electricity throughout the country.

**Telecommunications Law of Bolivia.** This law established the rules for regulating public services and telecommunications activities in Bolivia.

**Hydrocarbons Law of Bolivia.** This law establishes that all hydrocarbon deposits in Bolivia are the direct rule of the state. None concession or contract may vest ownership of hydrocarbon deposits to private interests or other.

**Environmental Law of Bolivia.** This law regulates the actions of companies with regard to nature and promoting sustainable development in Bolivia, prohibiting the introduction of radioactive materials in Bolivia.

**Law on Banks and Financial Entities of Bolivia.** This law regulates the activities of financial intermediation and auxiliary financial services in Bolivia.

**Insurance Law of Bolivia.** The purpose of this law is to regulate the activity of insurance and reinsurance companies in Bolivia.

## **TYPES OF COMPANIES IN BOLIVIA.**

### **COMMERCIAL SOCIETY IN BOLIVIA.**

**Concept.** Commercial voluntary partnership agreement, two or more people to achieve a common goal, and the separation between profits and losses.

**Typical.** Commercial society in Bolivia can only have one of the following legal statuses:

- ✓ **Business Associations;**
- ✓ **Collective Society;**
- ✓ **Simple Limited Partnership;**
- ✓ **Limited Liability Company;**
- ✓ **Joint Stock Company;**
- ✓ **Company Limited by Shares;**
- ✓ **Temporary Association;**
- ✓ **Cooperative societies (governed by special law).**

**JOINT VENTURE.** Companies registered in Bolivia, private persons, representatives of foreign and domestic companies residing in Bolivia can be combined with each other. In

this case, they are required to sign an agreement on the sharing of risks, include your address in Bolivia and fulfill other requirements stipulated by the legislation of Bolivia.

### **MAIN TAXES IN BOLIVIA.**

**VALUE ADDED TAX.** Value Added Tax in Bolivia is 13% and applies to almost (there are exceptions) to all activities, the sale of movable property, construction contracts, services and rental of real estate, leasing deals with movable property. Exempt from the payment of the goods imported by members of the diplomatic corps accredited in the country, and goods imported into the country as a "bonafide" in accordance with the provisions of the Customs Tariff.

**ADDITIONAL MODE VALUE ADDED TAX.** Additional Mode of Value Added Tax in Bolivia is 13%. This tax is levied on personal income.

**INCOME TAX FOR LEGAL ENTITIES.** Income Tax for legal entities in Bolivia is 25%; it is taxable business profits (revenues minus expenses) after the close of the fiscal year.

**TURNOVER TAX.** Turnover Tax in Bolivia is 3%. This tax is levied on practically all purchase - sale committed in the territory of Bolivia.

**SPECIAL TAX ON CERTAIN PRODUCTS.** The tax rate varies depending on the type of products that are subject to them. It is used for some products (cigarettes, soft beverages, alcoholic beverages, vehicles and luxury goods).

### **FREE TRADE AND INDUSTRIAL ZONES IN BOLIVIA.**

The Industrial and Commercial Free Zones were implemented in Bolivia in 1991, with the objective of facilitate the operations of commercial and industrial sector nationally and internationally, from the treatment of segregation customs and tax to the operations carried out in these areas. Private companies manage Free Zones in Bolivia. The free zones are in the main cities of Bolivia, and at the border points of Bolivia.

[MORE INFORMATION ABOUT INVESTMENTS IN BOLIVIA.](#)