



GLOBAL EXPANSION:
PAYROLL GUIDE
LATAM

INTRODUCTION

Welcome to the first edition of the **LATAM Payroll Guide**, a publication that combines the global experience and local knowledge of BDO professionals working throughout the region. The guide provides a country-by-country road map to doing business in Latin America and covers: salary and contract types, current legislation, public holidays, benefit packages, taxes, and data privacy policies. It is an ideal companion tool to accompany the internationalization of your business.

INTERNATIONALIZATION

Fully understanding the regulations and working conditions in each country is a competitive advantage and also offers peace of mind and the opportunity to concentrate on the “core” of your business. Often, companies are hesitant to enter new markets because of economic risk, language, and cultural differences, among other concerns. **Is it really worth going abroad?** The answer is **yes!** International companies can be more competitive, have higher productivity indexes, access opportunities in markets with growth potential, tap into economies of scale, and ultimately, strengthen their brand.

GLOBAL OR LOCAL SOLUTION?


There is not a single correct answer when it comes to choosing a model for managing your payroll. The crucial factor is to identify the elements your solution requires and find a provider that can respond to your needs. The basic factors to consider when choosing between a global or local solution are:

- 1. Employee location:** If your company operates in economically and politically challenging territories, choose a provider with solid experience operating payroll in these areas, preferably with local staff who provide permanent support.
- 2. Employees count:** Make sure to choose a provider who is sufficiently capable and experienced wherever you operate.
- 3. Stakeholders:** Your chosen provider should be able to offer a comprehensive solution in which local and global needs are met.




This guide includes helpful information for taking your business into new markets. Choose countries with the economic conditions that will support your company's vision to ensure proper employment of your team. While this guide is a helpful tool, it does not replace having a comprehensive advisory service. Find details for key contacts in each country at the end of this guide. Expanding your business across borders can pose risks; BDO can help you navigate the challenges and opportunities.


Expanding your business to new territories can be a challenge, and this is where BDO is the strategic ally your company needs.



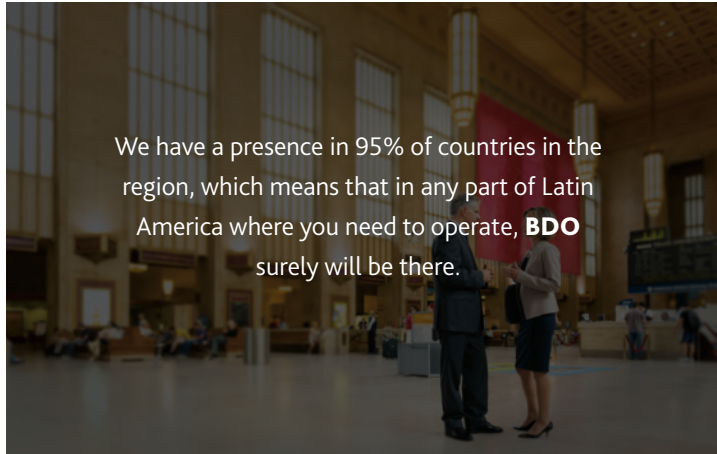
90% of companies believe that cost savings can be achieved through outsourcing payroll activities.



BDO has won the Payroll Provider of the Year award for several years, the most recent in November 2018



BDO's tax and employment advisors will help you achieve and maintain **compliance** with their knowledge of local regulations.



We have a presence in 95% of countries in the region, which means that in any part of Latin America where you need to operate, **BDO** surely will be there.



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ARGENTINA

COUNTRY OVERVIEW

Currently, 24% of employment in Argentina is highly qualified, a category that includes directors and managers, scientific and intellectual professionals, and technicians and mid level professionals.

The most demanding sectors of employment are commerce, industry, business activities, transportation, construction and education.

2018 began with a growth of 4% in January and in the private sector, the construction branch predominated as the most expansive, compared to the previous year, 9.1%, followed by far by the companies related to social and health services 2.8%; and electricity, gas and water utilities 2.6%. The service sector has led the growth of exports with a growth of 29% during the first trimester of 2018 compared to the same trimester in 2017 creating more than 53,000 employments.

Consolidating the recent recovery of growth in Argentina will require coordinated efforts on all fronts to free the productive capacity of the companies. Over 80% of companies in Argentina are micro and small businesses.

Argentine labor legislation is governed mainly by the Labor Contract Law 20,744. Then there are others such as Law 11,544 that regulates matters such as working hours and Law 24,557 refers to work accidents and occupational diseases. Laws 24,013 and 25,323 grant increases to labor compensation in case of labor fraud among others, law 23,660 governs issues related to social works and Law 14,250 regulates all matters related to collective labor agreements, highly relevant in our country.

To be an employer in Argentina, foreign companies must be constituted and make the pertinent records in front of the corporate, fiscal and labor entities. On that basis, they can hire employees and pay all national, provincial and social security taxes.

OVERVIEW

WORKFORCE

64% of Argentina's population (28 million people) is in the range of working age population (15-64 years). The participation rate in the labor force by women registered in 2017 was 55%.

The private sector represents 73% of the registered workforce, while the public sector accounts for the remaining 27%.

CURRENCY AND EXCHANGE TO USD

The local currency is the Argentinian peso: ARS Average exchange rate per **\$1 USD: \$40,10 ARS**.

EMPLOYMENT CONDITIONS

REMUNERATION:

In Argentina, we can identify 3 types of remunerations, namely:

Labor: Consideration given by the employee for putting his/her work capacity at the disposal of the employer. (Law 20.744 – Art. 103).

Pension: Salary that is taken as a basis for making contributions to Social Security entities and Trade Union associations. (Law 24.241 – Art. 6).

Tax: Salary that is taken as taxable basis for the purpose of determination of the payment of the income tax (Category 4) (Law 20.628 Art. 79)

MINIMUM LEGAL WAGE

The minimum monthly wage in Argentina for 2019 is **ARS 11,900 which corresponds approximately to USD \$290**.

SUPPLEMENTARY ANNUAL SALARY

The LCT establishes as a general rule, the presumption that any contract of work has been held for an indefinite period and is considered to be tested during the first 3 months. Any form of recruitment must be expressly and in writing. The types of contracts that are handled are:

- ▶ **Fixed-term contract:** maximum a term of 5 years. The formalization of fixed-term contracts in successive form, become indefinite contracts.
- ▶ **Part-time contract:** The worker provides services for a certain number of hours a day or week, less than two-thirds of the normal working day. Under this contract overtime is not accepted.
- ▶ **Seasonal contract:** employment contract for an indefinite period, but batch running. The benefit is performed cyclically and repeatedly, with interim periods of suspension in the execution of the work contract.
- ▶ **Work contract by group or team:** contract by an employer with a group of employees who, acting through an intermediary, are obliged to provide services for that activity.
- ▶ **Temporary contract:** is intended to cover a job in exceptional circumstances. It looks for concrete and temporary results, so it does not have a predetermined term of duration.

COMPENSATION

VACATION

Vacation should be provided between October 1 and April 30 of the following year:

The employer has the faculty of allowing VACATION, in the way he or she finds correct., in function of the employee's activities inside the company. The quantity of days allowed will be directly related to the employee's duration within his or her position, calculated up to December 31st.

- ▶ 14 days within no more than 5 years.
- ▶ 21 days within more than 5 years, but no more than 10. 28
- ▶ days within more than 10 years, but no more than 20. 35
- ▶ days within more than 28 years.

The amount is calculated considering the legal minimum wage in force at the time of vacation, or the type of salary that the worker receives and if this is higher than the legal minimum. The salary must be paid in advance at the beginning of the holidays

OVERTIME

They are hours that are made over the time limit set for the maximum daily and weekly hours, 8 hours per day and 48 per week respectively. The worker will be entitled to a surcharge of 50% calculated on the usual salary when working overtime during common days, with or without the authorization of the competent authority. Long working overtime on Saturdays hours after 13 hours, Sundays and holidays, will suffer a surcharge that will be 100%. Article 6 of Law 11,544 establishes the obligation for the employer to have a record of all the additional hours of work performed. Decree 16,115 / 1,933 establishes a limit of overtime to of 200 annual and 30 monthlies.

BENEFITS

Benefits of legal nature of social security, non remunerative, noncumulative or replaceable in money, that the employer provides to the employee in order to improve his quality of life or of his family. Social benefits are:

1. Catering Services by the Company.
2. Refunds of expenses of medicines, doctors and dentists of the worker and his family that the employer assumed. Proof of duly documented vouchers is required.
3. Provision of work clothes and any other element related to clothing and equipment for exclusive use in the performance of tasks.
4. Reimbursements documented with proof of childcare expenses and/or maternity ward, used by workers with children of up to 6 years old when the company does not have such facilities.
5. Provision of school supplies and overalls for the workers' children, given at the beginning of the school year.
6. Duly documented payment of training or specialization courses or seminars.
7. Payment of burial expenses of family members in charge of the worker duly documented with invoices.

Benefits other than those mentioned above, such as Remunerative treatment, paying contributions and corresponding contributions, and a tax treatment withholding income taxes.

COMPLEMENTARY ANNUAL SALARY

The supplementary annual salary will be paid in two (2) installments: the first with maturity on June 30th and the second with expiration on December 18 of each year.

The amount to be paid in each term will be settled by calculating fifty percent (50%) of the highest monthly remuneration accrued for any concept within the two (2) terms that end in the months of June and December of each year.

In order to determine the second installment of the supplementary annual salary, the employer must estimate the corresponding salary for the month of December. If said estimate does not coincide with the salary actually earned, the second installment of the supplementary annual salary will be recalculated.

The difference, which will result between the accrued fee and the fee paid on December 18, will be integrated into the salary for the month of December.

HOLIDAYS

There are 20 holidays In Argentina:

| | |
|------------|--|
| JAN | New Years |
| FEB | Carnival (2 days) |
| APR | Memorial's Day |
| | Holy Thursday |
| | Holy Friday |
| | Malvinas Veteran's Day |
| | Tourist Holiday |
| MAY | Labor Day |
| | May's Revolution |
| JUN | General Belgrano Immortality |
| | General Immortality Belgrano |
| JUL | Independence |
| AUG | General Immortality José of San Martín |
| OCT | Cultural diversity's Day |
| NOV | National Sovereignty Day |
| DEC | Immaculate conception |
| | Touristic Holiday |
| | Christmas |
| | Touristic Holiday |



PAYROLL: DEDUCTIONS AND TAXES

In Argentina, there are taxes payable by the employer called contributions and by the employee who call them compulsory contributions. The employer must contribute 17.5% of the gross salary paid to the Social security system. This percentage rises to 20.70% if the company is commercial or of services and its average income of the last 3 years exceeds the ARS 48 million. In addition, it will contribute 6% in medical coverage and a percentage destined to the insurer of work risk that of think of the risk associated to the activity developed by then company. (In some cases, it can reach up to 7%).

The percentages of contributions destined to the Social Security systems will be modified over the course of 5 years, to reach a "single rate" of 19.5% in the year 2022. The aliquots of Social Security Contributions will evolve up to reach the limits mentioned, according to the following detail:

| FRAMEWORK OF THE EMPLOYER | DECREE 814/2001 ART. 2 ° INC. TO | DECREE 814 / 2001 ART. 2° INC. B |
|---------------------------|----------------------------------|----------------------------------|
| Until 31/12/2018 | 20,70 % | 17,50 % |
| Until 31/12/2019 | 20,40% | 18,00% |
| Until 31/12/2020 | 20,10% | 18,50% |
| Until 31/12/2021 | 19,80% | 19,00% |
| Until 31/12/2022 | 19,50% | 19,50% |

The gross salary subject to payment of contributions will have a deduction of ARS 2,400 per month for each worker. (value exempt from social security contributions). This amount will rise over a period of 5 years reaching a total of ARS 12,000 in the year 2022. There is an exception to the payment of contributions and Social Security contributions, established in law 24,241, if the foreign employee comes to Argentina, with a contract of less than 2 years and he works as a scientist, professional, researcher or technician. It is a requirement to obtain this benefit not to have permanent residence in Argentina and to have Pension Insurance in your country of origin.

The contributions paid by the employee amount to 17% of gross remuneration, where 14% goes to social security systems and 3% to medical coverage. There is a monthly cap, with a quarterly update, on which the contributions that currently stand at ARS 91,523.41 are calculated. Additionally, workers who receive net salaries greater than ARS 29,855 will be subject to Income Tax, which can vary from 5% to 35% of salary.

CONTRACT TERMINATION

The employment contract can be terminated, thus finalizing definitively the obligations established between the parties. The causes of extinction are very varied, being able to depend on the will of the parties or circumstances beyond the same that lead to said extinction:

Notice: The employment contract cannot be dissolved by the will of one of the parties, without prior notice, or in its absence of compensation, in addition to that which corresponds to the worker due to his seniority in employment when the contract is dissolved by the employer's will. The notification must be made in writing, and when the parties do not fix it in a longer term, it must be given with the following notice:

- a. By the employer: after ending the trial period: 15 days.
- b. By the employee: of one (1) month when, after the trial period, the employee has seniority in the job that does not exceed 5 years or two (2) months if superior.

The party who omits the notice or provides it insufficiently must pay an indemnity to the other equal to the recovery corresponding to the employee during the terms mentioned before:

- ▶ **Employee resignation:** With or without notice, as a prerequisite for its validity, it must be formalized by telegraphic dispatch personally taken by the worker to his employer.
- ▶ **Mutual agreement:** The parties may terminate by mutual agreement the employment contract by public deed or before the judicial or administrative authority of the work.
- ▶ **Just cause:** One of the parties may denounce the employment contract in case of noncompliance by the other of the resulting obligations that constitute insults and that, due to its seriousness, does not consent to the continuation of the relationship. The dismissal for just cause provided by the employer as the report of the work contract based on just cause that the worker made must be communicated in writing, with a sufficiently clear expression of the reasons on which the breach of the contract is based.
- ▶ **Work abandonment:** The abandonment of work, as an act of noncompliance of the worker, will only be set up after a reliable notice to return to work.
- ▶ **Redundancy payment:** In cases of dismissal without just cause, with or without notice, the employer must pay the worker compensation equivalent to one (1) month of salary for each year of service or fraction greater than three (3) months, based on the best monthly, normal, usual remuneration received during the last year or during the time of rendering the service if it were less. Said sum may not exceed the indemnity limits that, for the collective labor agreement applicable to the worker.
- ▶ **Discriminatory dismissal:** Discriminatory dismissal is considered to originate on grounds of race, nationality, sex, sexual orientation, religion, ideology, or political or union opinion. In this case, the proof will oversee whoever invokes the cause, the compensation will be increased by 30% and the cap will not be applied.

DATA PRIVACY

Argentina has an established and robust regulatory framework. To this end, La w 25.326, (together with the regulatory decrees, the provisions issued by the National Directorate for the Protection of Personal Data, and La w 26.388 that modifies the penal code) enable citizens to exercise the legitimate right of dissemination and disclosure of personal data found in databases held by third parties.

Basically, this legislation recognizes the rights that any citizen can decide what, what for and how to provide the data to third parties, being the recipient a particular or the national state, precisely establishing the cases where opposition of dissemination of the same can be exercised, or which have been voluntarily or involuntarily been under custody of a person in charge.

Based on all the above, Argentina guarantees "The protection that must be provided to citizens against the possible use of personal data by third parties in an unauthorized manner, to prepare information identifiable to them, affecting their personal, social or professional environment, within the limits of their privacy, or as the protection of the fundamental rights and freedoms of citizens against a singular form of aggression: the storage of personal data and its subsequent transfer ".

With the advent of the new RGPD (General regulations on data protection), which is the new regulation regulating the protection of the data of citizens living in the European Union, which is obliged to comply as of 25 May From 2018, Argentina is currently in a process of adapting its normative framework, by means of new bills that are in advanced state of treatment.





BRASIL

COUNTRY OVERVIEW

The list of salaries paid to workers of a company in Brazil is called payroll. The set of procedures that the company carries out to make the payment to the employee is also called payroll. It is also known as "holerite". In Brazil, companies have a legal obligation to prepare it.

The payroll, in turn, has an operational, accounting and fiscal function, it must be constituted based on all incidences of the employee in the month. It is the description of the facts that implied the labor relationship, in a simple and transparent way, transformed into numerical values, through codes, quantity, references, percentages and amounts, in results they constitute the payroll.

With respect to the country's recent economy, the three sectors that make up the Brazilian GDP had a positive result in the third quarter of 2017. The services sector increased by 0.5% and had the best result since the second quarter of last year; the industry did it by 0.4%, the first positive result this year; while the agricultural sector increased by 0.7%.

Investments rose 6.6%, the best result since the fourth quarter of 2009.

OVERVIEW

WORK FORCE

The active population of Brazil surrounds the 104 million people of whom 60% are women. The participation of the young population (15 to 24 years) in the labor force is close to 70%. For July 2018, the reported unemployment rate was 12.3%.

CURRENCY

Brazilian Real BRL: R\$
1 USD= 3.87 BRL

TERMS OF EMPLOYMENT

SALARY

Salaries are payable at least once a month and cannot be reduced. If an employer also grants other payments on a regular basis, such as bonuses or overtime payments, those figures are considered part of the total base salary for purposes of labor.

A salary is considered as direct payment by the employer for the services provided by the employee. The salary is fixed in the agreement between the employee and the employer and cannot be less than the federal minimum wage or the minimum wage of the state, if this is stipulated or the salary provided for in collective bargaining.

MINIMUM LEGAL WAGE

The minimum wage in Brazil for 2019 is **BRL 998**, which corresponds approximately to **USD \$260**.

BASE PROFESSIONAL SALARY

Regulated professional categories, such as engineers, chemists, architects, agronomists, veterinarians, etc., have a minimum age established by a specific law.

VARIABLE SALARY / COMPENSATION

A variable salary is the sum of the regular fixed salary and all fees, rates, overtime, travel expenses and all kinds of bonuses paid by the employer.

WORK CONTRACTS

TYPES OF WORK CONTRACTS

a) Permanent work contract:

It is the general form of employment according to Brazilian legislation.

b) Experience evaluation contract:

It is usually a contract that precedes the permanent contract and is drafted to allow the study of the contractual conditions by all parties. The employer will have the opportunity to evaluate the quality of the services provided and the employee the opportunity to evaluate the working conditions offered by the employer (Art 443, § 2, line "c", of the CLT).

COMPENSATION

In addition to a base salary, employees have some benefits according to the collective agreement established by the union such as:

- ▶ Health insurance
- ▶ Food and childcare allowance
- ▶ Transportation

ACCUMULATED LEAVE

Every employee is entitled to an annual period of paid leave. After a full period of 12 (twelve) months of employment, the employee acquires the right to vacation. This period is called "Vacation acquisition period". Vacation days are granted based on the number of absences recorded during the "Vacation Acquisition Period". The VACATION are enabled according to Art. 129 and 130 of the CLT.

ACCRUED VACATION

Each employee is entitled to an annual paid leave period. After a full period of 12 (twelve) months of employment, the employee has a vacation entitlement. This period is called "Vacation acquisition period".

BENEFITS

CHRISTMAS BONUS OR THIRTEENTH (13º) MONTHLY SALARY

The Christmas bonus or the 13th salary is equal to the fixed salary added to the twelfth part of the average of the sum of all the variable salary paid during the year, including overtime, additional night work, commissions, percentages, tips, prizes, bonuses and other.

The employer must anticipate 50% of the 13th salary between February and November 30 of each year. The remaining amount must be paid as of December 20 and will be based on the current salary.

PAYROLL: DEDUCTION AND TAXES

SOCIAL SECURITY COST INSS

When employing personnel, companies located in Brazil must assume social security costs over the value of the payroll, as shown below:

- ▶ To third parties (SENAI, SESI, education subsidy, SEBRAE and INCRA) in order to improve the technical training of employees.
- ▶ According to the degree of risk to which the employees are exposed (the activity of the company will determine the rate).
- ▶ In addition, the company is responsible for withholding the Social Security charge owed by the employees, which will be calculated based on the salary using the rates published by the government.

INDEMNIFICATION FUND FOR DISMISSAL OF THE GOVERNMENT FOR EMPLOYEESFGTS

The FGTS is composed of monthly deposits made by employers in blocked accounts, in the name of employees, whose amount corresponds to 8% of the employee's salary, which represents around one salary per year.

The main objective of FGTS is to assure the employee the formation of a heritage related to the time worked, while the government uses the fund to finance programs of popular housing, basic sanitation and urban infrastructure.

In case of dismissal, the company must pay 40% of the value deposited in the FGTS account as compensation.

TAX WITHHOLDING ON EMPLOYEE WAGES

The withholding tax (IRRF) is a tax on the monthly salary of the employees (it oversees these), and it is calculated and collected by the company in each payment of the salary using the rates published by the government.

CONTRACT TERMINATION

TERMINATION LETTER NOTICE

Employment in Brazil is usually "at-will" and can be terminated at any time, provided that the party terminating the contract gives a formal termination notice letter at least 30 days before the termination date (CLT, Art. 487; CF, Art. 7, XXI).

The objective is to allow the employee the appropriate conditions to look for another job and the employer to hire another employee.

An employment contract is terminated at the end of the termination notice period. The notice of termination can be canceled at the initiative of the sender and with the agreement

According to the Brazilian labor legislation, the termination rights are unified throughout the country, depending on the duration of the employment relationship and the termination modality, the rights are modified. Unions through Collective Bargaining can increase the rights employees receive.

TERMINATION OF EMPLOYMENT NOTIFICATION

Employers and employees have the right to terminate an employment contract as long as they comply with the obligation to grant the other counter party a written notice of termination of 30 days.

The term of termination of the notification is not applicable for fixed term contracts, justified dismissals and employees in trial period.

For unfair dismissal the notice of termination by the employer is 30 days for employees with less than 1 year of work, and 3 additional days for each full year of work, with a maximum of 60 days, totaling up to 90 days' notice of termination.

In case of unfair dismissal by the employer, the notice period may be paid as compensation instead of a period of notice.

HOLIDAYS

In Brazil there are 12 paid holidays:

| | |
|------------|---|
| JAN | New Year holidays |
| FEB | Carnival Ash Wednesday |
| APR | Holy Friday Tiradentes |
| MAY | Labor Day Corpus Christi |
| SEP | Independence of Brazil |
| OCT | Our Lady of Aparecida |
| NOV | Day of the Dead Proclamation of the Republic |
| DEC | Christmas |

DATA PRIVACY

In August 2018, Law No. 13,709 (LGPD Lei Geral de Proteção de Dados) was enacted, creating a legal framework for Data Protection in Brazil. The LGPD was influenced by the General Regulation of data protection of the European Union (GDPR).

The LGPD has traversal and multisectoral application, including the private and public sectors, and online and offline environments. It covers the concept of personal data and lists the legal bases that enable its use, rights, obligations and limits that entities that process this type of information must apply.

The foundations of the law are respect to privacy, free informative determination, freedom of expression, information, communication and opinion; integrity of intimacy, honor and image; economic and technological development and innovation; free initiative, free competition and consumer protection; human rights, free development of personality, dignity and exercise of citizenship.

In summary, this law states that processing personal information must be a matter of good faith, based on reasonableness, transparency, security and other principles described in it.

E-SOCIAL

eSocial is a digital initiative driven by the Brazilian Government, eSocial will be fully live from January 2019. It is based around a Government built digital reporting platform which will be used by all companies in Brazil to submit employee-related data. All employee related data will now be submitted through a single electronic platform rather than through a multitude of different processes. There are many suggested reasons why the Government is doing this, but the main reason is to give the Authorities an easy platform to identify any compliance errors or tax liabilities quickly and easily. It also makes conducting audits far easier.

WHO DOES IT AFFECT?

eSocial affects all businesses in Brazil. With specific relevance to payroll, it affects payroll processing teams as the employee data must be 100% accurate and in line with the Government's reporting format to be compliant.

KEY COMPLIANCE CHANGES:

- ▶ **Process around leavers:** must be reported on the same day in which they are terminated or have left employment.
- ▶ **Process around joiners:** must be reported one day earlier than their commencement date.
- ▶ **Vacation Reporting:** must be informed in advance of it being taken, there is no possibility for retrospective vacation to be processed.
- ▶ **Off Cycle Payrolls:** Any leavers, joiners and vacation must be reported in the month in which it was taken. However, late changes must not be retrospectively included in the following month's payroll - they must be included in the month that they occurred.
- ▶ **Reporting (i.e. INSS/IRRF etc.):** Through eSocial, all reporting will be completed through a single Government platform which interfaces with the BDO Brazil payroll system. The only filing process which will not be affected is the annual DIRF.



CHILE

COUNTRY OVERVIEW

Legal work regulations in Chile establish important standards on work relations (individual or collective) that must be considered by foreign investors when developing their activities in the country, all employment agreements are ruled by Chilean law.

Labor legislation standards require all employers to formalize the employment relationship by signing an employment contract, it also establishes payments that must be considered as part of the regular wages, regardless of the will of the parties when signing a labor agreement, this obligation then gives way to the payment of provisional contributions, health, work accidents and unemployment insurance, as well as the payment of the corresponding legal taxes. The Labor Code establishes that 85% of workers who serve the same employer must be of Chilean nationality, unless the company has fewer than 25 workers.

To determine this proportion, one must consider the total number of workers that an employer occupies within Chile (and not the branches separately), excluding specialist technical personnel who cannot be replaced by Chilean personnel. A foreign person whose spouse, civil partner or children are Chilean will also be considered Chilean, or if he/she is a widow of a Chilean spouse, as well as foreigners residing in the country for more than five years.

The types of employment contracts are specifically determined by the labor law, as well as the grounds for termination of an employment relationship, determining the compensation that corresponds in each case.

OVERVIEW

WORKFORCE

As of December 2017, Chile has 8,977,000 workers. With a rate of 7.3%, the country has low levels of unemployment and 215 thousand graduates per year. The female participation rate reached 48.5% and the male 71.2% in 2017. In relation to occupation rates and youth participation (1529 years) it reaches 41.5% and adults (30 years or more) 61%.

CURRENCY AND EXCHANGE TO USD

The local currency is the Chilean Peso: CLP\$

The Average Exchange Rate per \$1 USD: \$668 CLP

REGULATORS

Labor Bureau

TERMS OF EMPLOYMENT

WAGES AND MMI

It is defined as the mandatory and fixed compensation of money, paid for equal periods determined in the contract, which the worker receives for the provision of their services. As of September 1, 2018, the Minimum Monthly Income will be \$ 288,000; from March 1, 2019, it will increase to **\$ 301.000 (approximately \$450 USD)**. For persons over 65 years of age and under 18 years of age, the IMM is \$ 214,999; from March 1 of 2019, it will increase to **\$ 224,704 (approximately USD\$ 336)**.

OVERTIME ALLOWANCE

Compensation of overtime, corresponding to a 50% surcharge over the agreed salary for a workday. It must be paid jointly with the standard compensation of the respective period.

WORKDAY

The workday is the time during which the worker must effectively provide its services according to what is established in the contract. Below we list the types of workdays:

- ▶ **Regular Working Hours:** They should not exceed 45 hours per week, between 5 and 6 days a week. The regular working days should be a minimum of 7.5 hours and maximum 10.
- ▶ **Extraordinary Work Period:** Worked hours which exceed the legal maximum or what is agreed in the contract.
- ▶ **Partial Work Hours:** Contracts which must not exceed $\frac{3}{4}$ of the regular working hours. This type of work allowance has a special regulation in the Chilean law.

EMPLOYMENT CONTRACTS

The Labor Code and its complementary laws regulate the form, terms, rights, obligations, form of term and the consequences that emanate from labor contracts concluded in Chile. The types of contract that are handled are:

- ▶ **Indefinite Contract:** Its term has not been previously established by the parties and may end due to the grounds established in the Labor Code, including dismissal, resignation and mutual agreement between the parties.
- ▶ **Fixed Term Contract:** It is one in which the parties have agreed upon a certain validity period. Its maximum duration is one year and, exceptionally, may be two years for people with professional or technical degree granted by a higher education institution. Regardless of their duration, these can be renewed only once. A second successive renewal transforms them into indefinite contracts or when the worker continues to provide services once the agreed term expires.
- ▶ **Contracted Work per Labor or Task:** The worker undertakes to perform a certain physical or intellectual work, and its validity depends on the time required for its implementation.
- ▶ **Outsourcing:** Work performed by a contractor or subcontractor, who performs works or services at their own risk, and with workers under their dependence for a third natural or legal person, owner of the work, company or task, called the main company, in which Contracted services are developed, provided they are not sporadic or discontinuous.

COMPENSATION

VACATION (ANNUAL HOLIDAY)

Workers with more than one year of service are entitled to an annual holiday of 15 working days (only for these cases on Saturday is considered nonworking) enjoying full compensation. In particular, workers who provide services in the regions of Magallanes and Aysén in the province of Palena are entitled to an annual holiday of 20 working days. The holiday is granted preferably in spring or summer, considering the needs of the service, and must be continued, but the excess over 10 business days can be divided by common agreement between worker and employer. The holiday cannot be compensated in money, except in case of early termination of the employment agreement.

OVERTIME

Overtime or extraordinary workday is one that exceeds the legal maximum ordinary working day (45 hours per week) or the agreed one if it is less, the value to payment usually corresponds to a 50% of the normal hourly payment value. The Chilean law has established that overtime can only be agreed to meet needs or temporary situations of the company and the agreements, which must be in writing, may have a temporary validity of no more than three months, and may be renewed. In any case, overtime may be carried out under the conditions indicated, provided they are not harmful to the worker's health according to the nature of the work.

REMUNERATION

They are all the considerations in money and the additions in assessed species that the worker of the employer must perceive because of the employment contract. The remuneration is agreed by common agreement between the worker and the employer but cannot be less than the minimum monthly income (MMI) that is established annually by law and applies to all workers and workers over 18 and under 65 years.

BENEFITS

There are work benefits in Chile that an employer may voluntarily provide to their employees and others which are mandatory.

VOLUNTARY BENEFITS

Within the voluntary benefits there are 5 which register a greater use in Chile:

1. Benefits for National Holidays or Christmas
2. Food Benefit
3. Transportation Benefit
4. Remuneration Readjustment
5. Formal Training

MANDATORY BENEFITS

Protection to maternity and parenting rights:

1. Maternal Leave
2. Pre and Post Natal Recovery
3. Parental Post Natal Allowance
4. Nursery
5. Feeding Allowance
6. Household Allowance

HOLIDAYS

In Chile there are 15 national holidays:

| | |
|------------|---|
| JAN | New Year |
| APR | Holy Friday Holy Saturday |
| MAY | National Labor Day Glorias Navales day |
| JUL | San Pedro and San Juan Day of the Virgin of Carmen |
| AUG | The Assumption of the Virgin Mary |
| SEP | National Independence Day of the Glories of the Army |
| OCT | Encounter of Two Worlds All Saints Day |
| NOV | Day of the Evangelical Churches and Protestants |
| DEC | Immaculate Conception's Day Christmas |

PAYROLL: DEDUCTION AND TAXES

In Chile Payroll is known as payment of remuneration and includes the following concepts, which are inalienable rights of workers:

VOLUNTARY SOCIAL SECURITY CONTRIBUTION

It is considered as one of the legal obligations that employers must assume with dependent workers, who have a current labor contract: In the case of provisional contributions, workers must be listed in a Pension Funds Administrator (PFA) or in the Social Security Institute (SSI). This affiliation includes the obligatory legal discount of 10% of the gross salary of the worker, plus a percentage that fluctuates between 0.8% and 2.3% that the AFPs charge for the administration of the funds.

HEALTH CONTRIBUTION

The mandatory discount for health is 7% of the gross salary, notwithstanding that the worker has previously agreed to a higher discount. This amount must be withheld and paid monthly by the employer to the National Health Fund (FONASA, in Spanish), which is public, or to the private Health Insurance Institution (ISAPRE, in Spanish) chosen by the worker, who is responsible for affiliation, after which FONASA or The ISAPRE will notify the employer informing him of the monthly amount to be withheld and paid.

OCCUPATIONAL INSURANCE

It consists of an occupational insurance for injury and disease and is financed with a basic quote generated from 0.95% of taxable wages of the employee. There is also an additional quotation differentiated according to the activity and risk of the company that does not exceed 3.4%. The employer is obliged to finance this insurance. However, you can request the insurance administrator body (Institute of Occupational Safety or Employers' Mutuality) to reduce the additional contribution rate if you implement preventive measures, or to be exempted if it reaches an optimum level of safety in the company. To make the insurance payment, the employer must choose an entity or regime (public or private).

UNEMPLOYMENT INSURANCE

It aims to provide money to workers when they are unemployed. This money can come from the individual accounts and / or the Solidarity Fund. The unemployment insurance contributions correspond to 3% of the taxable salary of the worker (with a cap), which is financed with the contribution of 2.4% of the employer and 0.6% contributed by the worker and the State. The contributions, both of the worker and of the employer, must be paid in the AFC by the employer or by the paying entity of the subsidy, within the first 10 days of the month following the affiliation.

LEGAL TAXES

The Single Tax of Second Category to Wages, Salaries and Pensions is a progressive tax paid monthly by all those people who receive income from the development of a work activity performed in a dependent manner and whose amount exceeds monthly 13.5 MTU. (Monthly Tax Unit, value 1 MTU CLP 47,920 = US \$ 71.84 approx.).

GRATIFICATION

According to Chilean law, employers who obtain net profits in rotation at the end of the year, have an obligation to gratify their employees annually. For this obligation there are two alternatives:

1. Paying once a year, at a rate no less than 30% of the net profit.
2. Paying the employee 25% of earnings for the commercial work due to monthly remunerations with a limit of 4.75 MMI.

CONTRACTS TERMINATION

In Chile to end an employment relationship, the employer must make use of any of the grounds that the law has stated strictly and specifically, not being able to use other reasons than those provided by law. With the termination of the employment relationship, the worker is entitled to the following compensation:

- ▶ **Substitute Indemnity for previous notice:** It's paid when the contract has terminated due to company needs which in turn, the employer has not given notice of termination with at least 30 days in advance.
- ▶ **Indemnity of annual holiday or VACATION:** It is the one paid if the employee ceases to belong to the company for any reason without claiming its annual holidays.
- ▶ **Indemnity for years of service:** Compensation that is paid to the employee when the contract is terminated due to company's needs. This compensation is equivalent to one month's salary for each year of service and a period of more than six months continuously provided to said employer. This compensation has a maximum limit of 11 years.

INDEMNITY CALCULATION

They are calculated on the basis of the last monthly remuneration. The law provides that the last monthly remuneration shall include any amount received by the worker for the provision of his services at the time of termination of the contract, including social security contributions and social security contributions for which the worker is responsible, and the royalties they can value in money. This calculation does not include the legal family allowance, overtime payments and those benefits or allowances granted sporadically or once a year as gratifications and bonuses, for example, Christmas or Independence Day. Exceptionally, the bonus must be included in this operation when it is paid monthly.

DATA PRIVACY

Personal Data Protection in Chile is regulated by a special law (Law N° 19.628), but in terms of employment there are two laws established:

Nondiscrimination of employees based on their economic, financial, banking or commercial background.

The employee must keep private data of the employee under file with access for work relations.



COLOMBIA

COUNTRY OVERVIEW

There are several major aspects, related to employment in Colombia which must be taken into consideration by foreign investors and business owners, who wish to open business operations in the country. Notwithstanding the nationality of the parties, all employment contracts are governed by Colombian law.

National and foreign employees are legally obliged to contribute to the Integral Social Security and Parafiscal System. Colombian law stipulates payments that must be considered as part of the base salary, as well as commissions and bonuses, regardless of the parties' willingness to sign an employment agreement.

In principle, foreign companies cannot hire employees without having a branch or a subsidiary in Colombia. All entities must comply with the payroll record with local regulators. Social Security and Parafiscal contributions are also mandatory (both for the employer and the employees) and are calculated according to the employee's income. In addition, some taxes and withholdings may apply.

OVERVIEW

WORKFORCE

The WAP (Working Age Population) registered by January 2018 was 38.7 million, of which 14.2 million are classified as IEP (Inactive Economic Population) including students, retired employees, housewives, and others, and the rest as EAP (Economically Active population). The participation of young population (15 to 24 years) in the workforce is 53.1%.

CURRENCY AND EXCHANGE TO USD

The local currency is the Colombian Peso: COP\$ Average Exchange rate per \$1 USD: \$3,100 COP\$

REGULATORS

Colombian Government Colombian Labor Code Consumer Price Index (CPI).

TERMS OF EMPLOYMENT

WAGES

The legal monthly minimum wage (LMMW), are determined by the Colombian government on each calendar year. The LMMW established for 2019 is **COP\$828,116 monthly (approximately USD \$267)**. The minimum wage increases annually, using the CPI (Consumer Index Price) as a reference. Wages in Colombia can be agreed under the following two schemes:

REGULAR WAGES

The salary and contributions are paid separately and is constituted by approximately 51% of the salary in employer contributions. The ordinary salary scheme is mandatory for salaries lower than 13 times the legal monthly minimum wage (LMMW), which is approximately **COP \$ 10,765,508 for 2019 (approximately USD \$3.472)**. If the salary is proposed is equal to or greater than that amount, the integral salary scheme could be applied. Employees under the ordinary salary scheme have additional benefits such as loan, compensation, premium (special bonus in June and December), vacation, endowment and transportation grant.

FULL SALARY

The mandatory benefits of the integral salary are included proportionally in the monthly salary payment, which reduces the contribution to almost 30%. This option must be agreed with the employee in writing, and clearly established in the employment contract.

EMPLOYMENT CONTRACTS

TYPES OF AGREEMENTS

Labor contracts can be agreed for an indefinite period, fixed term or for the duration of a project. The general recommendation is that these agreements be agreed in writing. Contracts that have a deadline for their execution cannot exceed three years, but they can be extended indefinitely. If the duration of the contract is less than one year, it can be extended up to three times (with each renewal being equal to or less than the initial term), but after the third renewal, the contract can only be extended for periods of one year.

When there is an indefinite agreement, a trial period of up to two months can be established. Another type of contract is operating as independent contractor or agency worker. However, some restrictions could be applied in this last format.

COMPENSATION

VACATION

The employee is entitled to 15 working days of vacation per year, proportional to a fraction of the year worked. They must be paid at the moment of beginning to enjoy their rest, with previous authorization of the employer, and a time of enjoyment of minimum six working days must be guaranteed. By law, these can also be paid in money for each period caused up to seven days. The days not enjoyed, must be paid at the time of the settlement of the service contract. The basis for calculation is the worker's salary at the time of payment, plus the average of their annual basic salary.

OVERTIME

The Colombian work code establishes that employees can work up to 48 hours a week, eight hours a day. Employees must have at least one paid day off, every six days a week (usually on Sundays).

You cannot require an employee to work more than two extra hours a day, or more than 12 hours a week. The ordinary business day is 6:00 a.m. at 9:00 p.m., and a 25% fee is paid on the hourly rate. In the evening, the day is 9:00 p.m. at 6:00 a.m. and the payment is of 35% on the rate per ordinary hour. The payment of overtime at night is equivalent to 75% of the hourly rate.

BENEFITS

PERFORMANCE BONUS

Labor payments for mere liberality of the employer, for compliance with the employee's goals, merits or job performance. They are a direct payment of the service provided by the employee. They are the average basis for the calculation of social benefits, calculation of overtime, surcharges and vacation compensation, base of withholding at source and social security and parafiscal.

TRANSPORTATION ALLOWANCE

It is regulated annually by the government, and by 2019 the allowance is of COP \$ 97, 032. The employee is entitled to the allocation of this allowance when it charges less than 2 LMMW, that is, COP \$ 1,656,232. It is the basis for the calculation of social benefits, calculation of overtime, surcharges and vacation compensation, withholding basis at the source and of social security and parafiscal.

EXTRALEGAL PREMIUMS

They are payments at exclusive discretion of the employer, or as part of a collective or union agreements. It must be agreed in writing when these premiums are non-salary payments, for example, extralegal onetime bonuses for reengagement, or compliance with group goals (demonstrable). They are basis of withholding at the source, and for contribution to the Social Security in health, pension and labor risks, it must be determined if it exceeds 40% of the remuneration in the month in which they are paid to the employee.

HOLIDAYS

In Colombia, there are 18 paid holidays:

| | |
|------------|--|
| JAN | New Year Epiphany |
| MAR | St. Joseph's Day |
| APR | Holy Thursday Holy Friday |
| MAY | Labor Day Ascension of the Lord |
| JUN | Corpus Christi Sacred heart |
| JUL | Saint Peter and Saint Paul Independence Day |
| AUG | Boyaca's battle Assumption of the Virgin Mary |
| OCT | Day of race |
| NOV | All Saints Day Independence of Cartagena |
| DEC | Immaculate conception Christmas |

PAYROLL: DEDUCTION AND TAXES

In Colombia it is denominated Payroll. Payroll includes the following payments; which are the inalienable rights of the employees:

- ▶ **Severance:** Social benefit for employees with regular wages. Its objective is to cover a contingency for when they are unemployed. Equivalent to an annual salary and must be consigned to the severance fund chosen by the employee.
- ▶ **Severance interests:** It recognizes an annual yield of 12% per year on registered layoffs.
- ▶ **Legal premiums:** Social benefit equivalent to 15 days of salary for each half year of service. Two payments are made per year, the first at the end of June and the second in December.
- ▶ **Provision:** Employees who earn up to two legal monthly minimum wages in force (COP \$ 1,562,484) are entitled to this benefit. It consists of a supply of work clothes and a pair of shoes.
- ▶ **Tax Deductions:** Employees must be enrolled in the social security system (for pension, health and occupational hazards), and employers are required to make these monthly contributions on time.
- ▶ **Health Contributions:** The employee must contribute with a monthly payment of 4% to the public health authorities (ASP), based on the payments it receives monthly.
- ▶ **Retirement Contributions:** The employee must contribute with a monthly payment of 4% his selected pension fund, based on the payments that he receives monthly.
- ▶ **Solidarity Fund Contributions:** Subsidies payments to the general pension system, for workers who do not have the resources to pay the total contribution. The employee must pay between 1% 2%, to the solidarity fund when his base income of quotation exceeds four LMMW (COP \$ 3,312,462).
- ▶ **Family Compensation Fund:** These contributions are payable by the employer and correspond to 4% of the employee's monthly payment (except for employees with full salary that is contributed over 70%).
- ▶ **National Learning Service NLS and Colombian Institute of Family Well-being CIFW:** They are paid by the employer and correspond to 2% of the employee's monthly salary, except for employees who earn less than ten LMMW (COP \$ 8,281,160). For employees with full salary, about 70% is contributed.
- ▶ **Occupational Risk:** They are in charge of the employer and corresponds between 0.522% and 6.96% of the employee's monthly salary, depending on the risk associated with the activity that this person performs. For employees with full salary, salary concepts should be taken over 70%.
- ▶ **Withholding Tax:** It is calculated monthly or annually, starting on January 1st. Its objective is to anticipate the payment of the income tax of natural persons. All payments that increase the employee's gross estate without taxable. The tax law defines certain exemptions and reliefs to reduce the base of retention but has some limitations.

CONTRACT TERMINATION

An employer may terminate its employment relationship with an employee without incurring liability, if its reasons are justified in the Act (misconduct or under performance). A disciplinary process must be conducted before any termination of the contract.

Unilateral terminations without just cause do not require notice, but the employee is entitled to compensation.

- ▶ **Indemnity:** Its calculation is determined by the type of employment contract and the employee's salary. It is not the basis for Social Security and Parafiscal contributions and is taxed with a withholding at source of a percentage of 20%, as long as the labor income of the last year at retirement does not exceed the limit indicated by the Law.
- ▶ **Bonus for retirements:** It is a value agreed by both parts, when the cause of the termination of the contract is of mutual agreement. This concept is the basis for social security and parafiscal contributions. When it exceeds 40% of the remunerated base (Law 1393/2010), it is taxed with withholding tax.
- ▶ **Transactional / conciliatory amount:** It is a value agreed with the employee, when the reason for the termination of the contract is by transaction or conciliation. This concept is not based on Social Security and Parafiscal contributions and is taxed with withholding at source.

DATA PRIVACY

To process personal data, a privacy notice must be made to affected employees prior to collection and processing. All transfers of personal data to domestic or foreign third parties must be approved in advance by the employee concerned. Employees have the right to know, update and correct their personal data. This right may be exercised when there are partial, inaccurate, incomplete, divided or misleading data and/or data that are prohibited or unauthorized for processing (such as data relating to racial or ethnic origin, political, religious or philosophical orientation, and membership of trade unions or organizations), among other elements considered sensitive information.

Employees may revoke the authorization granted for the processing of their personal data and may request the removal of their personal information from the databases of employers or subcontractors by filing a formal complaint.





COSTA RICA

COUNTRY OVERVIEW

Costa Rica is quoted by a large number of local and international investors with the purpose of undertaking their businesses, by creating employment opportunities in the country. Therefore, it is important to consider some processes related to be a local employer governed by Costarrican law.

Costarrican labor legislation is regulated by the Ministry of Labor and Social Security (MTSS), which is responsible for ensuring compliance with labor and social security policies, vigilance for decent work, development, inclusion, equity and social justice.

According to the legislation, the employer and the employee must contribute to the solitary security regime, the employer registration and the assurance of the workers is an immediate procedure when the employment relationship begins. The Labor Code dictates that the employer must insure its employees for work risks, subscribing to a policy at the beginning of its operations and be in force throughout the employment relationship. Locally, only the National Insurance Institute offers coverage for occupational risks.

Foreign investors must have a fiscal domicile in Costa Rica to generate their business and comply with the requirements of local regulatory bodies to become employers. The labor legislation prohibits any type discrimination at the workplace for any of these reasons: age, sex, religion, race, sexual orientation, marital status, political opinion, national extraction, social origin, disability, union affiliation, economic situation or any other analogous form of discrimination, therefore the dismissal of workers is prohibited for the aforementioned reasons. All employees who work under equal and subjective conditions of work must enjoy the same rights.

OVERVIEW

WORKFORCE

By 2019, the labor market of Costa Rica is giving signs of a vigorous recovery after complicated periods that even reduced its work force in five consecutive measurements, and unemployment overcame the barrier of 10%.

In the Continuous Employment Survey (CES) of the National Institute of Statistics (NIS) for the second quarter of 2017, the third consecutive measurement was recorded in which the labor force and the employed population improved their inter annual growth, while unemployment fell below the barrier of 200 thousand people, for the first time since 2013.

- ▶ **The unemployment rate for the first trimester of 2018 was 10,3%**
- ▶ **The percentage of people employed with formal employment was 58,6%**
- ▶ **The employment rate decreased 2.2 pp. year-on-year and was estimated at 51.8%**

CURRENCY AND EXCHANGE TO USD

The local currency is the Costarrican Colón: C ₡

The exchange references of the exchange rate of the dollar established by the Central Bank of Costa Rica are considered.

Average Exchange rate 566.83 C\$

REGULATIONS

Costarrican Social Security Fund
National Insurance Institute
Ministry of Finance of Costa Rica
Ministry of Labor and Social Security.

EMPLOYMENT INFORMATION

MINIMUM WAGE

The minimum amount that must be paid to every worker according to his occupation. Legally, no worker in the country should earn a salary lower than this, the value decreed for 2019 amounts to **\$ 300,225 Colones per month (USD \$ 528)**. This salary is set by the National Salary Council and is established by Executive Decree and they are adjusted once a year, with the possibility of a mid-year review. Salary is considered in some cases the remuneration composed of services, bonuses, overtime, sales commissions, profit sharing, etc.

The payment of salaries must be in legal currency, in the workplace, which is usually done through electronic fund transfers or company checks. The frequency of payment is established freely between the employer and the worker, whether weekly, biweekly, biweekly or monthly.

EMPLOYMENT CONTRACTS

An Employment Contract is made to delimit or clarify the characteristics by means of which the labor relationship will be governed. The employment contract can be classified according to different criteria or factors. If the contract affects only one worker, it is called an individual contract; but if the contract involves several workers, it is called a collective employment contract.

The most important classification in practice is the one that is made according to the duration of the employment contract. Fixed Term Contracts: There are two types:

- a. Fixed term contracts, which have a fixed termination date beforehand; and
- b. Contracts for specific work, because the services are contracted for the realization of a specific work.

Contracts for an Indefinite Period or Temporary: It is a contract which is not subject to a term, therefore they will last until one of the parties, voluntarily or involuntarily decides to end the work relation.

COMPENSATION

VACATION

Every worker has the right to paid annual leave, the minimum of which is set at two weeks for every fifty weeks of continuous work, to the service of the same employer. The employer will indicate the time in which the worker will enjoy his vacation but must do so within fifteen weeks after the day on which fifty community service hours are completed, trying not to disturb the good operation of the company. Employees must enjoy uninterrupted vacation periods as established by the Labor Code. These may be divided into two fractions, at most, when the parties so agree, and provided that they are special tasks that do not allow a prolonged absence.

OVERTIME

The actual work performed outside the limitations stated for each type of working day, must be considered extraordinary, and must be paid by means of an additional time and a half of the ordinary salary. Overtime is not considered to be the hours the worker takes to correct the errors attributable only to him, committed during the work. It is necessary to bear in mind that overtime is exceptional and temporary.

BENEFITS

CHRISTMAS BONUS (AGUINALDO)

It is an economic benefit that Costarrican legislation grants to all workers, which consists of delivering once a year the equivalent of one month's salary. All persons who are part of the labor force of our country as regular employees in a company are entitled to receive the bonus in the first 20 days of the month of December of each year, in full if they have accumulated one year of service and, partially according to the time worked for that employer.

The bonus corresponds to an inalienable benefit, which is why, in case of termination of the employment relation, all employees will be entitled to the bonus payment no matter what the cause of termination (resignation, dismissal with or without employer responsibility). The only exception in this case is that the termination of employment is made before the employee manages to accumulate a month of work.

The sum that employees receive as a bonus, totally or partially, will be exempt from payment of income tax; it must be also noted that the bonus is not subject to seizure, except for alimony.

HOLIDAYS

In Costa Rica, there are 11 holidays:

| | |
|------------|--------------------------------------|
| JAN | New Year |
| | Commemoration of the Battle of Rivas |
| APR | Holy Thursday |
| | Holy Friday |
| MAY | Labor Day |
| JUL | Day of the Annexation of Guanacaste |
| AUG | Mother's Day |
| | Day of the Virgin of the Angels * |
| SEP | Independence Day |
| OCT | Culture's Day* |
| DEC | Christmas |

* Virgin of Los Angeles Day and Culture Day are considered holidays, but payment is not mandatory.

PAYROLL: DEDUCTION AND TAXES

SOCIAL SECURITY

Costa Rica has a social insurance system financed through contributions from the government, employers and workers. It is for this reason that workers are deducted monthly for Social Security. These percentages can be modified, however, as of 2018 it was agreed that workers must contribute 10.34% of their monthly net salary, while the employer a contribution of 26.33%, and in companies with less than 5 employees a contribution of 24.83 %, so both monthly percentages must add 36.67%.

SERVICES

Through the Costarrican Social Security, the population is provided with medical assistance, maternity assistance and pensions for disability, old age and death.

DISABILITY

The employer must pay the incapacitated employee fifty percent of his salary during the first three days. As of the fourth day, the Costarrican Social Security Fund (CCSS) pays 60% of the salary, with the existence of a disability certificate issued by a doctor of the institution. The employer is not obligated to pay the salary from the fourth day except for maternity leave (in this case, he pays half the salary for four months, and the CCSF pays the other half).

OCCUPATIONAL RISKS

In addition to the safety requirements in working conditions, the Labor Code establishes an insurance system to protect the worker from accidents occurring during working hours.

WITHHOLDING OF SALARY INCOME

According to the salary earned by the employee, a deduction must be made to pay the tax on the employee's income. The sections for the calculation of this tax and the applicable rates are subject only to those persons who have a salary higher than the exempt minimum established by the Ministry of Finance of Costa Rica. This table is reviewed annually.

UNEMPLOYMENT BENEFIT

If the indefinite employment contract ends due to unjust dismissal or under some of the grounds provided for in the Labor Code or other cause beyond the will of the employee, the employer shall pay him a severance payment which shall be governed according to the time worked by the employee for the same employer and an amount in days will be canceled, according to the seniority list established by the Labor Code.

It shall not indemnify said unemployment benefit under no circumstances for more than the last eight years of employment, which is considered the maximum limit in Costa Rica.

CONTRACT TERMINATION

RIGHT TO TERMINATION

The right to terminate the employment relationship is granted by Costarrican law to both parties. The Labor Code establishes the facts that empower the employer or employee to terminate the contract without responsibility and the employee to terminate the contract.

NOTICE

The Labor Code mentions that the contract for an indefinite period can be terminated by each of the parties, without just cause, giving prior notice to the other party. According to the time worked, the number of days of notice that must be given will be considered. The notice can be worked or by agreement of the employer can be canceled in the liquidation.

DATA PRIVACY

Costa Rica has been advancing since 2011 in terms of personal data protection, precisely with the enactment of the Law on the Protection of the Person against the Processing of Personal Data, Law No. 8968, just published in September 2011. It is of a law that was necessary, because the Costa Rican society is increasingly facing the digital world and where the protection of information becomes broadly relevant.

This law is also covered by Executive Decree No. 37554 of March 5, 2013 where the Regulations to the Law for the Protection of the Person against the processing of their Personal Data is created, also amended by Executive Decree 40008 of the year 2016 All this normative model comes to protect the information of the personal data of Costarrican citizens, and to cement the right to protect their privacy and even make decisions about how their personal data should be treated.

To achieve the implementation of these initiatives, the Agency for the Protection of Data of Inhabitants (PRODHAB, in Spanish) was created, which has been making important efforts to promote and increase the number of citizens, state institutions, private sector companies, among others, the culture of protection of personal data.



ECUADOR

COUNTRY OVERVIEW

In Ecuador, the economic sectors with the highest employment generation are agriculture (28.3%), commerce (18%), manufacturing (11.7%) and construction (6.8%), followed very closely by housing and housing activities. food services (6.3%), this objectively reflects the productive structure of the country's economy.

Of the total of existing jobs, 92% are generated by the private sector and 8% by the public sector.

In Ecuador there is a regulation that expresses the labor relations between worker and employer, which is the Labor Code where they include and regulate the rights and obligations of employers and workers. The Social Security Law and the Production Code, among others, complement the applicable legislation for labor relations in the country.

The rights and obligations of foreigners are consigned in the Organic Law of Human Mobility from articles 43 to 53.

The recent efforts of the government have been evidenced in the reduction of the underemployment rate of 3 points and as a consequence an increase in the rate of adequate employment.

For the near future, with the repeal of the "Capital Gains Law", the reactivation of the real estate sector is expected along with the generation of employment sources.

OVERVIEW

CURRENCY AND EXCHANGE TO USD

The local currency is the USD\$

Ecuador adopted the USD as their official currency at early 2000.

REGULATORS

Ministry of Labor (MDT, in Spanish) Social Security Institute of Ecuador (SSIE) Labor Code

TERMS OF EMPLOYMENT

MINIMUM WAGE

Wages and salaries in Ecuador are decreed by the National Government and are freely stipulated, but in no case may it be lower than the legal minimum wage (**today \$394**) that is agreed according to the current Constitution (2008) and the Labor Code.

The payment of remunerations will be given within the agreed periods and cannot be reduced or discounted, except with the express authorization of the worker and in accordance with the law.

Individuals working in the private sector have the right to participate in the liquid profits of companies, in accordance with the law. The law will set the limits of this participation in companies that exploit nonrenewable resources.

HOLIDAYS

Ecuador has 12 holidays:

| | |
|------------|--------------------------------------|
| JAN | New Year |
| FEB | Monday and Tuesday of Carnival |
| APR | Holy Friday |
| MAY | Labor Day Battle of Pichincha |
| AUG | First Scream of Independence |
| OCT | Guayaquil Foundation |
| NOV | Day of the Dead Cuenca Foundation |
| DEC | Foundation of Quito Christmas |

EMPLOYMENT CONTRACTS

TYPES OF CONTRACTS

- ▶ **Indefinite Contract:** It is the contract celebrated in Ecuador to attend to usual activities, it has a maximum trial period of ninety days and it can only be extinguished due to the causes established in the Labor Code.
- ▶ **Casual contract:** It is held to meet circumstantial requirements, such as replacement of personnel absent for vacation, leave, sickness, maternity and to meet a greater demand for production or services in usual activities, its duration may not be greater than one hundred and eighty days continuous or discontinuous, within a period of three hundred and sixty-five days. The salary or salary will have an increase of 35% of the hour value of the basic salary of the sector to which the worker corresponds.
- ▶ **Occasional contract:** They are held for the attention of emergent or extraordinary needs, not linked with the habitual activity of the employer, its duration will not exceed thirty days in a year. The salary or wages will increase 35% of base salary time the sector to match the worker.
- ▶ **Season contract:** They are celebrated by reason of custom or collective bargaining, so that cyclical or periodic work is carried out, due to the discontinuous nature of their work, enjoying these stability contracts, understood as the right for workers be called to provide their services in each season that are required. In the event that the worker is not called to provide his services, it is considered an untimely dismissal.
- ▶ **Contract for certain work:** It is celebrated with the worker to take charge of the execution of a specific task, for a remuneration that includes the whole of it, without taking into consideration the time that is invested in executing it.
- ▶ **Contract by task:** It is celebrated with the worker so that he commits to execute a certain amount of work or work in the day or in a period of time previously established. It is understood concluded the day or period of time, by the fact of completing the task.
- ▶ **Contract for a certain work or service determined within the business line:** It is celebrated with the worker for the execution of works or services, and the employment relationship will end once the work or activity for which he was hired is completed, and the payment of the eviction bonus.

COMPENSATION

OVERTIME

Also called overtime. The Labor Code establishes a maximum day of 40 hours per week. The additional hours to this amount, are considered extra hours and these cannot exceed 4 in a day nor 12 in the week.

The daytime runs from 6am until 7pm. And the nightlife between 7pm and 6am (the work done in this strip must be paid with a 25% surcharge). Additional hours in any of the 2 days must be paid with a 50% surcharge.

However, if overtime is on a Saturday, Sunday or holiday, they must be paid at 100% surcharge.

BENEFITS

AFFILIATION TO ISS (in Spanish)

Every worker who starts a dependency relationship must be included in the mandatory general insurance from the first day of work with the employer.

BONUS OR THIRTEENTH MONTH

Paid until December 24 of each year, the total of salaries is calculated from the first of December of the previous year until November 30 of this year, divided by twelve.

FOURTEENTH MONTH OR SCHOOL BONUS

Paid until March 15 in the Costa Region and August 15 in the Sierra Region, has the value of a basic salary (today \$394)

PARTICIPATION OF UTILITIES

Each company will recognize its worker 15% of the net profits, of which 10% will be divided for all workers and 5% proportional to their family responsibilities.

RESERVE FUNDS

The worker has the right to receive an additional 8.33% of his income or monthly remuneration, once he has completed thirteen months of work with the same employer.



PAYROLL: DEDUCTION AND TAXES

OBLIGATORY INSURANCE

In Ecuador, every worker has the right to Compulsory General Insurance, which will be administered by the Ecuadorian Institute of Social Security IESS. The basis of contribution to social security is all regular income susceptible of pecuniary appreciation. The employee is responsible for contributing 9.45%, while the employer recognizes 12.15%.

INCOME TAX

The tax base for the calculation of the income tax under the dependency ratio will be established by the difference between the sum of the taxable income minus the personal contribution to the IESS and less the deductible expenses. For the determination of the income tax caused, the progressive table for natural persons will be applied, which is updated every year.

CONTRACT TERMINATION

FOR DISRUPTION OR VOLUNTARY RESIGNATION

The employer will reward the worker with twenty-five percent of the equivalent to the last monthly remuneration for each of the years of service rendered to the same company or employer. The same bonus will be paid in cases where the employment relationship ends by agreement between the parties.

BY DISMANTLING INTEMPESTIVE

The employer who untimely dismisses the worker will be condemned to compensate him, in accordance with the time of service and according to the Up to three years of service, with the value corresponding to three months of remuneration; and, of more than three years, with the value equivalent to one month of remuneration for each year of service, without in any case that value exceeding twenty-five months of remuneration.

BY GOOD VIEW

The payment of the settlement must be made in 15 days maximum (the usual is in 30 days). The settlement must be recorded in the maximum MDT in 15 days. Notice of exit from the IESS, within the first 3 working days after the employee leaves.

DATA PRIVACY

Article 66 numeral 19 of the Political Constitution of Ecuador establishes that people are recognized and guaranteed: "The right to protection of personal data, which includes access to and decision on information and data of this nature, as well as its corresponding protection. The collection, filing, processing, distribution or dissemination of these data or information will require the authorization of the owner or the mandate of the law. "

Likewise, in the Comprehensive Organic Code COIP, article 229 establishes the following: Unlawful disclosure of the database. The person who, for his own benefit or that of a third party, reveals registered information, contained in files, files, databases of data or similar means, through or directed to an electronic, computer, telematic or telecommunications system; voluntarily and intentionally materializing the violation of the secret, privacy and privacy of the people, will be punished with imprisonment of one to three years.





EL SALVADOR

COUNTRY OVERVIEW

El Salvador located on the coast of the Pacific Ocean, has an area of 21,041 km². And a population estimated at 6 million 582 thousand inhabitants and by its approximate demographic density of 304.72 inhabitants per square km, is the most densely populated country in the American continent.

A 12year civil war, whose human cost reached approximately 75,000 lives, ended on January 16, 1992, when the Government and the guerrillas signed the Peace Accords that led to military, social and political reforms.

Currently the economy is more oriented towards manufacturing and services, instead of agriculture (coffee cultivation). Its main industries are food and beverages, petroleum products, tobacco, chemicals, textiles and furniture. Remittances from Salvadorans who work in the United States and send members of their families are a major source of income from abroad and offset the substantial trade deficit of around \$ 4,000,000,000.

El Salvador was the first country to sign and implement the Free Trade Agreement between the United States, Central America and the Dominican Republic (CAFTA), as well as free trade agreements with Mexico, Chile, the Dominican Republic, and Panama, and has increased its exports to those countries.

OVERVIEW

WORKFORCE

Unemployment rate: The unemployment rate among young people between the ages of 16 and 24 is 14.45, in people between 25 and 59 it is 5.1%. Although new occupations will arise, technological changes will have a strong impact in the Central American region, where there is a high proportion of jobs with a high risk of automation.

CURRENCY AND EXCHANGE TO USD

Since 2001, the Colon stopped circulating and the dollar (USD) became the national currency.

REGULATORS

Labor Code of the Republic of El Salvador

TERMS OF EMPLOYMENT

MINIMUM SALARY

Minimum amount set by the Ministry of Labor that an employee must receive for a full time employment.

- ▶ **Industry:** USD \$ 304.17
- ▶ **Trade:** USD \$ 304.17
- ▶ **Services:** USD \$ 304.17
- ▶ **Maquila:** USD \$ 299.30
- ▶ **Agricultural:** USD \$ 202.88

EMPLOYMENT CONTRACTS

The individual work contract is a document that guarantees the workers, which stipulates the obligations of each of the contracting parties to provide a service, to one or more employers, institution, entity of any kind and conditions in those who perform their work under their dependence through a salary. (Art. 17)

Employment contracts must be in writing and must contain the following information: date and place of the contract, identification of the parties, including the sex of the employee, marital status, nationality and date of birth, the nature of the work, the place where the work will be done; salary and payment conditions, hours of work, term of the contract, among others. (Article 23 of the Labor Code) The annual holidays are of 15 days and the employee is entitled to receive payment, plus an additional 30% of the 15 days, received before his vacation.

COMPENSATION

BENEFITS

The Labor Code establishes that every employee has the right to the bonus, which must be paid within the first 18 days in the month of December of each year.

The employee is entitled to 15 days of paid vacation per year, after completing 12 months of continuous service. The compensation for annual leave is 15 days of salary plus 30% of wages of 15 days and must be paid to the worker before the start of the permit.

Right to a pension fund through the Pension Fund Administrators (AFP), whose sole and exclusive social objective is the administration of a pension fund, as well as the granting of benefits for old age, disability and survival to its members, according to the provisions of the Law of the Savings System for Pensions (SAP). The Employer pays 7.75% and the worker 7.25%

Use of Social Security through the Salvadoran Social Security Institute (ISSS): The employer pays 7.50% and the worker 3%.

HOLIDAYS

In El Salvador there are 10 holidays:

| | |
|------------|------------------------------|
| JAN | New Year |
| APR | Easter |
| MAY | Labor Day Mother's Day |
| JUN | Father's day |
| AUG | Festivities |
| SEP | Independence Day |
| NOV | Defunct's Day |
| DEC | Christmas End of the year |

PAYROLL: DEDUCTION AND TAXES

TAXES

Income Tax: it's paid by all employees through withholdings made by its employer. Employees who earn more than \$530 pay between 10 and 30% annually.

Added Value Tax (IVA, in Spanish) It is a 13% tax paid by consumers for the use of a service or acquisition of a good. El Salvador's tax burden for this year is 18.3% and most of these taxes are indirect, that is, they are paid through consumption, such as the Value Added Tax (VAT).



CONTRACT TERMINATION

voluntary resignation in El Salvador came into effect. This law establishes that workers who decide to terminate their labor services with a company may receive monetary compensation.

Art. 1. REGULATORY LAW OF THE ECONOMIC BENEFIT FOR VOLUNTARY RESIGNATION

Prior notice obligation: To be entitled to the economic benefit regulated by law, it will be mandatory to give written notice to the employer, thirty days before the date on which the resignation will be effective, in the case of directors, managers, administrators, head offices and specialized workers.

Minimum service time: For workers to be entitled to the economic benefit regulated by law, they must have at least two years of continuous and effective service for the same employer.

Economic benefit for resignation: Permanent workers who resign from their employment, after two years, will receive an economic benefit equivalent to fifteen days of basic salary for each year of service.

Payment of vacation and Bonus when resigning: Workers who resign from their employment, shall have the right to receive, in addition to the benefit regulated in this law, the bonus and the proportional paid annual vacation fully. The law establishes that no salary may be more than twice the legal daily minimum wage.

Settlement for Dismissal: Settlement for dismissal is when a worker has been hired for an indefinite period and is dismissed from his job without just cause. The person shall have the right to compensation by the employer according to the rules specified in the Labor Code with reference to the calculation of his liquidation.

Some rules are:

- ▶ The right to compensation arises only with dismissals without just cause.
- ▶ No salary may be more than four times the legal daily minimum wage.
- ▶ It is paid to the basic salary of 30 days per year, or proportional, as appropriate.
- ▶ In no case may the compensation be less than the equivalent of the basic salary of fifteen days.

DATA PRIVACY

DECREE N1 695 OF THE LEGISLATIVE ASSEMBLY:

Article 2, second paragraph of the Constitution states that "The right to honor, personal and family privacy and one's own image is guaranteed." That there is a manifestation of the right to privacy, which is precisely the right to data protection and consists in the individual being able to control the use or treatment of the same, in order to prevent an injury to their legal sphere. That it is fundamental to protect the right of citizens regarding the information of their credits so that it is correct and truthful and to avoid damaging their Constitutional Right to Honor and Intimacy.



HONDURAS

COUNTRY OVERVIEW

Since the 2008-2009 economic crisis, Honduras has experienced a moderate recovery, driven by public investments, exports and high remittance income. In 2017, the country grew by 4.1 percent, according to estimates, and the growth for 2018 is expected to be 3.6 percent. The number of companies operating in the free zones of Honduras grew in the last two years. According to studies carried out in September of the ILO: it shows that the unemployment rate was reduced by 0.9%, the occupation rate increased from 53.2% to 55.1% and the unemployment rate fell 7.4% to 6.7%.

Honduras has a regressive tax structure, 70% of the collection comes from indirect taxes and mainly from the Sales Tax (ISV), which in 2013 was increased from 12 to 15%. Additionally, it has a very high amount of tax exemptions or incentives for minority and highly concentrated sectors of the Honduran economy. It has promoted a strong process of discouragement to public investment, in order to benefit Public-Private Partnerships (PPPs). And as a corollary of this process of fiscal degressivity it has promoted a new tax code.

By means of Legislative Decree No. 362016, the Honduran government has created HONDURAS 2020, which is a Country development plan, which emerges as a transformative initiative of the private sector, being complemented and strengthened by the public sector in order to promote socioeconomic development of the country. HONDURAS 2020 is focused on six specific sectors of the Honduran economy based on national competitive advantages, the characteristics of international and regional markets, the latest trends and priorities of industry leaders in the sectors. The prioritized sectors are:

- ▶ Tourism
- ▶ Textile confection
- ▶ Intermediate manufacturing
- ▶ Outsourced business services (BPO / ITO)
- ▶ Social housing
- ▶ Agroindustry

OVERVIEW

WORKFORCE

The Active Economic Population (EAP) is defined by the National Statistics Institute of Honduras as: all persons over 10 years of age who claim to have a job, or do not have one, but have actively sought work or searched for the first time. The PEA is composed of employed and unemployed people. According to the Permanent Survey of Households of Multiple Purposes, the Economically Active Population represents 42.51% of the national total. When developing the analysis by sex, the rate is higher in men, with 63.5%, than, in women, with 36.5%. With respect to the branches of economic activity, the agricultural sector concentrates 35.78% of the total of the employed population; the commerce sector, on the other hand, covers 24.14%; while the manufacturing and communal services sectors jointly agglutinate 27.6%

CURRENCY AND EXCHANGE TO USD

The local currency is the Lempira: L \$ (it is divided into 100 parts called cents)

Average Exchange Rate for \$ 1 USD: \$ 24.22 L

The Central Bank of Honduras is the only issuer of coins and notes of legal tender in the territory of the country.

REGULATORS

Ministry of Labor or Secretary of Labor and Social Security.

Honduran Institute of Social Security – IHSS

TERMS OF EMPLOYMENT

MINIMUM WAGE

In January 2019 through executive agreement # STSS-006-2019, the amounts corresponding to the Minimum Wage are established throughout the national territory of the Republic of Honduras for the years 2019-2020.

The minimum monthly wage payable to a worker in the service sector in a company with a maximum of 10 employees will be **L 9,164.09 (approximately USD \$378)**.

The minimum salary scale differs depending on the number of employees the company has.

2019

- ▶ 1-10 workers on 4.77%
- ▶ 11-50 workers on 4.77%
- ▶ 51-150 workers on 6.4%
- ▶ 151 workers on 7%

2020

- ▶ 1-10 workers on 5%
- ▶ 11-50 workers on 5%
- ▶ 51-150 workers on 6.75%
- ▶ 151 from now on 7%

EMPLOYMENT CONTRACTS

TYPES OF CONTRACTS

- ▶ **Indefinite Contract:** when no date is specified for its termination.
- ▶ **Defined Contract:** when a date is specified for its termination or when it is foreseen the occurrence of some event or circumstance such as the construction of a work, which must necessarily terminate the employment relationship. In this second case, the activity of the worker himself must be considered, as the object of the contract, and not the result of the work.
- ▶ **Contract for a Determined Work:** when the price of the worker's services is adjusted globally or in a raised form, from the start of the work until they conclude, considering the result of the work, that is, the work carried out.
- ▶ **Contracts for Minors:** Permits granted to minors under 18 years of age to be able to enter into this type of contract must be authorized by the Ministry of Labor.

COMPENSATION

VACATION

Every worker has the right to a paid annual rest, it is enshrined in Article 345 of the Honduran labor code. To calculate the salary that the worker must receive on vacation, the average salary earned by him during the last 6 months or a fraction of the lesser time is taken as a basis when the contract has not lasted that period, increased with the equivalent of their remuneration in kind, if any. To obtain the aforementioned average, the total sum of the amounts that the worker has accrued by way of ordinary salary is divided by the number of days worked by him during the period that serves as the basis for calculating. (Art. 352 of the Labor Code). It should not be counted in the determination of the sum that corresponds as a vacation remuneration what is received as a bonus or bonus, to a mere title of liberality. (Art. 358).

OVERTIME

It is the effective work that is exercised after the ordinary day agreed by the parties, or outside the maximum limits established by law.

The law establishes that the extraordinary day, added to the ordinary one, may not exceed twelve (12) hours per day. This maximum limit can not be exceeded in exceptional cases in which, loss or imminent risk, danger to people, services, machines, facilities, products or crops, and in those, without the least damage. replace the workers or suspend work. The law does not take into account the overtime that the worker takes to correct the errors that have been incurred during the ordinary day, provided they are responsible.

Expressly shown in the Law, extraordinary days in jobs that by their nature are considered dangerous and unhealthy, this situation is stricter when it comes to children under 16 years. (Art. 125 Code of Childhood and Adolescence).

The extraordinary day is remunerated as follows:

1. Day period from 5:00 a.m. until 7:00 p.m. 25%
2. Night time of 7:00 p.m. Until 5:00 a.m. 75%
3. Mixed period for Periods between night and day time, provided that the night period does not cover less than 3 hours. fifty%

WORKING HOURS

Work hours can be during the day, night or mixed:

- ▶ Daytime: between 5:00 a.m. and 7:00 p.m.
- ▶ Nocturnal Day: between 7:00 p.m. and 5:00 p.m.

When the working day includes part of the "day" period and part of the "night" period, it is considered nocturnal when working 3 or more hours in the "night" period. It is considered mixed when the hours of work in the "night" does not reach 3.

Normal limits of work duration are considered:

- ▶ 44 hours per week day shift and 36 hours on the night shift week.
- ▶ 192 hours per month daytime hours and 156 hours per month night shift.
- ▶ 176 hours in a period of four consecutive weeks, daytime hours, and 144 hours over a period of four consecutive weeks, night shift.

BREAK

The Labor Code stipulates that every worker who has worked during the week for six consecutive days has the right to a paid day off. (Article 338 of the Labor Code).

BENEFITS

BONUS OR THIRTEENTH MONTH SALARY

It is an annual economic benefit to which every worker is entitled by virtue of the law. It is equivalent or consists of a month of salary, which is computed from January 1 to December 31 of the year in question.

It is paid according to the agreed salary and is calculated based on the average of the ordinary salaries earned by the worker during the twelve months of the calendar year.

The Christmas bonus must be paid in the month of December of each year, however, the parties may agree to delivery on a different date. (Art. 11 of Decree 112 of October 28, 1982, which contains the law of the 7th day and 13th in the concept of Aguinaldo).

FOURTEENTH MONTH OF SALARY

It is an annual economic benefit to which every worker is entitled by virtue of the law. The payment of the fourteenth month of salary will be 100 percent, if the year of continuous work to June 30, or the proportion thereof, according to the time worked, if at that date twelve months of services are not met continuous with the same worker.

The fourteenth month of salary in concept of social compensation, will integrate for all legal purposes the concept of salary, will be paid in the month of June of each year.

TRAVEL EXPENSES

It includes so many travel expenses, as the disbursements for food required by the employee, when he must move from his usual place of work, to fulfill a certain task by order of the employer, if the worker liquidates the amount (Invoices in the name of the company) assigned is not part of the net taxable income for the calculation of the ISR.

HOLIDAYS

In Honduras there are 11 days of rest:

| | |
|------------|---|
| JAN | New Year |
| APR | Easter America's Day |
| MAY | Labor Day |
| SEP | Independence Day |
| OCT | Francisco Morazan's Birth Americas' Discovery Day Armed Forces Day |
| DEC | Christmas * Days 24 and 31, half day for companies that work on Saturday |



PAYROLL: DEDUCTION AND TAXES

Payroll includes the following payments and calculations:

SOCIAL SECURITY

The contributions made under this concept are: for the employer (7.33%) and the worker (3.5%) Base salary quoted L 9,164.09. According to the Social Protection Law, the contribution made by the worker to the IVM (Disability, Old Age and Death Regime) is 2.5% on the basis of L9,164.09, which is the current minimum wage. The contribution made by the employer is 3.5%. You get it in the same way, you only have to multiply your salary by 3.5% or by 0.035.

SICKNESS AND MATERNITY

The law indicates that, in this case, the contribution made by the worker is 2.5% on the basis of L9,164. The employer contribution is 5% on the same basis: $L9,164 \times 0.05 = L447$

LABOR RESERVE FUND

Labor reserve fund made to the RAP Private Contributions Scheme. The contribution of the IVM, explained above, consolidates what was paid to the Private Contributions Scheme (RAP). Now the contributions to this regime are voluntary. On the other hand, the Social Protection Law of Honduras states that the employer must contribute 4% of the worker's salary to the RAP. The ceiling is 3 minimum wages ($L9,164 \times 3 = 27,492.27$). This contribution.

LABOR RESERVES

The labor liability is generated by the legal rights that the worker owns in case of being dismissed or because the company stops working. It is determined in the same way as the dismissal is calculated, so, for its specific calculation, it is necessary to resort to labor legislation applicable to the company.

- **Thirteenth month:** is deducted from ISR if it exceeds 10 minimum wages to the excess is taxed with ISR, it must be canceled in December if the employee is less than a year old is proportional to time worked if it is more than a year average salary full.
- **Fourteenth month:** ISR deduction if it exceeds 10 minimum wages to the excess is taxed with ISR should be canceled in June, if the employee is less than one year old is proportional to time worked if it is more than a year average salary full.
- **VACATION:** ISR is not charged for the first 30 calendar days

The calculation of the ISR in the salaried source must be calculated based on article 22 of the Law on Income Tax and is adjusted each year according to the Consumer Price Index:

| | |
|--------------------------------|---------------|
| From 0.01 to 152,557.14: | Exempt |
| From 152,557.16 to 232,622.61: | 15% |
| From 232,622.62 to 540,982.82: | 20% |
| From 540,982.83 hereunder: | 25% |

CONTRACT TERMINATION

CONTRACT TERMINATION

The total or partial suspension of work contracts does not imply their termination or extinguish the rights and obligations that emanate from them, in terms of reinstatement to work and continuity of the contract. The suspension can affect all contracts in force in a company or only part of them.

Are causes for suspension of employment contracts without responsibility for the parties:

1. The lack of raw material or driving force in the negotiation, as long as it is not attributable to the employer.
2. Force majeure or fortuitous event when it brings as a necessary, immediate and direct consequence the suspension of work.
3. Excess production based on its economic possibilities and market circumstances in a given company.
4. The impossibility of exploiting the company with a reasonable minimum of utility.
5. The lack of funds and the impossibility of obtaining them for the normal pursuit of the work, if it is fully verified by the employer.
6. Death or incapacity of the employer, provided that it brings as a necessary consequence, immediate and direct the interruption of work.
7. Illnesses that make it impossible for the worker to perform their work.
8. Pre and postnatal rest; licenses, breaks and VACATION.
9. The detention or imprisonment of the worker decreed by the competent authority.
10. The detention or preventive detention of the employer decreed by the competent authority, when the normal development of the work is necessarily and inevitably interrupted
11. Being called the worker to perform military service.
12. The exercise of a union position that prevents the worker from engaging in the normal performance of his duties.
13. The legal strike

If the Ministry of Labor and Social Security does not authorize the suspension because the alleged cause does not exist or because it is unjust, it will declare it without place, and the workers will be able to exercise their rights emanating from the labor contract, labor laws and regulations and other applicable provisions, for the responsibility that falls to the employer.

NOTICE

If the contract is for an indefinite period, either party may do so by giving the other a notice.

During the term of this the worker who is going to be dismissed is entitled to paid leave of one (1) day in each week so that he can look for new placement, or if it is not worked, it must be paid by mutual agreement of both parties.

DATA PRIVACY

Honduras is currently working on its Personal Data Protection Law, with the aim of protecting privacy as a constitutional right of each of its citizens. It includes aspects about the image, honor and intimacy of human beings, including minors through the regulation of the internet. Among the articles approved are also those related to the rights of Access, Rectification, Cancellation and Opposition (ARCO).



GUATEMALA

COUNTRY OVERVIEW

In Guatemala there are 16.2 million inhabitants, according to estimated data from the National Institute of Statistics (INE). It is very centralized: transportation, communications, business, politics and the most important urban activity takes place in the capital of Guatemala City, which has around 2 million inhabitants within the city limits and more than 5 million in the metropolitan area, which constitute more than one third of the population of the country. Guatemala is the largest economy in Central America, with a Gross Domestic Product (GDP) in purchasing power parity (PPP) per capita of US \$ 5,200. Remittances from Guatemalans living in the United States are now the largest source of income in the country.

In 2017, the country grew at 2.8 percent, according to the latest estimates, and it is expected that by 2018 it will grow by 2.6 percent.

According to the World Bank, Guatemala has enormous potential for economic growth, and it is the largest economy in Central America.

Promoting the country's growth will depend on continuous reforms to mobilize more private investment, as well as the allocation of income to finance investments in infrastructure and human capital that encourage growth.

OVERVIEW

WORK FORCE

The National Statistics Institute (INE) states in its 2016 report that the Economically Active Population exceeds 6 million Guatemalans, mostly over 15 years.

Unemployment Rate:

The unemployment rate in the country is 2.4%, being the lowest in all of Latin America.

CURRENCY AND CHANGE TO USD

The local currency is the Quetzal: Q \$

Average Exchange Rate for \$ 1 USD: \$ 7.70155 Q

REGULATORS

Labor Code

TERMS OF EMPLOYMENT

SALARY

Minimum Salary:

Agricultural Q. 2,992.36 (approximately USD \$389).

Agricultural Q. 2,992.36 (approximately USD \$389).

Nonagricultural Q. 2,992.36 (approximately USD \$389).

Export Activity and of Tolling Q. 2,758.15 (approximately USD \$358).

| ACTIVITIES | Salary per hour | Salary per day | Salary Minimum | Bonus Incentive 78- | Salary Total |
|--------------------------------|-----------------|----------------|----------------|---------------------|--------------|
| Agricultural | Q 11,27 | Q 90,16 | Q 2,742.36 | Q 250.00 | Q 2,992.36 |
| No Agricola | Q 11,27 | Q 90,16 | Q 2,742.36 | Q 250.00 | Q 2,992.36 |
| Exporting and maquila activity | Q 30,70 | Q 2,46 | Q 2,508.15 | Q 250.00 | Q 2,758.15 |

1. Method of calculation: Daily salary * 365 days + Annual salary / 12 months

2. For day work day or the proportional for night work.

EMPLOYMENT CONTRACTS

According to article 25 of the Labor Code of Guatemala, it establishes that the individual work contract can be:

- a. For an indefinite period:** when no date is specified for its termination.
- b. Fixed term:** when a date is specified for its termination or when the occurrence of any event or circumstance has been foreseen, such as the conclusion of a work, which must necessarily terminate the employment relationship. In this second case, the activity of the worker himself must be considered as the object of the contract, and not the result of the work.
- c. For a specific work:** when the price of the worker's services is adjusted globally or in a raised manner from the start of work until they conclude, considering the result of the work, that is, the work performed.

Even if the worker receives advances on account of the work executed or to be executed, the individual work contract must be understood for a given work, provided that the conditions indicated in the previous paragraph are met.

COMPENSATION

BENEFITS

In Guatemala, the following benefits are received:

Productivity incentive bonus of two hundred and fifty quetzals (Q. 250.00) per month, as stipulated in decree 372001 of the Congress of the Republic, in order to stimulate and increase its productivity.

An annual bonus that must be paid during the first half of the month of July of each year, equivalent to one month of salary or proportionally to the time worked, as established by Decree 42-92 of the Congress of the Republic of Guatemala, called "Annual bonus. for workers in the Private and Public Sector." A bonus in the first fortnight of the month of December of each year equivalent to one month of salary, calculated based on the average ordinal salaries accrued during the period from December 1 of the year prior to November 30 of the year in which is the payment, or proportionally to the time worked, according to Decree 7678 of the Congress of the Republic of Guatemala, called "Regulatory Law of the Provision of the Bonus for Private Sector Workers".
Period of paid holidays after each year of continuous work of 15 business days.

HOLIDAYS

In Guatemala there are 13 paid holidays:

| | |
|------------|--|
| JAN | New Year |
| APR | Holy Thursday Good Friday - Holy Saturday |
| MAY | Labor Day Mother's Day |
| JUN | Army Day |
| AUG | Day of the Virgin of Asunción |
| SEP | Our Lady of Aparecida |
| OCT | Revolution Day |
| NOV | All Saints Day |
| DEC | Christmas Eve (half day) Christmas |

Vacation period paid after each year of continuous work of 15 business days.

PAYROLL: DEDUCTION AND TAXES

Income Tax: All employees must pay Income Tax through withholdings made by its employer.

Brigade Ticket: It is established that all Guatemalan or foreign domiciled persons residing in each municipal jurisdiction, between 18 and 65 years of age, and those under 18 who, in accordance with the Labor Code, are obliged to pay this tax. authorization to work (articles 1 and 2). This tax is made at the beginning of the year only.

CONTRACT TERMINATION

TASK 1

DESCRIPTION

Calculations are made as follows:

Due payments:

1. Due wages + pending mobile assignment + pending extra hours, etc.
2. Untaken holidays (not taken) (averages of all wages of 1 year, except Q250 additional incentive)
3. Bonus 14 (average of all incomes for 1 year, except Q250 of additional incentive)
4. Bonus (average of all incomes for 1 year, except Q250 of additional incentive)
5. Dismissal > Indemnity * just in case of involuntary termination (average of all incomes for the last 6 months, except Q250 of the bonus incentive) Termination discount.
6. Social security pending payment.
7. Income tax liquidity.

BY WHEN?

Termination: Before Laying off and employee (out of cycle)

Resignation: 1 week after the employee has left (in cycle).

TASK 2**DESCRIPTION**

Request payment authorization and write the paycheck.

BY WHEN?

30 days after the termination is the last day to pay.

TASK 3**DESCRIPTION**

Cancel the subscription and make the last payment of IGSS (Social Security) and execute the pending payment.

BY WHEN?

The best date to pay is 15 days after the employee left voluntarily.

TASK 4**DESCRIPTION**

Cancel the subscription and make the last income tax payment.

BY WHEN?

In case of termination, it is better to verify on or before the date of termination, outside from the necessary cycle.

During the last month, for the last two steps.

DATA PRIVACY

Guatemala has Initiative 40902009 for the Law on the Protection of Personal Data. Its objective is to guarantee to any natural or legal person, the right to information self-determination in relation to their life or private activity and other rights of the person, as well as freedom and equality with respect to the processing of data corresponding to their person. It includes a description of the corresponding sanctions for faults as dictated by law.





MEXICO

COUNTRY OVERVIEW

In Mexico, work relations are regulated by the Federal Employment Law (FEL) which was modified in 2012 in terms of recruitment, training and employee layoff.

The main employment authority is the Secretary of Labor and Social Prevention (SLSP) and the body in charge of imparting justice in labor relations is the Federal Board of Conciliation and Arbitration (FBCA).

Labor relations in Mexico can be individual, when the employer hires the services of one or more employees, or collective, when the relationship is between a boss and a union of workers. Those over 15 and under 16 may, under certain limitations, be authorized by their parents or guardians. The work of minors under 15 years of age is prohibited, as is that of minors under 18 who have not completed their compulsory basic education.

The work of foreigners is allowed as long as the corresponding migratory obligations and permits are considered. However, 90% of employees must be nationals.

In matters of social security, the employer is obliged to register his employees in the Mexican Institute of Social Security (IMSS) and to pay monthly installments in accordance with the Social Security Law (LSS). The first LSS, in 1943, established the purpose of guaranteeing the right to health, medical care and social services necessary for individual welfare, and the creation of IMSS was also decreed. This law underwent several modifications until it was replaced by a new one in 1973 and finally by the LSS, which is currently in force, published in 1995 with entry into force from July 1, 1997.

OVERVIEW

WORKFORCE

Unemployment rate = 3.3% of the Economically Active Population (approximately 55.6 million). INEGI data November 2018

CURRENCY AND EXCHANGE TO USD

The local currency is in Mexican pesos: **MXN\$**
Average Exchange rate per \$ 1USD: **19.24 (average 2018)**

TERMS OF EMPLOYMENT

WAGES

The salary may be fixed freely by the parties, or subject to the provisions of the National Commission of Minimum Wages:

Unit of time: It must appear in the contract and a salary established for the time of the working day is agreed.

Unit of work: It agrees to pay a quantity of money for each piece or unit that the worker makes.

Commission: A percentage on sales made is calculated.

Lump sum: The salary is agreed globally for the work to be done, without considering time, days or schedules.

MINIMUM WAGE

The minimum amount received for services rendered in a work day. It is reviewed and updated annually by the National Commission of Minimum Wages. The minimum wage must be sufficient to satisfy the normal needs of a head of family and provide compulsory education for children:

- ▶ **General Salaries:** for one or more geographical areas.
- ▶ **Professional Salaries:** for a branch of economic activity or professions within one or more geographical areas. For 2019, the current daily minimum wage for the free zone of the northern border is **MXN\$ 177.72 (approximately USD \$8.78)**, for the rest of the country it corresponds to **MXN \$102.68 (approximately USD \$ 5.1)**.

WORKING HOURS

- ▶ **Daytime:** between 06:00 and 20:00 hours, maximum 8 hours.
- ▶ **Night time:** between 20:00 and 06:00 hours, max. 7 hours.
- ▶ **Mixed day:** includes diurnal and nocturnal periods. The night should be less than 3.5 hours. Maximum 7.5 hours.

During the working day, a minimum half-hour break will be granted. For every 6 days of work, you will enjoy a rest day on Sunday, in which there is no obligation to provide services. When service is provided on Sundays, you have the right to an

EMPLOYMENT CONTRACTS

WORK RELATION

In Mexico, labor relations between employer and worker are formalized through the individual work contract where the rights and obligations of both are stipulated. In accordance with the provisions of the Federal Labor Law (LFT) in force, for there to be a working relationship, it is enough with an agreement of wills between the parties, either in written or verbal form work relations may be:

- ▶ **For specific work:** Only when required by its nature. It may become indeterminate if it is not indicated which is the reason why the period is limited.
- ▶ **For a specific time or season:** Only when the nature of the work demands it or when it has object to temporarily replace another worker.
- ▶ **For an undetermined period:** It does not have establish special duration conditions and may be terminated in any time by any of the parties.
- ▶ **For periods under test:** Applicable only to work relationships for an indefinite period or for periods of more than 180 days. This period may not exceed 30 days and in order to verify that the worker meets the requirements. It can be extended to 180 days in management, administration or technical work or specialized professionals positions.
- ▶ **For initial training:** Its purpose is that the worker acquires the knowledge or skills necessities for the activity for which you are going to be hired. It will last up to 3 months or, up to 6 months when it is of management positions, management, administration or for specialized technical work. It is non-extendable and does not can apply to the same worker simultaneously or successive with a trial period.

COMPENSATION

VACATION

Workers with more than one year of services will enjoy an annual period of paid holidays, plus they cannot be compensated with a remuneration. The vacation period cannot be less than 6 days and will be increased by 2 until it reaches 12, for each year, it will increase by 2 days for every 5 years of services.

VACATION are granted within 6 months of the fulfillment of the year of service. The employers will give annually to their workers a record that contains their seniority and according to it the vacation period that corresponds to them.

VACATION PREMIUM

Employees will be entitled to a premium of no less than 25% of the salary during the vacation period.

OVERTIME

They should not exceed 3 hours a day nor more than 3 times a week. These will be paid with 100% more than the salary corresponding to the hours of the day. The extension of the extraordinary time that exceeds 9 hours a week obliges the employer to pay the worker the excess time with 200% more than the salary corresponding to the hours of the day, without prejudice to the sanctions established in the corresponding laws.

BENEFITS

ANNUAL BONUS

The workers will be entitled to an annual bonus that must be paid before December 20, equivalent to 15 days of salary, at least. Those who have not completed the year of services, regardless of whether they are working or not on the date of liquidation of the bonus, will have the right to be paid the proportional part thereof, according to the time they have worked, whatever this may be.

SENIORITY BONUS

The seniority premium proceeds in the following cases:

- ▶ Voluntary resignation of the worker with 15 years of service.
- ▶ Separation for just cause.
- ▶ Those who are separated regardless of the justification or justification for the dismissal.
- ▶ Due to the death of the worker.

The amount of the seniority bonus is equivalent to 12 days of salary for each year of services rendered. This right will be paid even proportionally. The daily quota that the worker has received in exchange for their services will be taken as a base, but in no case will it be lower than the minimum wage and the maximum base will not be greater than two minimum wages.

EMPLOYEE STATUTORY PROFIT SHARING (ESPS)

The employee statutory profit sharing of the company (ESPS) is a right of workers, which is established in the Political Constitution of the United Mexican States. All individuals or corporations that have workers at their service, whether or not they are taxpayers of the income tax, are required to participate in profits. Employees are entitled to receive 10% of annual profits. In the distribution, the number of days worked during the year and the salary received will be considered. The PTU is distributed among all permanent and temporary employees who worked more than 60 days that year.

General managers, directors and sole managers are excluded from the distribution. The new companies are exempt from the PTU during its first year of operation.

HOLIDAYS

In Mexico there are 8 paid holidays:

| | |
|------------|---------------------------------|
| JAN | New Year |
| FEB | Commemoration of February 5 |
| MAR | Commemoration of March 21 |
| MAY | Labor Day |
| SEP | 16 of September |
| NOV | Commemoration of November 20 |
| DEC | December the first Christmas |

* On December 1 of every six years, when it corresponds to the transmission of the Federal Executive Power. In addition, it is a day of rest that the federal and local electoral laws determine, in the case of the ordinary elections, to make effective the electoral day. Workers who provide services on days off must receive a double salary.

PAYROLL: DEDUCTION AND TAXES

The states and Mexico City impose a payroll tax on wages paid by employers. Certain states may apply rates between 1% and 3%, and may grant exemptions to promote employment in underdeveloped regions. The payroll tax is deductible as an ordinary expense for tax purposes.

the rent.

CONTRIBUTIONS OF SOCIAL SECURITY

Employers and workers must make monthly contributions to the social security system (Mexican Social Security Institute, IMSS). In addition to paying their own contributions, employers must retain and report the contributions of their workers. They are calculated on the basis of the integrated wage rate (the salary can not be less than the general minimum). The maximum basis for the calculation of contributions is 25 times the value of the annual Unit of Measurement and Update (UMA) (770,971 MXN). The value of the UMA for 2019 is 84.49 MXN.

RETIREMENT

For retirement contributions, employers must pay 2% of the base salary of the contribution (with a cap of up to 25 times the UMA) to a retirement fund in a bank account in the worker's name. The funds will be deposited in an account that manages individual savings for each employee ("AFORE").

HOUSING FUND

According to the Law of the Institute of the National Fund for Housing for Workers (INFONAVIT), employers must make contributions to the National Housing Fund, which is administered by the federal government agency called the National Housing Fund Institute. the Workers (INFONAVIT). These contributions are paid every 2 months applying the 5% rate to the base salary of each worker (with a cap of up to 25 times the UMA). In accordance with the original scheme, INFONAVIT builds low-income housing for workers. Employees can request and obtain a loan granted by INFONAVIT to acquire said housing. In such case, the employer must withhold from the payments made to the worker, the repayments of said loan. Social Security, retirement and housing contributions are deductible expenses for employers. However, the workers' quotas, absorbed by the employer, are not deductible. Employer fees are calculated by applying the following rates:

| SOCIAL SECURITY | BASE | Patron | DUES Employee | Total |
|-----------------------------|------|------------------------|---------------|------------------------|
| Work risks | SBC | Max. 15% Min. 0.50% | 0.00% | Max. 15% Min. 0.50% |
| Disability and life | SBC | 1.75% | 0.63% | 2.38% |
| Nursery and Social benefits | SBC | 1.00 % | 0.00% | 1.00% |
| Infonavit | SBC | 5.00% | 0.00% | 5.00% |

| SOCIAL SECURITY | BASE | Patron | DUES Employee | Total |
|-------------------------------------|-------------------|--------|---------------|--------|
| DISEASE AND MATERNITY | | | | |
| Benefits in species | UMA | 20.40% | 0.00% | 20.40% |
| | Dif. SBC y 3x UMA | 1.10% | 0.40% | 1.50% |
| Benefits in money | SBC | 0.70% | 0.25% | 0.95% |
| Medical expenses and pensioners | SBC | 1.05% | 0.375% | 1.425% |
| RETIREMENT | | | | |
| Unemployment in old age and old age | SBC | 3.15% | 1.125% | 0.00% |
| Retirement | SBC | 2.00% | 0.00% | 2.00% |

CONTRACT TERMINATION

Among the causes that extinguish the employment relationship are:

- ▶ Mutual consent.
- ▶ Employee death.
- ▶ The expiration or arrival of the term of the contract.
- ▶ The physical or mental disability of the employee.
- ▶ The fortuitous event or force majeure not attributable to the employer.
- ▶ Apparent and manifest lack of tractability of the exploitation.
- ▶ The exhaustion of the raw material, which prevents compliance with the company's corporate purpose.
- ▶ The bankruptcy or bankruptcy legally declared.

RESCISSION OF THE EMPLOYMENT RELATIONSHIP

Act where one of the subjects terminates the employment relationship unilaterally, invoking a serious cause of noncompliance with the other subject. In case of dismissal without just cause, the employee will have the right to demand reinstatement (except for trusted employees). Non-reinstated workers will have the right to:

- ▶ 3 months of integrated salary
- ▶ 20 days of integrated salary, for each year of service loaned
- ▶ 12 days of vacation premium, bonus, etc.
- ▶ Accrued wages pending payment.

SETTLEMENT

The minimum amounts that the worker will receive for the termination of employment or termination of the employment relationship. It is integrated by the proportional rights earned by the worker for each day worked.

DATA PRIVACY

The safeguard and protection of personal data of workers is regulated by the Federal Law of Protection of Personal Data in Possession of Individuals (LFPDPPP) and its regulations. In labor matters, the LFPDPPP considers the employers as responsible for the obtaining, use, disclosure or storage by any means of workers' data. The written consent of the worker is required for the handling of sensitive data. The name, position to occupy, schooling, telephone and some other necessary data for the execution of the labor contract are not considered sensitive. The employers are obliged to preserve the confidentiality of data in the selection process, during the employment relationship and once it is concluded.

NICARAGUA

COUNTRY OVERVIEW

In Nicaragua, before starting an employment relationship, foreign employers or investors must consider that employment contracts are subordinated to Laws that regulate the matter in the country. The Nicaraguan workforce has the most competitive cost structure in the Central American region, with a minimum wage well below the others. This means that employing workers in Nicaragua can strengthen the global competitiveness of any investor by significantly reducing the human capital cost.

When a labor relationship is carried out in Nicaragua, both the employee and the employer must be registered in the Social Security system (INSS and INATEC). It corresponds to the Employer to make the payment of their corresponding contributions, as well as the withholdings made to their employees.

The provisions and labor legislation of Nicaragua are mandatory for all natural or legal persons that are established or established in the country. It also applies to labor relations of Nicaraguans with prior authorization from the authorities, begin in Nicaragua and develop outside the national territory.

OVERVIEW

WORK FORCE

The Nicaraguan labor market has experienced important demographic changes in recent years: the presence of a high percentage (62%) of the working age population (between 15 and 64 years of age), the reduction in the birth rate and the dependency rate economic, and the increase in the older adult population (65 years and over). This, together with its structural characteristics such as segmentation and informality, forms a complex situation for the labor insertion of the population.

EXCHANGE AND CURRENCY TO USD

The local currency is the Córdoba: C\$

Average Exchange Rate January 2019 for **\$1 USD: \$32.3997 C**

Minimum Wage: **Cordoba: \$4,176.49 – USD\$129.00**

EMPLOYMENT INDICATORS (IV 2017)

| CONCEPTS | NAL. | URBAN | RURAL |
|---|-------|-------|-------|
| Global participation rate (PEA / PET) | 73.96 | 71.69 | 77.22 |
| Gross occupation rate (Employed / PET) | 71.54 | 68.10 | 76.37 |
| Net occupancy rate (Employed / PEA) | 96.73 | 94.98 | 98.90 |
| Percentage of employed persons with underemployment (Sub-employed / employed) | 42.74 | 43.88 | 40.39 |
| Open unemployment rate (Unemployment / PEA) | 3.27 | 5.02 | 1.10 |
| Inactivity rate (Out of work force / PET) | 26.04 | 28.31 | 22.78 |

Source: Continuous Household Survey (ECH), INIDE

TERMS OF EMPLOYMENT

The recovery paid by the employer to the employee for the work contract or work relation. It is stipulated freely by the parties:

- **By time unit:** work carried out in an established number of hours or days without the estimate of the result;
- **By unit of work, piece or stint:** the work carried out by the employee is considered, without considering the time employed;
- **By task:** when the employer is obliged to a rate determined within an agreed period.

MINIMUM LEGAL WAGE

The minimum wages by sector in Nicaragua for 2019 are:

- ▶ Agrobusiness: **C \$ 4,176.49 (approximately \$ 129.00 USD).**
- ▶ Fishing: **C \$ 6,350.48**
- ▶ Mining and quarries: **C \$ 7,500.8**
- ▶ Manufacturing industry: **C \$ 5,615.75**
- ▶ Micro and small artisanal and tourist industry: **C \$ 4,487.41**
- ▶ Industry subject to special regime: **C \$ 5,460.87**
- ▶ Electricity and water; Commerce, Restaurants and Hotels, Transportation, Storage and Communications: **C \$ 7,660.52**
- ▶ Construction, Financial Establishments and insurance: **C \$ 9,346**
- ▶ Communitary, Social and Personal Services: **C \$ 5,854.99**
- ▶ Central and Municipal Government: **C \$ 5,208.27**

ORDINARY WAGES

They are wages accrued on an ordinary day, which includes the basic salary, incentives and commissions.

EXTRAORDINARY WAGES

They are wages accrued for overtime.

EMPLOYMENT CONTRACTS

TYPES OF CONTRACT

The work relation or individual contract may be for definite or indefinite time. It is considered for an undetermined time when you have no term. In addition, when the term has concluded for a determined period of time and the employee continues to provide its services for thirty more days, or if after the second term expires the employee keeps working or there is another extension, the parties should agree on a trial period of no more than thirty days during which any of them may end the work relation with no responsibility towards the same.

In other cases, the work contract is presumed to be concerted by undetermined time, except when:

- ▶ When the parties agree on a term.
- ▶ When for the performance of the work or service the term is a function of the duration of the same.
- ▶ In the case of seasonal or cyclical work, without prejudice to the provisions of collective agreements or agreements.

COMPENSATION

VACATION

Every worker has the right to enjoy fifteen days of continuous and remunerated rest on vacation, for every six months of uninterrupted work for the same employer. In all cases, for the interest of the employer or worker or in the case of cyclical field work or services that by their nature should not be interrupted, the time of enjoyment of the vacation may be agreed on a date other than that which corresponds. The holidays will be paid by calculating them based to the worker.

OVERTIME

Normal working hours are 8 hours a day and 48 hours a week. Any work done beyond normal work hours on a weekly or holiday rest day is considered overtime. According to the Labor Code, if a worker works beyond the established work hours, he is entitled to an established overtime premium, he is entitled to a bonus for overtime of 100% over the ordinary salary rate (200% of the normal salary for overtime). The total amount of overtime can not exceed 3 hours a day and 9 hours a week. The daily and weekly limits for dangerous and unhealthy work, night work and mixed hours (day and night) are the following:

- ▶ **Dangerous and unhealthy work:** 6 hours a day and 36 hours weekly limit
- ▶ **Night work:** 7 hours daily and 42 weekly limit hours.

Night work is the work done during 20:00 and 06:00 the next day. However, night workers have to work only for 7 hours per day and 42 hours per week. There is no provision in the law that requires an employer to make a premium payment to night workers.

BENEFITS

COMPENSATORY REST DAYS

No provision could be identified in laws that require an employer to provide a day of compensatory rest to the worker for working on weekly or holiday rest days, especially when the workers have been paid a higher payment to work on those days.

COMPENSATORY WEEKENDS

Workers may be required to work on weekly and holiday rest days. In such circumstances, when employees have to work on holidays and weekly rest days, they are entitled to receive salaries with a supplement of 200% of the normal hourly wage rate.

THIRTEENTH MONTH

Every worker has the right to have his employer pay him one month's salary after one year of continuous work, or the proportional part that corresponds to the period of time worked, more than one month and less than one year. The thirteenth month must be paid within the first ten days after the termination of the employment contract. If not done, the employer will pay the worker compensation equivalent to the value of one day of work for each day of delay.

HOLIDAYS

Nicaragua has 9 mandatory holidays with the right to rest and salary:

| | |
|------------|------------------------------|
| JAN | New Year |
| APR | Holy Thursday Holy Friday |
| MAY | Labor Day |
| JUL | July 19 |
| SEP | September 14 September 15 |
| DEC | December 8 December 25th |

PAYROLL: DEDUCTION AND TAXES

SOCIAL SECURITY INSTITUTE – INSS (In Spanish)

From 1 February 2019, according to the reform of the social security legislation of the Republic of Nicaragua, all workers are affected by the 7% deduction for social insurance contributions.

The minimum wage to be quoted should not be less than that the established for the economic activity of the employer, unless these are incomplete periods, in which case it should be in accordance with the provisions of the relevant legislation.

There is No maximum limit for the remuneration object of contribution. In addition, the overall scheme's employer contributions go from 19.00% to 21.50% (for employers with less than 50 workers) and 22.50% (for employers with more than 50 workers).

NATIONAL TECHNICAL INSTITUTE INATEC

Compulsory contributions to INATEC of 2% on payroll or total wages paid. For this case, no roof applies. This contribution is intended for the state training of employees.

LABOR INCOME

The Nicaraguan tax legislation establishes a taxable ceiling of C \$ 100,000 (one hundred thousand Cordobas per year) for the purposes of labor IR or labor income, which is equivalent to a monthly average of C \$ 8,333.33 Cordobas (net of the labor INSS which is 6.25% on the employee's salary), whose amount is calculated based on the following progressive rate:

| ANNUAL NET INCOME STRATEGIES | | BASE TAX | % APPLICABLE | OVER EXCESS |
|------------------------------|------------|-----------|--------------|-------------|
| Of C\$ | Until C\$ | | | |
| 1.00 | 100.000.00 | 0.00 | 0% | 0.00 |
| 100.000.01 | 200.000.00 | 0.00 | 15% | 100.000.00 |
| 200.000.01 | 350.000.00 | 15.00.00 | 20% | 200.000.00 |
| 350.000.01 | 500.000.00 | 45.000.00 | 25% | 350.000.00 |
| 500.000.01 | or more | 82.500.00 | 30% | 500.000.00 |

CONTRACT TERMINATION

The individual contract or work relation ends:

- ▶ From expiration of the agreed upon term or conclusion of the work or service which originated the contract;
- ▶ From death or permanent disability of the employer which as a consequence requires termination of the business; or from death or permanent disability of the employee;
- ▶ From guilty verdict or from term of imprisonment of the employee;
- ▶ Definitive termination of the industry, commerce or service based on economic reasons legally justified and duly proven by the Department of Labor;
- ▶ From firm judicial resolution whose consequence is the definitive disappearance of the business;
- ▶ From termination of the contract according to law;
- ▶ From retirement of the employee;
- ▶ From force majeure or fortuitous event when as a result the business has to shut down.

COMPENSATION

When the employer terminates the contract for work for an indefinite period and without just cause, it will pay the worker compensation equivalent to:

A month of salary for the first three years of work; 20 days of salary for each year of from the fourth year, and in no case will the indemnity be less than one month or more than five months. The fractions between the years worked will liquidate proportionally.

Other Work Benefits, as follows:

a. Vacation:

- ▶ 15 days for each 6 continuous months.
- ▶ Paid leave, in case of liquidity is taken as a basis to calculate the average of the last 6 months.

b. Worker's Compensation Art. 45 of the Labor Code:

- ▶ 1 month salary for each year worked in the first 3 years, 20 days salary for each year after the 4th year.
- ▶ The compensation cannot be less than one month or more than five months.

- ▶ The essential requirements are that the contract be for an indefinite period, and be caused by resignation or dismissal

c. Worker's Compensation Art. 47 of the Labor Code:

- ▶ 2 to 6 months of salary.
- ▶ In case of dismissal of employees with a position of trust (Directors, Managers, Representatives) that violates the acquired labor rights.


d. Bonus:

- ▶ 1 additional month of salary, 13th for one continuous year of work.
- ▶ Accumulation period from December of one year to November of the following. In case of liquidation, the highest salary of the last six months is taken.

DATA PRIVACY

The purpose of LAW No. 787 of Protection of personal data is the protection of the natural or juridical person against the treatment, automated or not, of his personal data in files of public and private data, in order to guarantee the right of the personal and family privacy and the right to information self-determination. It establishes that to obtain personal data these must be adequate, proportional and necessary with respect to the scope and the objective with which they are collected and must be done by lawful means that guarantee the informative self-determination.





PANAMA

COUNTRY OVERVIEW

During the last decade, Panamá has been one of the fastest growing economies in the world. The average annual growth was 7.2% between 2001 and 2013, more than twice the average for the region. For 2017 there was a rebound to 5.5, and for this year and 2019 the forecast continues to rise with 5.6%, the highest in Latin America according to the World Bank.

This sustained economic growth of the last decade has brought stability and progress to the country. All of this is largely due to the emergence of a highly competitive service sector, such as the logistics, transport, financial services, communications and commerce sectors. Additionally, Panama has accompanied this rapid growth with a series of policies to encourage foreign companies to invest in the country, highlighting the creation of different Economic Zones where the companies that are part of these. The main objectives are to increase foreign investment, provide better job opportunities for local and foreign workers, as well as encourage innovation.

These areas are:

- ▶ Colón Free Zone (Decree Law 18, June 17, 1948);
- ▶ Free Trade Zones (Law 32, April 5, 2011);
- ▶ Panamá Pacífico (Law 41, July 20, 2004).

Panama, like many other countries in the region, has established a series of migratory and labor measures that encourage the hiring and transfer of knowledge to national personnel.

OVERVIEW

LABOR FORCE

The Multiple Purpose Survey of the INEC, conducted in the first quarter of 2018, determined that the E.A.P in Panama is 3.855,542.

CURRENCY AND EXCHANGE TO USD

The Panamanian currency is the Balboa: **PAB \$**
Average exchange rate for **\$ 1 USD: \$ 1 PAB (has parity with the USD, which circulates freely).**

REGULATORS

Government of Panama
Constitution of the Republic
Ministry of Labor and Labor Development Labor Code
Social Security Fund Law 51
Ministry of Economy and Finance DGI

TERMS OF EMPLOYMENT

SALARY

The salary must be paid in legal tender, which must correspond entirely to the minimum fixed by law. It is forbidden to make payments on merchandise, vouchers, tokens, coupons or any other representative sign that is intended to replace the currency.

MINIMUM SALARY

Executive Decree No. 75 of December 26, 2017, sets according to the region, economic activity, the occupation, size of the company, minimum rates in all the national territory. The minimum wage for a worker who works 48 hours a week will be of **PAB 557.44**. Construction has a new increase from 2018 and for the next 4 years:

- ▶ 14% for private projects distributed in 3% the first and second year, and 4% for the third and fourth year.
- ▶ For state works, the increase is 18%.
- ▶ For mega works the adjustment is 11% per year; a total of 44%.

WORKDAY

- ▶ **Day:** from 06:00a.m to 06:00p.m
- ▶ **Nocturnal:** from 6:00 p.m. to 6:00 a.m It is a mixed journal includes hours from the different type of periods of work, as long as it does not cover more than three hours within the night period.

The maximum duration of the day is 8 daytime hours, 7 nighttime hours and 7.5 mixed hours. The weekly rest day is a right of the worker and should be given preferably on Sundays. When a worker provides services on Sundays, he will have the right to be granted another day of rest.

EMPLOYMENT CONTRACTS

Employees are all-natural persons who are obliged by a work contract, to provide a service or to execute a work under the subordination or dependence of a person. Any person who has reached the age of fourteen years can be obliged as a worker, with the limitations established in the Labor Code.

TYPE OF CONTRACTS

According to Art. 62 of the Labor Code, the most common types of contracts in Panama are:

- ▶ **Defined Contracts:** must always be in writing and includes the term clause of maximum one year.
- ▶ **Indefinite Contracts:** This type of contract contains a start date, but not an end date. This implies that the worker can be counted on as long as both parties consider relevant.
- ▶ **Contracts For Determined Work:** It is related to a specific project or service and it is not known how long it will take to complete it. This case can be granted an estimated time and this may be extended if necessary.

COMPENSATION

VACATION

All employees are entitled to a paid annual rest, even if the contract does not require working all the hours of the ordinary days or every day of the week. The remuneration is thirty days for every eleven continuous months of work, at the rate of one day for every eleven days at the service of his employer. The payment of one month's salary when the remuneration was agreed per month and four weeks and one third when it was agreed per week.

OVERTIME

The journal is all the time that the worker can not use freely to be available to the employer. The working time that exceeds the indicated limits, constitute the extraordinary day and will be remunerated in the following way:

- ▶ With a 25% surcharge on the salary when it is made in the daytime period;
- ▶ With a 50% surcharge on the salary when it takes place during the night period or when it is a prolongation of the mixed day started in the daytime period; Y
- ▶ With a 75% surcharge on the salary when the extraordinary day is prolongation of the night or of the mixed day started in the night period.

BENEFITS

THIRTEENTH MONTH

By Cabinet Decree 221 of 1971 the obligatory payment of an economic benefit is established by means of the figure of the Thirteenth Month as a special remuneration for the workers. This benefit will be a month of salary divided into three (3) payments in the year: Every April 15, August 15 and December 15.

BONUS

Extraordinary payment that the employer voluntarily makes to the worker for various reasons related to work, which may include factors unrelated to the worker's performance such as the general performance of the company.

COMMISSION

Payment based on the amount of sales a worker makes. It is based on a percentage of total sales in accordance with the stipulations at the beginning of the employment relationship.

GRATIFICATION

Amount of money that is given to a worker as a reward or gratitude for the completion of a service.

PRODUCTION BONUS

Incentive linked to worker's performance, which are recognized by measurable ranges. It is prohibited to include the performance bonus in activities that by their nature are dangerous, such as, for example, driving vehicles, mining, high altitude work, and handling with toxic, explosive, flammable or radioactive materials. .

VIATORS

It includes both the travel expenses, as the disbursements for food required by the employee, when he must move from his usual place of work, to fulfill a certain task by order of the employer.

HOLIDAYS

Panama has 12 mandatory holidays:

| | |
|-----|----------------------------------|
| JAN | New Year |
| | January 9th |
| MAR | Tuesday of Carnival |
| APR | Holy Friday |
| MAY | Labor Day |
| NOV | November 3 |
| | November 5th |
| | November 10 |
| | November 28 |
| DEC | December 8 |
| | Christmas |
| * | Assumption of the presidency day |

PAYROLL: DEDUCTION AND TAXES

TAXES ON SALARY

The management of the Payroll includes the following payment calculations:

- ▶ **Social Security:** The contributions made under this concept are for the employer (12.25%) and the worker (9.75%).
- ▶ **Educational Insurance:** It is a contribution for the operation of schools in Panama, the deduction that applies to the salary is 1.50% for the employer and 1.25% for the employee.
- ▶ **Professional Risk:** It is a future and uncertain contingency. It is a percentage that the Employer pays according to the company's activity that he performs.

INCOME TAX

It is a discount of law that workers pay on their income, it is deducted on a payroll and the percentage depends on their income received during the year:

- ▶ **From 0.00 to 11,000.00: Do not pay tax**
- ▶ **From 11,000.00 to 50,000.00: 15% tax on the surplus of 11,000**
- ▶ **From 50,000 and more: 5,850.00 and the surplus 25% tax**

LABOR RESERVES

The labor liability is composed of the benefits that are generated as a result of the employment relationship, specifically it is an enforceable debt that the company has with each worker.

The labor reserves that must be established are:

- ▶ **Thirteenth month:** 8.333%
- ▶ **Holidays:** 9.09%
- ▶ **Seniority bonus:** 1.923%
- ▶ **Compensation** 1.923%

The provision for VACATION is important because the VACATION are paid in advance and, therefore, there must be resources for it.

LABOR RESERVES

This fund is established as a result of Law 44 of August 14, 1995 and is regulated by Executive Decree No. 106 of December 26, 1995. It is a mechanism established by law that guarantees the payment of seniority premium and compensation to employees with an indefinite contract by employers. All companies that have five (5) or more employees with an indefinite contract must have a Severance Fund.

COMPENSATION FUND

The unemployment fund, created by the law of August 14, 1995, is an obligation imposed on employers, who assume it in their entirety. It is a mechanism established by law, which guarantees the payment by employers of a seniority bonus and compensation to employees with an indefinite contract. All companies that have 5 or more employees with an indefinite contract must have a Severance Fund.

INTERNAL REGULATIONS

The labor code in Panama establishes that any company or establishment where ten or more workers work, the employer is obliged to adopt an Internal Work Regulation.

REST BETWEEN DAYS:

The mandatory weekly rest should be given preferably on Sundays. However, an entire period of twenty-four consecutive hours of rest, on a different day, may be stipulated between employer and employee. Every employer is obliged to grant his workers the normal rest period within the day, necessary to replenish their strength.

CONTRACT TERMINATION

1. By mutual consent, provided that it is in writing and does not imply a waiver of rights.
2. By the expiration of the agreed term.
3. The excess of production, considering its economic possibilities and the market circumstances of a given company.
4. By death of the worker
5. Due to the death of the employer, when the termination of a contract entails as an unavoidable consequence.
6. For the extension of any of the causes of suspension of contracts for a term that exceeds the maximum authorized in the labor code.
7. For the dismissal based on justified cause, or the resignation of the worker.
8. By unilateral decision of the employer, with the formalities and limitations established in the labor code.

Each time an employment relationship occurs, the employee must receive a settlement or settlement and depends on several factors that he or she must receive.

COMPENSATION

In the case of a contract for an indefinite period whose termination is due to unjustified dismissal or without the necessary prior authorization, compensation will be determined equivalent to 3.4 weeks of salary for each year worked, in the first ten years, and each year after the ten years, will be compensated with the equivalent of a week's salary for each year.

PREMIUM OF ANTIQUITY

Upon the termination of any contract for an indefinite period, whatever the cause of termination, the worker shall be entitled to receive from his employer a seniority bonus, at a rate of one week's salary for each year worked, since the beginning of the relationship of work. In the event that a year of service is not fulfilled from the beginning of the relationship or in subsequent years, you will be entitled to the corresponding proportional

DATA PRIVACY

Given the importance of establishing a regulatory framework for data protection, draft Law 463 is under study by the National Assembly of Deputies, this law is consistent with the general principles of the RGPD (General Data Protection Regulation). Currently, the Constitution in its articles 42 and 44, indicate the criteria to be met, such as obtaining the consent of the owner of personal data, to collect, manage and store them, and the guarantee of access to that information to be updated or updated. eliminated. In these articles the habeas data action is established, to guarantee the right of access to personal information.



PARAGUAY

COUNTRY OVERVIEW

In the last 6 years, Paraguay has registered a growth of around 4.0%. This nation remains stable and attracting more and more foreign investors who have invested in infrastructure, transport, food and have caused an urban renewal of Asunción, the capital of the country that is experiencing a "boom" in the construction of modern and tall buildings. It registers a strong economic activity in which imports are growing.

Between 2003 and 2017, direct foreign investment registered an increase equivalent to 500%.

Paraguay's main industries are based on agriculture and livestock. The main agricultural products are cotton, sugar cane, corn, soybeans, wheat, oranges and yerba mate, which is consumed throughout the country as a beverage, with cold water (tereré), or hot (mate cocido). However, for 2017 the commercial sector was the largest generator of jobs, with 220,000 jobs, displacing agriculture.

According to population projections, in Paraguay there are 6,873,496 inhabitants, with the exception of the departments of Boquerón and Alto Paraguay. Of this population, 3,464,451 are men and 3,409,045 are women.

In Paraguay, dependent and paid work is regulated by the Labor Code, which establishes the rights and obligations for the employer, the worker, and also regulates their relationship with the State. "

OVERVIEW

LABOR FORCE

The Economically Active Population is 3,465,976 people. Of these, 2,069,190 are men and 1,396,786 are women. People who are unemployed, even when they are available for it, and have looked for a job, are 180.254 (Open Unemployment).

CURRENCY AND CHANGE TO USD

The local currency is the Guaraní: **PYG (Gs)** Average Exchange Rate for \$ 1 USD: **6000 PYG**.

REGULATORS

Ministry of Labor, Employment and Social Security Labor Code

TERMS OF EMPLOYMENT

REMUNERATION

In Paraguay there are 3 types of remunerations:

SALARY

The remuneration whatever its denomination or method of calculation that can be evaluated in cash, due by an employer to a worker by virtue of the services or works that the latter has carried out or must perform, in accordance with the stipulations of the contract. work (Art. 227 Law 213/93 Labor Code).

SALARY FOR THE CONTRIBUTION OF SOCIAL SECURITY

Includes the total remuneration received by the worker, in money, species, royalties, including extraordinary, supplementary or piecework, commissions, bonuses, bonuses, severance payments, awards, fees, shares and any other accessory remunerations that have a normal character in the company or work.

MINIMUM WAGE

It is enough to meet the normal needs of the worker's life consisting of food, room, clothing, transportation, foresight, culture and honest recreation considering him as head of family (Article 249 Cap II Law 213/93). The minimum wage in Paraguay for 2019 is **PYG 2,112,562 (approximately USD \$352)**.

EMPLOYMENT CONTRACTS

Employment contract is the agreement under which a worker is obliged to perform a work or to provide a service to an employer, under the direction and dependence of it, by paying a remuneration, whatever the class of it. The employment contract is consensual, bilateral, onerous, commutative, not solemn or formal. The contract can be Tacit and Written (Art. 19 Law 213/93).

Verbal contract (Article 44)

- ▶ Accidental work that does not exceed 90 days
- ▶ Work determined that does not exceed SML (Minimum Legal Salary).
- ▶ Domestic service

Regarding its duration, the contract can be:

- ▶ For a fixed term (up to 1 year for workers and up to 5 years for employees),
- ▶ Indefinitely,
- ▶ For work, or
- ▶ Certain service

COMPENSATION

VACATION

Every worker is entitled to a period of paid leave after each year of continuous work at the service of the same employer. The number of paid days corresponds to seniority in employment:

- ▶ 12 working days running with seniority between 1 to 5 years.
- ▶ 18 working days with an age between 5 and 10 years.
- ▶ 30 working days running with an age greater than 10 years.

To calculate the amount that the worker must receive on the occasion of their vacation, the minimum legal wage in force at the time of vacation, or the salary then received if it is higher than the legal minimum will be considered. The salary must be paid in advance at the beginning of the holidays.

EXTRA HOURS

Are those hours that are performed above the maximum time limit set for the daily or weekly day of 8 hours a day and 48 hours a week, respectively.

- ▶ Overtime work will be paid with at least 50% of the salary agreed for the ordinary day.
- ▶ Night overtime will be paid with a 100% surcharge on the nightly ordinary hourly salary.
- ▶ The hours worked on holidays will be paid with a 100% surcharge on the ordinary hour salary of the working day.

BENEFITS

ANNUAL SUPPLEMENTARY SALARY

An additional annual remuneration or bonus is established, equivalent to one twelfth of the remunerations accrued during the calendar year in favor of the worker in any concept (salary, overtime, commissions, or others) which will be paid before December 31, or at the time the employment relationship ends if it occurs before that time of year. When a worker leaves the service of an employer, either by his own will or by having been dismissed, he will receive in addition to the compensation that corresponds to them, the proportional part of the accrued bonus until the moment of leaving the service. The bonus is non-seizable, but may be seized within the following limitations. The bonus is non - seizable, with the exception of the following limitations:

- a. Up to 50% for the payment of alimony in the manner established by the Law;
- b. Up to 40% to pay for the room where the worker lives, or the food items that he has purchased for his or her wife or companion and family members who live and depend economically on him; and,
- c. Up to 25% in other cases.

In case of cumulative garnishments, the amount of these may not exceed in any case 50% of the basic salary received by the worker.

HOLIDAYS

In Paraguay there are 11 holidays:

| | |
|------------|--|
| JAN | New Year |
| MAR | Day of the Heroes of the Fatherland |
| APR | Holy Thursday Holy Friday |
| MAY | Labor Day National Independence Day |
| JUN | Peace of the Chaco |
| AUG | Asunción Foundation |
| SEP | Boquerón's Victory Day |
| DEC | Virgin of Caacupé Christmas |



PAYROLL: DEDUCTION AND TAXES

CONTRIBUTION

In Paraguay, there are employer and employee contributions called mandatory contributions. The contribution is the sum of money that workers and their employers must pay monthly to the Social Security Institute (IPS) for the worker to be entitled to social security benefits. The contribution must be regular and continuous, since the amount of the contributions equals the seniority in the Social Security and, therefore, is the basis for the calculation of the retirement and also the right to certain benefits that require seniority.

CONTRIBUTION TO SOCIAL SECURITY

The employer must contribute a total of 25.5% of the gross salary paid to the Social Security System. This percentage is attributed as follows:

- ▶ Contribution of the worker 9% of the gross salary.
- ▶ Employer contribution 16.5%; Of the same:
 - 1.5% goes to the Ministry of Public Health and Social Welfare, to finance prevention programs and expenses of SENEPA.
 - ▶ 1% goes to the National Service of Professional Promotion (SNPP) to finance its educational programs of professional training to the population.

CONTRACT TERMINATION

The employment contract can be terminated, thus definitively finalizing the obligations between the parties. The causes of extinction are very varied, being able to depend on the will of the parties or circumstances beyond the same that lead to said extinction:

PREVIEW

The employer who has not given advance notice is obliged to pay an amount equivalent to the salary during the period of notice. On the contrary, if the worker has not given the advance notice, he will have to pay his employer an amount equivalent to half of the scale foreseen (Example: 30 day notice, half pay). It can be done by any means, but the notification will be proven in writing (Article 87). Pre-warning scale:

- ▶ Up to one year, 30 days' notice.
- ▶ From 1 year to 5 years, 45 days of notice.
- ▶ From 5 years to 10 years, 60 days of notice.
- ▶ From 10 years onwards, 90 days' notice.

RESIGNATION OF THE WORKER

As a requirement for its validity, it must be formalized by a letter of resignation, the employer must pay the corresponding salary, the proportional bonus and the vacations caused, in case of having it.

JUST CAUSE

The employer who dismisses the worker or rescinds the employment contract for the specific reasons of article 81 of the Labor Code, does not incur any notice or compensation responsibility.

ABANDONMENT OF THE WORK

The abandonment of work, as an act of noncompliance of the worker, will only be set up after a reliable notice to return to work.

REDUNDANCY PAYMENT

In cases of dismissal without just cause, with or without notice, the employer must pay the worker compensation equivalent to fifteen (15) days for each year of service or fraction greater than six (6) months, based on wages average accrued by the worker, during the last six (6) months in which the contract or fraction of the minor time is valid, if that period had not been fulfilled. The continuity of the work is not considered interrupted by illness, leave, vacation, strikes, legal stoppages and other causes that according to the Code do not terminate the work contract.

Upon the termination of any employment contract, whatever the cause that may have motivated it, the employer must give the worker a signed certificate that expresses only:

- ▶ The date of initiation and conclusion of work;
- ▶ The kind of work performed; Y,
- ▶ Salaries earned during the last payment period.

DATA PRIVACY

The current regulation of the Republic of Paraguay for the protection of private personal data is set forth in Law No. 1682/01 and its amending Law No. 1969/02. These laws include the collection, storage and processing of personal data, the prohibition of the dissemination or publication of sensitive data, the updating and elimination of these data. It also includes the applicable sanctions and the Habeas Data guarantee.





PERU

COUNTRY OVERVIEW

Peru is located in South America in the western middle part, has a population of approximately 31.2 million inhabitants, its capital is Lima, its official language is Spanish, its official currency is the SOL, and its main economic activity is mining. Of the 31 million citizens, 17.2 million belong to the Economically Active Population (EAP), 33% are formally employed and 67% have informal jobs.

In May 2018, the Peruvian economy accumulated 106 months of continuous growth, the good performance of the industry took place thanks to manufacturing, fishing, trade and services.

In the first 4 months of the year, manufacturing registered a 5.7% growth. It advanced 10.1% on the part of primary processes basically encouraged by fishmeal and some nonferrous metals, and 4.1% on the industrial side.

It foresees an economic growth of 4.2% for 2019.

OVERVIEW

WORKFORCE

Unemployment rate between January and September 2018 amounted to approximately 4.5%, an inflation rate is expected for 2019 of 2%.

CURRENCY AND EXCHANGE TO USD

The local currency is the Suns: SOLES (\$ /).
Average exchange rate for 1 USD: S / 3.27 (Three and 27/100 Soles). The Taxation Unit (UIT) in force at 2019: S / 4,200.00

TERMS OF EMPLOYMENT

REMUNERATION

The sum of what the worker receives from his services, the money or the species, or the form or denomination that is given, as long as it is freely available.

COMPREHENSIVE REMUNERATION

Employers can agree with their workers to receive a full remuneration, which must be greater than 2 UIT, computation per annual period, which includes all the benefits of the company, except the participation in the profits.

MINIMUM VITAL REMUNERATION

The Minimum Vital Remuneration (RMV) is the minimum amount that any worker who works 4 hours or more, and that is periodically reviewed and adjusted by the Government, must receive.

When the worker works less than 4 hours a day, he must receive at least the equivalent of the proportional part of the established MVR.

Currently, the MVR amounts to S / 930.00 (approximately USD \$ 284).

EMPLOYMENT CONTRACTS

The existence of an undetermined employment relationship is the general rule of hiring. The indefinite term contract can be concluded in written or verbal form, that is, it is not subject to any formality.

However, temporary contracts may be concluded (contracts subject to modality) as long as the business's needs demand it, and there is a maximum term for such contracting modalities.

The modalities of temporary hiring recognized in our regulations are the following:

- ▶ By start of activity
- ▶ Due to market needs
- ▶ For business reconversion
- ▶ Occasional
- ▶ Substitution
- ▶ Work determined
- ▶ Intermittent
- ▶ Season

MAIN LABOR RIGHTS AND BENEFITS

PAID BREAKS: COMPULSORY WEEKLY REST

The worker is entitled to at least 24 consecutive hours of rest in each week for the work performed, which usually coincides with the day Sunday.

The remuneration for the compulsory weekly rest day should be equivalent to an ordinary day and must be paid in a manner directly proportional to the number of days actually worked.

PAID BREAKS: REST ON HOLIDAYS

Workers are entitled to paid rest in the holidays indicated in a section later, as well as in those determined by specific legal device.

HOUSEHOLD ALLOWANCE

It is granted to the worker for having minor children or adults up to 24 years of age, provided that they are studying. It is equivalent to 10% of the current RMV at the time it is appropriate to receive the benefit. At the current date, the Family Allowance amounts to S / 93.00 (Ninety-three and 00/100 Soles).

GRATIFICATIONS OF HOLIDAYS AND CHRISTMAS HOLIDAYS

They are granted on the occasion of the National Holidays and Christmas and are perceived by all workers.

The worker has the right to receive 2 bonuses per year, one in the first 15 days of July (National Holidays) and another in the first 15 days of December (Christmas); the amount of each of them being the equivalent of the remuneration received by the worker at June 30 and November 30, respectively.

SERVICE TIME COMPENSATION (CTS)

It is granted with the purpose of preventing the contingencies caused by the worker's dismissal; being unaffected to any tax created or to be created, to the payment of contributions to the Contributory Regime of the Social Security in Health (EsSalud), and to the Pension System.

It is perceived by the workers subject to the Common Labor Regime of the Private Activity that meets, at least on average, a minimum daily working day of 4 hours, and that has worked for at least 1 month.

Timely pay will be the months of May and November, with the maximum payment date on the 15th of each of these months.

The amount of the CTS will be determined from the sums received by the worker in the respective semester, this being from November April, for the deposit of May, and May October, for the deposit of November. This payment must be made in a special bank account in the name of the worker.

ANNUAL HOLIDAY BREAK

The workers will have the right to enjoy an annual vacation break of 30 days, receiving a remuneration equivalent to that which they would have received from continuing to work.

The worker will be able to make use of his vacation break provided that he completes one full year of services and that he has fulfilled the corresponding vacation record, according to his weekly work day.

In relation to the holiday record, the worker must have worked for the following minimum number of days according to their type of weekly workday:

- ▶ **6 days a week:** Effective work of 260 days in the period.
- ▶ **5 day work week:** Effective work of 210 days in the period.
- ▶ **Day of 4 or 3 days a week and other assumptions:** Unjustified absences do not exceed 10 days.

LIFE INSURANCE LAW

Social Benefit to which any worker who provides services to the same employer for 4 years, can be granted, in an optional way, from the 3rd month of employment relationship. The employer must hire an insurance company, paying the amount of a premium for each worker.

In the event of death, total invalidity or permanent invalidity of the worker, this or his beneficiaries, they shall have the right to receive compensation in compensation for the damage caused.

HOLIDAYS

In Peru there are 12 holidays:

| | |
|------------|------------------------------------|
| JAN | New Year |
| APR | Easter |
| MAY | Labor Day |
| JUN | San Pedro and San Pablo |
| JUL | National Holidays |
| AUG | Santa Rosa de Lima |
| OCT | Battle of Angamos |
| NOV | All Saints |
| DEC | Immaculate conception Christmas |

Workers have the right to receive the ordinary remuneration corresponding to 1 day of work for the non-working holiday.

PAYROLL: DEDUCTION AND TAXES

HEALTH CONTRIBUTION ESSALUD

The ESSALUD amounts to 9% monthly on the salary and is contributed by the employer (extra cost). Regarding the profits for the workers, it applies to companies in the private sector that have more than 20 employees on average per year and that have profits. The distribution is made based on rates of 10%, 8% and 5% depending on the sector.

Optionally, the worker or his employer may contract health plans provided by Health Providers (EPS), so that they may complement the coverage provided by EsSalud. The remuneration corresponding to the EPS will be agreed upon; said cost may be assumed in its entirety by the employer, the worker or jointly.

SOCIAL SECURITY IN PENSIONS (SSP)

The contribution to the Social Security in Pensions (SSP) is in charge of the worker.

In Peru there are 2 systems: The National Pension System (SNP) and the Private Pension System (SPP). The SNP is the contributory system in charge of the Pension Normalization Office (ONP), by virtue of which the worker must contribute the equivalent of 13% of his / her monthly remuneration, with the withholding of said contribution by the employer. In this way, the SNP provides its insured retirement, death and disability benefits.

The SPP is the system in charge of the Pension Fund Administrators (AFPs), who administer the contributions of their affiliates under the form of individual capitalization accounts, the affiliated worker contributes monthly to an individual account a percentage that can range between 12.99 % and 13.5% of their remuneration, this percentage will depend on the selected AFP; And for those who are newly inserted in the Peruvian labor market, in the AFP Prima.

FIFTH CATEGORY INCOME TAX

The payment of Income Tax of 5th category is in charge of the worker. The employer must withhold monthly on the remuneration paid to his worker, 1/12 of the tax that corresponds to tax on the total of the taxable salary to be received in the year, this having previously deducted an upward fixed amount to 7 ITU. The income of the worker will be affected by progressive and cumulative rates of 8%, 14%, 17%, 20% and 30%.

CONTRACT TERMINATION

According to Peruvian labor regulations, the employment relationship can be terminated for the following reasons:

- ▶ Death of the worker or the employer, if he is a natural person.
- ▶ Voluntary resignation or withdrawal of the worker.
- ▶ Termination of the work or service, the fulfillment of the resolutive condition and the expiration of the term in the contracts legally concluded under the modality.
- ▶ Mutual dissent between worker and employer.
- ▶ Permanent absolute invalidity.
- ▶ Termination of the employment relationship for an objective reason.
- ▶ Retirement.
- ▶ Justified dismissal.

Arbitrary dismissals require the payment of compensation equivalent to one (1) average salary per year worked and / or the proportion up to a cap of 12 salaries, these payments are independent of accrued benefits such as ordinary bonus, CTS and holidays owed.

According to the regulations, there are objective causes for the collective termination of employment contracts: The fortuitous event and force majeure; economic, technological, structural or similar reasons; the dissolution and liquidation of the company, and the bankruptcy; and the patrimonial restructuring.



DATA PRIVACY

The processing of personal data is any automated or non-technical procedure that allows, among others, to store, collect, conserve, disseminate and/or transfer them. On the other hand, the term "personal data" refers to all information about a natural person that identifies or makes it identifiable. Natural persons, legal entities under private law or public entities that carry out the processing of personal data are subject to the Personal Data Protection Law and its Regulations.

The purpose of this regulation is to guarantee the fundamental right to the protection of personal data, establishing a series of obligations for any public entity, legal person or natural person that manages banks with personal data; among which are the obligation to register personal data banks with the National Registry of Personal Data Protection (RNPDP), implement technical, administrative and legal security measures, develop procedures for the exercise of Access rights, Rectification, Cancellation and Opposition (ARCO rights) of the holders of personal data, having a Personal Data Protection Policy, among other obligations.





PUERTO RICO

COUNTRY OVERVIEW

Puerto Rico, whose official name is the Commonwealth of Puerto Rico, and is a free-associated state of the United States of America is a Caribbean territory with about 3.5 million inhabitants, which focuses its efforts on recovering the millionaire losses after the passage of Hurricane Maria. Puerto Ricans are American citizens.

The Economic Activity Index (IAE) reflected a substantial improvement in the economy of Puerto Rico in October 2018, as well as the number of homes sold, and a significant decrease in the unemployment rate was reported, reflecting a positive performance of the economy.

The industries that projected to create more jobs in Puerto Rico by 2018 are: Professional and Commercial Services with 26,139 jobs; Educational and Health Services, with 23,619 jobs; Commerce, Transportation and Utilities with 14,510 jobs and Recreation and Housing with 5,439 jobs.

On the other hand, the industrial groups that reflect a loss of jobs are the following: Mining; Agriculture, Forestry, Fishing and Hunting; Manufacture; and Government.

The current government works to improve the country's competitiveness by establishing incentives for sectors that promote the export of products and services, strengthen micro enterprises and substitute imports to a large extent.

OVERVIEW

WORK FORCE

1,000,000 The percentage distribution of people employed by educational level is as follows: with a university degree, 54.3%; with no university post secondary studies, 5.0%; with a high school diploma, 32.3%; with one or two high school degrees completed, 2.4%; with intermediate level, 2.5%; with elementary level, 1.7%; Another grade or did not know to report 1.8%. By main occupational group, the percentage distribution of non-seasonally adjusted employment is as follows: Professionals, Executives and Managers, 29.1%; Technicians, Vendors and Administrative Support Personnel, 25.7%; Service Occupations, 19.8%; Operators and Related, 9.3%. The remaining 16.1% corresponds to the sum of the categories: Artisans, Foremen and Related, Agricultural Workers and General Labor Workers.

Unemployment Rate: 9%

Exchange rate in relation to the dollar: N / A (the dollar is the currency used in Puerto Rico).

TERMS OF EMPLOYMENT

SALARIES

The Fair Labor Standards Act (FLSA) is the Federal Law of the United States that establishes the minimum wage, the payment of overtime and the obligation of the employer to maintain records of its employees.

Who does it cover? All business that have:

- ▶ A minimum of 2 employees.
- ▶ Annual sales of at least \$ 500,000.
- ▶ Today it covers more than 130 million employees.

Even if the business does not meet these requirements, an employee will be covered by FLSA if their work involves them in some way in interstate commerce.

What does it provide?

- ▶ Minimum wages of \$ 7.25 / hour.
- ▶ Day of 8 hours and the week of 40 hours.
- ▶ Payment in time and a half (1.5) of hours in excess of 40 a week.
- ▶ It allows states to legislate to grant greater benefits to those contemplated in FLSA.

The FLSA provides the worker with a cause of action to claim overtime worked in excess of the regular workday consisting of:

- ▶ The unpaid amounts ("backpay") plus an equal sum for the concept of liquidated damages ("liquidated damages").
- ▶ Payment of "reasonable attorney's fees"
- ▶ Prescriptive term 3 years

Both the FLSA and Law 379 (Extra Time) exclude from their provisions the following employee classifications:

- ▶ Executive
- ▶ Administrator
- ▶ Professional
- ▶ Computer Technicians
- ▶ Agent Travelers and Street Vendors ("outside salespersons")
- ▶ Highly Compensated Employees

EMPLOYMENT CONTRACTS

TEMPORARIES

Temporary employment is that established verbally or in writing to carry out a specific project, certain work, replace an employee during a leave of absence, carry out extraordinary or short-term tasks. Examples: that the employee has been hired to substitute another who oversees vacation or maternity, for a specific task or activity of fixed duration, or due to the increase in sales at Christmas time, among other valid reasons established in the law.

FINISHED

Written or verbal employment contract based on an employment relationship that is established for a specific time period or particular project. Although the contract can be renewed, if the practice, circumstances and frequency of the renovations are of such nature that tend to indicate the creation of an expectation of indefinite continuity of employment, it will be understood that employment is established without a defined time. It will be presumed valid and bona fide that contract by term that does not exceed three (3) years of its initial term or in the totality of its renewals.

PROBATORIES

Probative employment tests the employee with the objective of allowing the employer to evaluate their aptitudes or skills to perform the assigned task (s) and responsibilities of their job. Probative employees are subject to labor laws except for Act No. 80, better known as the Unjustified Dismissal Law.

The probationary period will be 9 months for employees per hour and 12 months for exempt employees.

Although the term of the probationary period is automatic, a written contract must be agreed upon specifying when it begins and when it ends. The probationary period cannot be indefinite.

Once the probationary term has expired, if the employee continues to work for the employer, he becomes an indefinite term employee who cannot be dismissed without just cause unless the allowance established in Law 80 is paid.

INDEPENDENT CONTRACTOR

Factors to identify an Independent Contractor:

- ▶ **Degree of Control:** the person determines how, when and where he will do the work.
- ▶ **Ability to Negotiate:** an independent contractor is free to negotiate the terms of his contract.
- ▶ **Form of payment:** an employee is paid by the hour, while the independent contractor is paid by completing the work or commission.
- ▶ **Discretion:** an independent contractor has discretion to carry out his work; in the case of the employee, that discretion is handled by the employer
- ▶ **Own business:** the independent contractor is at risk of loss, while an employee is paid, even if he does not do the work, he has the ability to hire and fire his own employees

You do not have to give all the factors, the main factor is the degree of control and supervision.

COMPENSATION

VACATION LICENSE

To qualify for vacation leave, people will have to work 130 hours or more per month. That's an average of 32.5 hours a week.

- ▶ **During the first year of work:** People will accumulate half a day (1/2 day) per vacation per month, for a total of 6 days of vacation per year. Vacation will accumulate retroactively once 6 months of employment have been completed.
- ▶ **From the first year and one day, to the fifth year of work:** three quarters of the day (3/4 of the day) per month (total of 9 days per year).
- ▶ **From the fifth year and one day, to the fifteen years of work:** one (1) day per month (total of 12 days per year).
- ▶ **After fifteen years and one day of work:** one (1) day and a quarter of a month (1/4 a month) (total of 15 days a year).
- ▶ **For Employers with twelve (12) employees or less:** Employees who meet the minimum of 130 hours worked per month accumulate half a day (1/2 day) while the total number of employees does not exceed 12.

If the number of working people is increased to more than twelve (12) for more than 26 weeks in each of the next two years, it is calculated as in other places of work (see above).

LICENSE FOR DISEASE

To qualify for sick leave, people will have to work 130 hours or more per month. That's an average of 32.5 hours a week.

People will accumulate up to 12 days of illness annually.

WORKDAYS

People who work could VOLUNTARILY choose to work days of 10 hours maximum (instead of 8), 4 days a week. The extra timewith additional pay will apply if you work more than 40 hours a week.

There must be AT LEAST 8 hours between consecutive work shifts.

Overtime will be paid on time and a half.

CHRISTMAS BONUS

People must work 1,350 hours from October to September to qualify for a bonus equal to 2% of salary, up to \$ 600. If the employer has 20 employees or less, the same calculation of hours will be used, and the bonus maximum will be \$ 300.

* Under this law, the bonus will be HALF for those eligible employees, in their first year of service.

HOLIDAYS

In Puerto Rico there are 18 paid holidays:

| | |
|------------|-----------------------------------|
| JAN | New Year |
| | Kings Day |
| | Birth of Dr. Martin Luther |
| FEB | President's day |
| MAR | Day of the Emancipation of slaves |
| APR | Holy Friday |
| | Easter Sunday |
| MAY | Mother's day |
| | Veterans Memorial Day |
| | Father's Day |
| JUN | Independence Day of the USA |
| JUL | PR Constitution Day |
| | Labor Day |
| SEP | Day of race |
| OCT | Veteran's Day |
| NOV | Veteran's day |
| | Discovery of PR |
| | Thanksgiving Day |
| DEC | Christmas day |

PAYROLL: DEDUCTION AND TAXES

Payroll Deductions:

| | |
|-------------------------------------|---|
| Social Security | 6.2% up to a maximum of \$ 128,400 in salaries paid to the employee. |
| Medicare | 1.45% without limit. If the salary exceeds \$ 200,000, you must contribute an additional 0.9% |
| Contribution on income of PR | It varies from 7% to 33% according to the status of the employee |
| Disability insurance | 0.3% up to a maximum of \$ 9,000 in wages paid to the employee |
| Patron contributions | 6.2% up to a maximum of \$ 128,400 in salaries paid to the employee |
| Social Security | 1.45% without limit. The employer does not provide additional medicare |
| State unemployment | It varies from 3.0% to 5.4% according to the company's unemployment history, up to a maximum of \$ 7,000 in salaries paid to the employee |
| Federal unemployment | 0.6% up to a maximum of \$ 7,000 in wages paid to the employee |
| Disability insurance | 0.3% up to a maximum of \$ 9,000 in wages paid to the employee |

CONTRACT TERMINATION

ALLOWANCE

Law 80 provides workers who have been dismissed without just to meet their basic needs during the time it may take to get a new job. Any dismissal that does not respond to a just cause will be considered unjustified, providing the affected the exclusive remedy of the allowance.

The allowance constitutes an indemnity to compensate the damages suffered a result of the dismissal. It does not equal a remuneration or wages for services rendered, nor does it constitute a substitute for salary.

The formula for the payment of the allowance will be computed.

based on the salary corresponding to:

- ▶ Three (3) months of salary + two weeks of salary for each year of service.
- ▶ Maximum salary would be 9 months of salary.
1 month = 4 weeks

Law 80, as amended, provides certain limitations, exclusions and requirements that must be evaluated.

DATA PRIVACY

Being a constitutional right, privacy in Puerto Rico is protected by the Constitution. Regarding privacy and protection of personal data, the Secretary of the Department of Consumer Affairs of Puerto Rico promulgated the "Regulation No. 7376" which deals with Information to the Citizen about the Security of Information Banks, and Regulation No. 8568 to Implement the Publication of the Privacy Policy in the Management of Private and Personal Data of Citizens as Compiled by Commerce in Puerto Rico, this with the purpose of protecting the privacy of Puerto Ricans.



DOMINICAN REPUBLIC

COUNTRY OVERVIEW

All Companies installed in the Dominican Republic must be duly registered in the different regulatory and governmental entities, therefore, they must have their RNC (National Taxpayer Registry), Commercial Registry, Constitutive Documents, Minutes of Assemblies registered in the Chamber of Commerce and Production of Santo Domingo, among others.

In the Ministry of Labor, through the Integrated Labor Registry System (SIRLA), all employees, national or foreign, must be reported in the Fixed Personnel Form (DGT3), which is the form that the employer must Submit to register your company and report to your hired workers indefinitely. Likewise, every company, and all its employees, must be registered with the Social Security Treasury (TSS), which, through the SUIR PUS, includes news that affect payroll and invoices are issued corresponding to the payment of the Family Health Insurance (SFS), Old Age Insurance, Disability and Survivorship (SDSP), Occupational Hazards and Infotep. By this same means, the General Direction of Internal Taxes (DGII) is fed for the calculation of the Income Tax (ISR).

One fact to take into consideration is that Article 135 of the Labor Code specifies that 80% of the total number of employees of any company must be Dominican, so that only 20% of the positions can be occupied by foreigners.

When employees are hired, the company has a probationary period of 90 days, from 3 months, employees begin the accumulation of acquired rights and employment benefits.

OVERVIEW

LABOR FORCE

GDP per capita: USD \$ 7,114 2016) Growth GDP: 5.5%
Labor Force: 5.3 million Unemployment Rate: 5.1%

CURRENCY AND CHANGE TO USD

The local currency is the Dominican peso: **DOP\$**
Exchange Rate for **\$ 1 USD: \$ 50.5561 DOP \$**

REGULATORS

Ministry of Labor of the Dominican Republic Social Security Treasury
General Directorate of Internal Taxes

TERMS OF EMPLOYMENT

WAGES

► **FIFTEEN THOUSAND FOUR HUNDRED FORTY AND SEVEN WITH 60/100 (DOP \$ 15,447.60, USD \$305,5)** for those who provide services in industrial, commercial or service? companies, whose facilities or stocks, or the set of both elements, equal or exceed the figure of four million of Dominican pesos (DOP \$ 4,000,000.00).

► **TEN THOUSAND SIX HUNDRED TWENTY WITH 00/100 (DOP\$ 10,620.00, USD \$210)** monthly, for those who provide services in industrial, commercial or service companies, whose facilities or stocks, or the set of both elements, equal or exceed the figure of two million Dominican pesos (DOP \$ 2,000,000.00) and do not exceed the figure of four million Dominican pesos (DOP \$ 4,000,000.00).

NINE THOUSAND FOUR HUNDRED ELEVEN WITH 60/100 (DOP \$ 9,411.60, USD \$186) monthly, for those who provide services in industrial, commercial and service companies, whose facilities or stocks, or the set of both elements, do not exceed the figure of two million Dominican pesos (DOP \$ 2,000,000.00).

WORK DAY

It is all the time that the worker cannot use freely, because it is exclusively available to his employer (Article 146). The normal duration of the working day is determined in the contract and may not exceed 8 hours per day or 44 hours per week.

- ▶ **Day:** From 07:00 hours to 9:00 pm.
- ▶ **Night:** From 9:00 p.m. to 07:00 p.m.
- ▶ **Mixed:** Includes periods of both days, provided that the night period is less than 3 hours, otherwise the day will be considered as night.

Every worker has the right to an uninterrupted weekly rest of thirty-six hours. This rest will be agreed between the parties and can start any day of the week. In the absence of express agreement, it starts from Saturday at noon.

CONTRACT OF EMPLOYMENT

The Labor Code establishes that the work contract is the one by which a person is obliged, under the dependence and immediate or delegated direction of the latter. It also indicates that the Worker is any physical person who provides a service, material or intellectual, under an employment contract and that the Employer is the physical or moral person to whom the service is provided. Types of contract:

- ▶ **For an indefinite period:** When the works are of a permanent nature, the contract that is formed is for an indefinite period. Permanent works are those whose purpose is to satisfy normal, constant and uniform needs of a company.
- ▶ **For a certain time:** When the work is intended to temporarily intensify the production or respond to accidental circumstances of the company, or its need ceases in a certain time, the contract is for a certain time and the same ends without responsibility of the parties with the conclusion of that service.
- ▶ **For a specific work or service:** The work contract may be agreed for a specific work or service depending on the nature of the work. However, when a worker works in more than one work or service with the same company and two (2) months have not elapsed since the last work was completed, it will be considered as an employment contract for an indefinite period, with all its legal consequences.



COMPENSATION

HOLIDAYS

The employers have the obligation to grant to all workers a vacation period of 14 working days. The worker acquires the right to VACATION every time he completes one year of uninterrupted service and must be enjoyed within 6 months from the date of acquisition of the right. They will also be computed for the calculation of VACATION, the other fixed remunerations that the worker enjoys, such as compensation of vehicles, incentives, allowances, etc. The right to vacation cannot, under any circumstances, be subject to compensation or substitution. The holiday ratio is as follows:

- ▶ From 1 to 5 years: 14 days of ordinary salary
- ▶ From 5 years and up: 18 days of ordinary salary

OVERTIME

Are those hours that are performed above the maximum time limit set for the daily or weekly day of 8 hours a day and 48 hours a week, respectively.

- ▶ Surcharge of 35% up to 68 hours per week during the day.
100% recharge on the excess of 68 hours per week in daytime
- ▶ Surcharge of 15% on the value of daytime hours at night shift:
 $35\% + 15\% = 50\%$
- ▶ Overtime on holidays or nonworking days have a surcharge of 100%

BENEFITS

CHRISTMAS WAGE

The employer is obliged to pay the worker in the month of December the Christmas Wage or Salary 13, consisting of the twelfth part of the ordinary salary accrued by the worker in the calendar year, without prejudice to the uses and practices of the company. agreed in the collective agreement or the employer's right to grant a larger sum. For the payment of this salary, the compensation for overtime and the salary corresponding to the profit share of the company are excluded. It must be paid, no later than December 20.

BONUS OF LAW

Article 223 of the Labor Code establishes that "it is mandatory for every company to grant a participation equivalent to 10% of the profits or annual net benefits to all its workers for an undefined time". The participation must be calculated on the net benefits before determining the taxable income.

- ▶ **13 years:** 45 days of ordinary salary
- ▶ **3 years or more:** 60 days of ordinary salary

LICENSES

- ▶ **Pre and post Natal:** 14 weeks with salary enjoyment
- ▶ **Marriage:** 5 days with salary enjoyment
- ▶ **Death:** 3 days (grandparents, parents, children or spouse)
- ▶ **Birth:** 2 days in case of birth of the wife or registered companion.

HOLIDAYS

In the Dominican Republic there are 12 paid holidays:

| | |
|------------|-------------------------|
| JAN | New Year |
| | Holy Kings day |
| | Altagracia Day |
| | Day of Duarte |
| FEB | Independence Day |
| APR | Holy Friday |
| MAY | Labor Day |
| | Corpus Christi |
| AUG | Day of restoration |
| SEP | Mercedes day |
| NOV | Day of the constitution |
| DEC | Christmas |

PAYROLL: DEDUCTION AND TAXES

PAYROLL COMPONENTS

| CAMP S SUIR | | COMPONEN |
|-------------|---------------------|--|
| TSS | Quotable salary | Salary + Commissions + Holidays |
| | Quotable salary | Base salary |
| DGII | Other Remunerations | Incentives, overtime, holiday bonuses, bonuses. |
| | External Income | Royalty, Notice, Severance |
| INFOTEP | Quotable salary | 1% of the salary + commissions for the employer and 0.5% of the bonus for the worker |

CONTRIBUTIONS TO THE SOCIAL SECURITY SYSTEM

| ITEM | DISTRIBUTION OF THE CONTRIBUTION | |
|-------------------------|----------------------------------|-------|
| | SFS | SVDS |
| Personal Health Care | 9.53 | |
| Personal Stays | 0.10 | |
| Subsidies | 0.43 | |
| Superintendence | 0.07 | |
| Personal account | | 0.07 |
| Personal Life Insurance | | 8.00 |
| Solidarity Fund | | 0.40 |
| AFP Commission | | 0.05 |
| Affiliate | 3.04 | 2.87 |
| Employer | 7.09 | 7.10 |
| Total Contribution | 10.13% | 9.97% |

INCOME TAX - ISR

The ISR is the tax that taxes all income, income, profits or benefits obtained by individuals, companies and undivided assets in a given fiscal period.

Any natural or juridical person residing in the Dominican Republic and the undivided causal successions domiciled in the country, will pay the tax on their income from a Dominican source, and from sources foreign to the Dominican Republic that come from investments and financial gains. The contributions made by the employee to the TSS are exempt from the ISR, therefore, they must be deducted from the amount that applies for this tax. The current scale of ISR retention is

| ANNUAL SCALE | INTEREST |
|---|---|
| Income up to RD \$ 416,220.00 | Exempt |
| Income of RD \$ 416,220.01 up to RD \$ 624,329.00 | 15% of the surplus RD \$ 416,220.01 |
| Income of RD \$ 624,329.01 up to RD \$ 867,123.00 | RD \$ 31,216.00 plus 20% of the surplus of RD \$ 624,319.01 |
| Income of RD \$ 867,123.01 and above | RD \$ 79,776.00 plus 25% of the surplus of RD \$ 867,123.01 |

CONTRACT TERMINATION

NO RESPONSIBILITY

The employment contract can end without responsibility or responsibility for the parties. Terminates without responsibility for any of the parts by:

- ▶ Mutual consent.
- ▶ The execution of the contract
- ▶ The impossibility of execution

RESPONSIBLY

The employment contract terminates with responsibility for some of the parties by:

- ▶ **Eviction:** The act by which one of the parties, by prior notice to the other cause and without cause, exercises the right to terminate a contract indefinitely. The party exercising the right of eviction must give prior notice, communicate in writing to the worker and within 48 hours will participate in the Department of Labor or the corresponding local authority.
- ▶ **Dismissal of the worker:** It is the resolution of the work contract due to the unilateral will of the employer. It is justified when the employer proves the existence of a just cause provided for in that Code or unjustified in the contrary case (Article 96).

NOTICE

The notice is a term that runs from the notice of eviction and according to which the relationships are maintained between the parties.

It is a legal obligation resulting from the judgment of the right to eviction, it is of public order and its duration is provided by law, being exclusive of contracts of indeterminate duration.

- ▶ **3 months to <6 months:** 7 days
- ▶ **6 months to <1 year:** 14 days
- ▶ **> 1 year:** 28 days

SEVERANCE

The employer who exercises the eviction must pay the worker a severance grants whose amount will be set according to the following rules:

- ▶ **3 months and <6 months:** 6 days
- ▶ **6 months and <1 year:** 13 days
- ▶ **> 1 year and <5 years:** 21 days x year
- ▶ **> 5 years:** 23 days x year

DATA PRIVACY

In the Dominican Republic it is allowed to collect all the personal data of the applicants and employees and to carry out medical, analytical and antidoping tests, except for HIV tests.

According to article 6 of law 135-11, which prohibits any labor discrimination on the part of the employer, physical or moral, public or private, national or foreign, who cannot, by himself or by another person, seek evidence for the detection of HIV or his Antibodies as a condition to get a job, keep it or get a promotion.

For the purposes of credit reports and consult the databases of the Credit Information Bureaus (BIC) established in the Dominican Republic, the written approval of the candidate and / or employee must be obtained.



URUGUAY



COUNTRY OVERVIEW

The Eastern Republic of Uruguay has a population of 3.3 million inhabitants. It limits to the northeast with Brazil, to the west with Argentina and has coasts in the Atlantic Ocean to the southeast and on the River of the Silver towards the south. It is a presidentialism republic subdivided into nineteen departments. The capital and most populated city of the country is Montevideo, with 1.3 million inhabitants.

According to the United Nations, it is the country in Latin America with the highest level of literacy. The production of the industry in Uruguay grew 13.5% in the first semester of the year 2018, with respect to the same period of the previous year, greatly leveraged by the resumption of oil refining.

Uruguay stands out in Latin America for being an egalitarian society and for its high per capita income, low level of inequality and poverty and the almost total absence of indigence. In relative terms, its middle class is the largest in America, and represents 60% of its population.

As for the export markets, these have diversified in order to reduce dependence on their main trading partners and currently 77% of exports are directed to 15 different destinations.

OVERVIEW

LABOR FORCE

The Uruguayan population of working age is 1,748,000. The most recently registered unemployment rate is 8%. 16% of the economically active population of Uruguay works for the State. For 2017, the participation in the labor force by women was 69%.

CURRENCY AND CHANGE TO USD

The local currency is the Uruguayan peso: UYU \$ To December 2018 \$ 1 USD: UYU \$ 33

REGULATORS

Ministry of Labor Constitution

TERMS OF EMPLOYMENT

There are several mechanisms for setting wages: individual negotiation with each worker in their employment contract, bipartite negotiation with the signing of collective agreements between companies and unions or tripartite negotiation in which the government participates with workers and employers in setting minimum salaries. The salary can be paid in cash or in kind (but not only in kind) and can be fixed or variable. The payment can be monthly, biweekly or weekly and the minimum salary is determined by wage councils.

COMPENSATION

BENEFITS

EXTRA HOURS

Law No. 15.996 and Regulatory Decree 550/89 establish that overtime is that which exceeds the legal or conventional limit, applicable to the activity and labor category. On business days, these must be paid with a 100% surcharge on the value of the simple hour, and with a 150% surcharge when they occur on nonworking days. The maximum number of overtime hours allowed per week is 8, however some exceptions apply.

VACATIONAL SALARY AND ANNUAL LICENSE.

All workers are entitled to an annual paid leave of 20 days, this time varies according to the seniority of the employee, from the fifth year the worker acquires the right of 1 additional day. Then, every 4 years, it acquires an additional day.

The license must be taken without interruption or, if necessary, be divided into two periods, in which the shortest period must correspond to a minimum of 10 days.

The minimum amount of the vacation salary is equivalent to 100% of the vacation pay for the license periods generated. It must be paid before the start of the holidays.

BONUS

Every employer has the obligation to pay his employees, within ten days before December 24 of each year, an additional annual salary.

It is allowed that this benefit is paid in two stages and each year the Executive Power approves a decree that sets the date of payment.

In the case of the rural worker, benefits in kind, for food and housing, integrate the concept of salary and are computed for the bonus, according to the fictos (Law No. 13.619, of October 10, 1967. Art. one).

In case of breakdown of the employment relationship by resignation or dismissal, the worker has the right to receive the supplementary annual salary in proportion to the time worked.

EMPLOYMENT CONTRACTS

Labor relations at the individual level are regulated by detailed legislation that constitutes one of the fundamental pillars on which the Rule of Law is based in Uruguay. In Uruguay, the written work contract is not mandatory, although it is a practice that has been extended in recent years, which may be permanent or temporary.

Workers' rights include, among others, limitations on working hours, licenses, supplementary salaries and compensation for dismissal. Likewise, workers must be affiliated to the social Characteristics of work contracts: determined or indeterminate duration, for effective, casual, seasonal or occasional workers. Termination of contracts: term, term, probation, death, permanent disability, clause or bankruptcy of the establishment.

The national minimum wage as of 01/01/2019 is of **UYU 15,000 (approximately USD \$454,5)**.

HOLIDAYS

In Uruguay there are 12 paid holidays:

| | |
|------------|---|
| JAN | New Year Kings Day |
| MAR | Carnival |
| APR | Holy Thursday Holy Friday Landing of the 33 Orientals |
| MAY | Workers Day Battle of the Stones |
| JUN | Birthday of Artigas |
| JUL | Day of the constitution |
| AUG | Independence Day |
| OCT | Day of race |
| NOV | Day of the Dead |
| DEC | Christmas |

PAYROLL: DEDUCTION AND TAXES

DISCOUNTS ON SALARY FOR SOCIAL SECURITY

SOCIAL FORECAST BANK BPS

Guarantees employee access to a retirement fund, or subsidies. (Due to illness, unemployment, maternity, or unemployment). The total contribution is 22.5% on the basis of salary, of which 7.5% is paid by the employer.

NATIONAL HEALTH FUND FONASA

The contributions made to Fonasa give the employee the benefit of health insurance, giving him access to health services, consultation and medical attention. The discount range between 3% and 8% depending on the salary earned and the dependents.

LABOR RECONVERSION FUND (FRL)

This fund aims to retrain the workers professionally. Especially those who are unemployed. The contribution corresponds to 0.10% of the salary accrued by both the employer and the employee. This discount does not apply to public employees.

INCOME TAX FOR PHYSICAL PERSONS (IRPF)

The discount that is made for rent corresponds to the taxes paid by the employer as a citizen.

It is a tax of an annual nature, but the discount is made monthly as an advance payment of IRPF, to supply the total to be paid once the fiscal period is closed.

To calculate this, all ordinary and extraordinary income is considered, with the exception of the bonus and the vacation salary. The tax rate depends on the level of income of the employee.

TERMINATION OF CONTRACTS

The employer has the faculty to dismiss its workers, being obliged to pay compensation. The dismissals can be direct, when the employer expressly or tacitly expresses its willingness to terminate the employment relationship, or indirect, when the employer violates the employment contract so that the worker considers dismissed and stops providing the work activity.

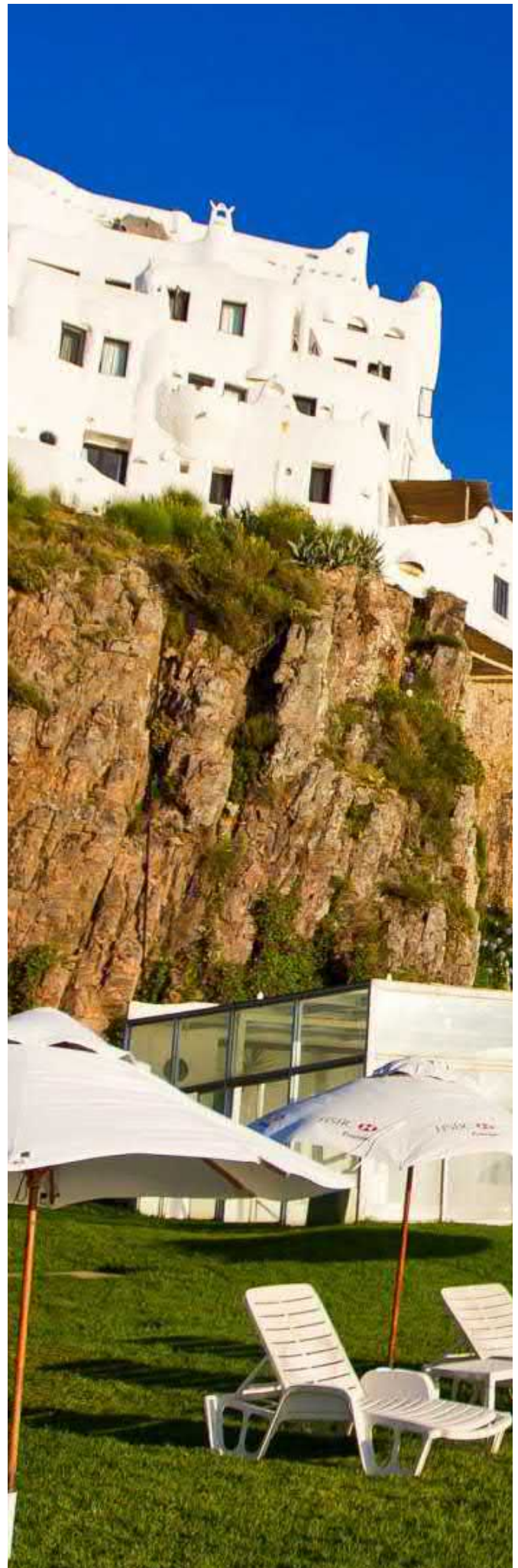
The dismissal generates the obligation to compensate the worker according to the time that the employment relationship has lasted. The basis of calculation will depend on the form of contracting; the wage or the monthly payment.

That base will be increased by all incidences (salary benefits) that worker has. It is quantified as the total remuneration corresponding to 1 month of work for each year or fraction of the year worked, with a limit of 6 monthly payments.

Workers who have incurred in notorious misconduct are excluded from the right to compensation for dismissal. Some forms of non-permanent, transitory contracts, etc., are also excluded.

DATA PRIVACY

Law No. 18331 of the Eastern Republic of Uruguay deals with the protection of personal data and habeas data. Including definitions of associated concepts and deepening the protection of this type of information.





VENEZUELA

COUNTRY OVERVIEW

Venezuela has an area of 916,445 km² and a population of 31,828,000 people, its capital is Caracas and its bolivar currency. The economy has decreased rapidly in the last decade and at the end of 2017 the economy is facing a hyperinflationary process.

The GDP is USD \$ 96,328 million and the cumulative inflation to October 2018 amounts to 4,126,246%. The current economic crisis facing the country reflects that more than 80% of the population lives below the poverty line. The main industries are oil, minerals, electricity, construction materials, food, aluminum, steel, petrochemical and tourism.

Its most recent CPI rate was 488.865% (September 2018), however, according to official data, the last annual variation rate of the published CPI was December 2015 and was 180.9%. As of 2013, the economy has suffered a drop in its macroeconomic indexes, giving way to a period of recession and crisis.

The origin of this fall is a combination of structural problems of the Venezuelan economy and the strong external influence of the global financial crisis with the fall in oil prices. In 2017 there was a relapse of the economy that has produced an approximate decrease of the gross domestic product of 9.5%. The cause of this deterioration was the worsening of the public debt crisis, caused by the distrust of the international financial markets towards the hidden losses of the Venezuelan financial entities and their possible consequences in the public coffers.

OVERVIEW

WORK FORCE

For 2017 the active population in Venezuela corresponded to 14,732,990, with a participation by women of 54%

CURRENCY AND CHANGE TO USD

The local currency is: **Bolivar VES Bs.S.**

Average Exchange Rate for \$ 1 USD: **VES 3.292,500**

MINIMUM LEGAL WAGE

The minimum monthly wage in Venezuela for 2019 is **VES \$18.000 which corresponds approximately to USD \$5.**

CONTRACTS

Venezuelan legislation establishes three types of contracts:

- ▶ **Indefinitely**
- ▶ **For a limited period:** they can only be held under the assumptions established in the LOTTT and, in any case, may be extended only once.
- ▶ **For a specific work**

COMPENSATION

HOLIDAYS

The minimum benefits stipulated in the LOTTT include 15 working days of holiday enjoyment each year as well as the payment of an Annual Vacation Bonus, equivalent to 15 days of salary.

EXTRA HOURS

The day shift begins at 5:00 a.m. and it extends until 7:00 p.m. Its ordinary duration cannot be more than 8 hours a day nor 40 hours a week.

The night shift begins at 7:00 p.m. and ends at 5:00 p.m., on this type of day, the ordinary duration cannot be more than 7 hours a day and 35 hours a week.

The mixed day. It has part of daytime and part, night time. But, if the night part is not more than 4 hours. Otherwise it is considered nocturnal. This day cannot be longer than 7 hours and 37,5 hours in the week.

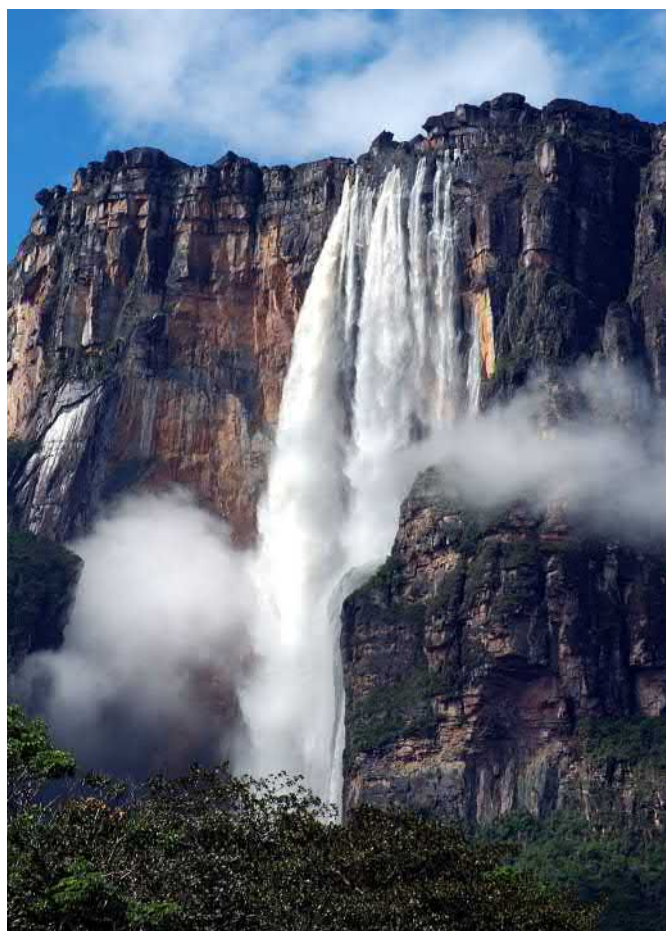
There are charges in which the classification of days is not applicable.

Once the types of days are understood, the calculation for overtime payment is described below: they will be paid with a fifty percent (50%) surcharge, at least, on the wage agreed for the ordinary day.

HOLIDAYS

In Venezuela there are 12 paid holidays:

| | |
|------------|--|
| JAN | New Year |
| MAR | Monday and Tuesday of Carnival |
| APR | Proclamation of Independence of Venezuela |
| | Holy Thursday |
| | Holy Friday |
| MAY | Worker's Day |
| JUN | Day of the Battle of Carabobo |
| JUL | Signature of the Venezuelan Independence Act |
| | Birth of Simon Bolivar |
| OCT | Indigenous resistance Day |
| DEC | Christmas |



PAYROLL: DEDUCTION AND TAXES

The handling of the payroll in Venezuela necessarily implies the following contributions:

- **Venezuelan Institute of Social Security:** A contribution is made by the employee of 4% of their weekly salary, which is automatically withheld from their payment. For its part, the company contributes of between 9% and 11% of the weekly salary of each worker.
- **Employment Benefit Regime:** Compulsory contribution for insurance in case of involuntary loss of employment. The employee contributes 0.5% of his weekly salary, which is automatically withheld from his payment. The company contributes 2% of the weekly salary of each worker.
- **Mandatory Savings Fund for Housing:** Compulsory contribution of 1% of the monthly salary from the employee and 2% from the employer.

Additionally, and depending on its size, the company may be subject to paying other taxes such as INCES, FONACIT and FONA, among others.

CONTRACT TERMINATION

Since 2012 a presidential decree of Labor Unavoidability has been in effect, so that no worker can be fired or transferred without authorization from the Ministry of Popular Power for Labor. At the time of discharge, the worker must receive: the payment of those vacation periods that have not been paid when due, the payment of the Vacation Bonus (s) that are due and have not been paid.

Additionally, the fractions of their participation in the profits, VACATION and vacant bonus must be canceled for the number of months between their last anniversary and their divestment from the company. Likewise, the worker must receive payment of his Antiquity Benefits, which consists of 30 days of his last integral salary for each year worked in the company.

DATA PRIVACY

Venezuelan society does not have a legal instrument that guarantees the protection of personal data, however, the Constitution of the Bolivarian Republic of Venezuela, states in its article 60, that "every person has the right to the protection of his honor, private life, privacy, own image, confidentiality, and reputation.

The Law will limit the use of information to guarantee the honor, and the personal and family privacy of citizens. "

Additionally, the state has a legal body on the National Telecommunications Commission (Conatel) which allows the exploitation of networks and the provision of services complying with legal regulations, and allowing the protection of information through the sanctions established in the Organic Law of Telecommunications

ABOUT BDO GLOBAL

USD \$ 9

MILLION INCOMES

1,591

OFFICES IN THE WORLD

Statistics of December 15, 2018

162

COUNTRIES & TERRITORIES

80,087

GLOBAL EMPLOYEES

Expanding your business to new territories can be a challenge, and this is where BDO is the strategic partner your company needs.

90% of companies believe the cost savings that can be achieved through the outsourcing of payroll activities.

BDO has won the Payroll Provider of the Year award for the past 3 years, the most recent in November 2017.

We will help you achieve and maintain 100% compliance considering local regulations in all your countries, with input from BDO Local Taxes and employment specialists.

We have a presence in 80% of the countries in the region, which means that in any part of Latin America where you need to operate, BDO will surely be present.

GET TO KNOW US

REGIONAL CONTACTS

ARGENTINA

ALEJANDRA FERNANDEZ

Outsourcing & Payroll Services Partner
afernandez@bdoargentina.com

DIEGO MURDOCCA

Outsourcing & Payroll Services Partner
dmurdocca@bdoargentina.com
www.bdoargentina.com

BRASIL

SILVANIA PEREIRA

Payroll Manager
silvania.pereira@bdo.com.br

VITOR ALMEIDA

HR Advisory
vitor.almeida@bdo.com.br
www.bdobrazil.com.br

CHILE

MARCELO DONATUCCI TELLEZ

Outsourcing Partner
mdonatucci@bdo.cl
www.bdo.cl

COLOMBIA

LUZ MARINA PEREZ

Managing Partner
lperez@bdo.com.co

PAOLA VACCA BUITRAGO

Market & Clients Director
pvacca@bdo.com.co

COSTA RICA

ESTEBAN MENDEZ

Business Services and Outsourcing Partner
emendez@bdo.cr
www.bdo.cr

ECUADOR

GEOVANNA ZURITA

Technical Manager
gjlopez@bdo.ec

RAMIRO GUERRERO

Technical Manager
rguerrero@gerenfoque.com
www.bdo.ec

EL SALVADOR

HECTOR R. FIGUEROA

Director Partner
hfigueroa@bdo.com.sv

DIEGO FERNANDEZ

Consulting Partner
dfernandez@bdo.com.sv
www.bdo.com.sv

HONDURAS

DAYANARA RIOS

Business Services and Outsourcing Partner
drios@bdo.com.pa
www.bdo.cr

GUATEMALA

ROBERTO REYES

Director Partner
rreyes@bdo.com.gt

KARLA APARICIO

Outsourcing Manager
kparicio@bdo.com.gt
www.bdo.com.gt

MEXICO

CESAR HERNANDEZ

Financial Control Partner
cesar.hernandez@bdomexico.com

JAVIER GARCÍA SANCHO

Financial Control Partner
javier.garciasancho@bdomexico.com
www.bdomexico.com

NICARAGUA

SAMUEL BORGES

Director Partner
sborge@bdo.com.ni

FELIX RAMIREZ

Manager of Business Services & Outsourcing
framirez@bdo.com.ni
www.bdo.cr

PANAMA

DAYANARA RIOS

Business Services and Outsourcing Partner
drios@bdo.com.pa
www.bdo.com.pa

PARAGUAY

OSCAR GUILLEN

Partner
oscar.guillen@bdo.com.py

RICARDO PANIAGUA

Outsourcing Manager
ricardo.paniagua@bdo.com.py
www.bdo.com.py

PERU

JAVIER HURTADO

Outsourcing Partner
jhurtado@bdo.com.pe
www.bdo.com.pe

PUERTO RICO

NIVEA LEON RIVERA

Business Services and Outsourcing Manager
nleon@bdo.com.pr
www.bdopr.com

DOMINICAN REPUBLIC

EVELYN MÉNDEZ DE ORTEGA

Human Resources Managing Partner
evelyn.ortega@bdo.com.do
www.bdo.com.do

URUGUAY

ERNESTO BARTESAGHI

International Relationship Partner
ebartesaghi@bdo.co.uy

ARIEL MARI

BSO Partner
amari@bdo.co.uy
www.bdo.com.uy

VENEZUELA

VICTOR AULAR

Partner
vaular@bdo.com.ve
www.bdovenezuela.com



FOR MORE INFORMATION:

BDO GLOBAL

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