











Tax LATAM Overview

Useful tax data for the business environment
in the **BDO Interamericas Cluster**

Panama - Colombia - Costa Rica - Ecuador - Nicaragua - Honduras - Guatemala - El Salvador



	 Panama	 Colombia	 Costa Rica	 Ecuador	 Nicaragua	 Honduras	 Guatemala	 El Salvador
CIT Rate (%)	25% (Panamanian source). Alternative income tax calculation (CAIR) ¹	35% General Rate. With Surcharges to be considered. ²	30% (Costa Rican source)	25% - 28%	30% (Net Income) ³	30%	25% (Guatemalan source)	30% ⁴
Dividend tax	10% (Panamanian source), 5% (foreign source)	20% ⁵	15%	10% - 14%	15 %	10%	5% (Guatemalan and foreign source)	5%
Withholding Tax (%)	12.5%	33% - 20% ⁶	Royalties, Professional Services 25%	25% - 37%	For remittances, there is no withholding taxes	12.5% for technical services	5% Transportation, international communications; 10% interests; 15% commissions, bonuses, royalties, fees, advice; and 25% other cases.	20% / 25% / 5%

¹ Alternative income tax calculation (CAIR): 0.25% of 4.67% of taxable income. Applies to income above 1.5 MM. The highest amount is paid between General Rate and CAIR.

² Surcharges: 3 additional points to income tax rate during the taxable periods 2024, 2025 and 2026 for electric power generation companies. (38% total). 5 additional points until 2027 for financial entities. (40% in total). There are special surcharges for activities related to coal mining and crude oil extraction.









³ 30% (Net Income), final minimum payment 1%, 2%, or 3% (Gross Income), whichever is greater. Taxpayers must determine the IR tax debit, in order to subsequently compare it with the resulting debit for the final minimum payment, with the IR to be paid being the amount that turns out to be the highest of said comparison.

Taxpayers, natural and legal persons with annual gross income less than or equal to twelve million córdobas, will liquidate and pay the IR applying rates between 10% to 30% to the net income.

⁴ Reduced CIT rate of 25% for companies that obtain taxable income equal to or less than 150,000 United States dollars (USD) in the fiscal year.

⁵ Dividends are paid out of profits that have already been taxed at the level of the distributing corporation are subject to a 20% withholding tax provided the company has been taxed at the corporate level. However, if dividends are distributed as taxed dividends (dividends that were not subject to income tax at the head of distributing company), the special 20% WHT rate must be applied over dividend's value once the general corporate income tax rate (i.e., 35%) has been detracted. The effective rate for 2024 amounts to 48% considering both rates.

⁶ 20% for consultancies, technical services, and technical assistance, provided by non-residents or persons not domiciled in Colombia. 33% for administration or direction services rendered between related parties. 10% of the total payment for Significant Economic Presence services. Withholding tax on interest will be taxed at the following rates depending on the subject as follows: For loans with a duration of one year or longer, the applicable tax rate is 15%; otherwise, it is 20%. 1% tax rate is levied on leasing contracts for ships, helicopters, aircraft, and their respective parts. 5% tax rate - Credits or securities with credit content, with a term equal to or greater than eight (8) years, intended for financing infrastructure projects under the Public-Private Partnerships scheme. Rates may vary if a DTA is applicable.

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Capital Gain Rules	10% on the profit on the sale of assets (other than securities) and 5% on the sale price of securities.	15% If the fixed assets to be sold, have been part of the taxpayer's fixed assets for a period of two years or more, if not they are considered net income and will be taxed at the 35% rate.	15% on the difference between historical cost and sale price. of assets.	10% on the profit on the sale of shares.	15% 7.5% 1% to 7% 30% (Tax Havens) ⁷	10%	10%	10%
Tax treaties partners	17 treaties in force ⁸	13 Treaties in force ⁹	4 Treaties in force ¹⁰	22 treaties in force ¹¹	No treaties	No treaties	No treaties	Spain
VAT (%)	7% as the general rate	19% as the general rate ¹²	13% general rate	0% - 15%	0% - 7% - 15% ¹³	15%	12%	13%

⁷ 15%, including: transfer of assets not subject to registration with a public office; sale, assignment, or any form of acquiring securities, rights or participations; prizes from lotteries, raffles, sweepstakes, bingos and the like; prizes and/or winnings from games and bets in casinos, halls, media and any other premises or activity; Donations, inheritance and legacies, other capital gains and transfer of trust assets. Definitive withholding tax of 7.5% on the disposal of any type of asset or investment fund and those derived from participation certificates issued by an investment fund, in stock exchanges 0.25%, and in the transfer of assets subject to registration with a public office, the withholding is from 1% to 7% depending on the value of the asset. In transactions with tax havens, the definitive withholding tax on capital income and capital gains and losses is 30%.

⁸ Mexico, Barbados, Qatar, Spain, Luxembourg, Netherlands, Singapore, France, Korea, Portugal, Ireland, Czech Republic, United Arab Emirates, United Kingdom, Israel, Vietnam, Italy.









⁹ Japan, France, England, Italy, Spain, Czech Republic, Portugal, India, South Korea, Mexico, Canada, Switzerland, Chile and the CAN agreement which includes Bolivia, Colombia, Ecuador, Peru as partners and Argentina, Brazil, Chile, Paraguay and Uruguay as associated Countries. Countries with DTA's not enforceable: Brazil, Netherlands, Uruguay, Luxembourg, and United Arab Emirates.

¹⁰ Spain, Mexico, Germany and United Arab Emirates.

¹¹ Argentina (transportation)*, Belarus, Belgium, Brazil, Canada, Chile, China, France, Germany, Italy, Japan, Korea, Mexico, Qatar, Romania, Russia, Singapore, Spain, Switzerland, United Arab Emirates, Uruguay, Andean Community (Bolivia, Colombia, Peru).

¹² 19% as the general rate, 5% as a special rate for certain assets and services included on a list and an excluded or exempt regime depending on the service or good to be sold.

¹³ 0% rate on exports of domestically produced goods and services rendered abroad; 7% to domestic consumers of electricity in the range of three hundred and one kw/h to one thousand kw/h; and 15% rate on the sale of goods, provision of services or the use or enjoyment of goods.

	 Panama	 Colombia	 Costa Rica	 Ecuador	 Nicaragua	 Honduras	 Guatemala	 El Salvador
Transfer Pricing	TP Rules based on OECD Guidelines. Mandatory Documentation: Local File (TP Report), Master File and CBC Notification	TP Rules based on OECD Guidelines. Mandatory Documentation: Transfer Pricing Informative Return, Local Report, CBC Report/ Notification, and Master File.	TP Rules based on OECD Guidelines. Mandatory Documentation: Local File (TP Report), Master File and CBC Report ¹⁴ .	TP Rules based on OECD Guidelines. Mandatory Documentation: Local File (TP Report).	TP Rules based on OECD Guidelines. Mandatory Documentation: Local File (TP Report).	TP Rules based on OECD Guidelines. Mandatory Documentation: Local File (TP Report), Master File and CBC Report.	Local Transfer Pricing Regulations. Mandatory Documentation: Local File (TP Report).	TP Rules based on OECD Guidelines. Mandatory Documentation: Local File (TP Report), Transfer Pricing Informative Return.
Preferential Tax Regimes	Colon Free Zone, SEM (services), EMMA (manufacturing), Panama Pacífico, Call Centers, etc.	Some tax regimes in Colombia with differentiated income rates (although they are not considered preferential).	Free Trade Zone Regime	N/A	Tax benefits for exporters of goods of Nicaraguan origin. Exemptions for the value of taxes on micro and small industrial enterprises and artisanal fishing, the agricultural sector, and agribusiness. Tax benefits for investments in hospitals among other investments.	Free Zones (ZOLI), Temporary Import Regimes (RIT), Industrial Processing Zones (ZIP) and Call Centers.	Free Trade Zones, Maquilas, Public Special Economic Development Zones (ZDEEP).	Zona Franca Internacional and the Zona Franca San Marcos

¹⁴ There is no current obligation to file the TP report but may be requested by the Authorities.

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