Americas tax policy update

Q4 2019

Countries highlighted in yellow have updated summaries.
* Indicates new information within each country summary.

Country

- Argentina
- Brazil
- Canada
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- Dominican Republic
- Ecuador
- El Salvador
- Guatemala
- Honduras
- Mexico
- Nicaragua
- Panama
- Paraguay
- Peru
- Puerto Rico
- United States
- Uruguay
- Venezuela

Argentina

- On 27 October 2019, Argentina held its presidential elections, which confirmed the victory (anticipated in the primary elections held in August) of Alberto Fernandez (from the Peronist Party) as the new president. He received 48.1% of the votes, while former president Mauricio Macri – who was seeking reelection – received 40.4%; these results mean Macri's center right party will remain a significant, opposing presence in the new Congress.
- The new government led by Alberto Fernandez took office on 10 December. Martin Guzman was appointed as a Minister of Finance, while Mercedes Marco del Pont was appointed the Head of the Argentine Revenue Office (Administración Federal de Ingresos Públicos).
- *The new government enacted tax reform legislation on 23 December 2019. The tax reform aims to close the fiscal deficit. Specifically, it:
  - Declares a public emergency and grants certain powers to the Executive Power
  - Creates a new tax debt settlement plan for small- and medium-sized companies that would allow installment payments for tax debts, reduced interest and the elimination of fines
  - Modifies social security taxes
  - Modifies the inflation adjustment for tax years 2019 and 2020 to spread the adjustment over six years, instead of three
  - Increases the tax on personal assets, with a new maximum rate of 1.25% (previous maximum rate was 0.75%)
  - Increases from 0.25% to 0.5% the tax applicable to the net equity value of stock owned by foreign shareholders (individuals or entities) of Argentine companies and Argentine individual shareholders
  - Authorizes the Executive Power to increase the tax rate applicable to personal assets held outside Argentina by local individuals to a maximum of 2.5%, with the possibility of a reduction if financial assets are repatriated
  - Reinstates exemptions for certain investments (fixed-term deposits, private and public bonds, etc.) in Argentine currency

- Suspends until 31 December 2020 a reduction in the corporate income tax rate from 30% to 25% and postpones a withholding tax increase on dividends from 7% to 13% that had both been scheduled to go into effect 1 January 2020
- Makes certain changes to the tax on credits and debits
- Increases export duties on several products, in particular agricultural products

- The tax reform also establishes a new 30% temporary tax that will apply to the purchase of foreign currency, as well as purchases of goods and services from abroad made through credit, debit or purchase cards, including cash withdrawals made outside Argentina. The tax will apply for five years. For more information on the tax reform, see Tax Alerts 2019-2240 and 2020-0037.
- After Argentina's Executive Power published Decree 708/2019 (Decree 708) to implement the provisions of the promotional tax system applicable to the knowledge-based economy, Argentina's Ministry of Productive Development suspended the promotional regime for the knowledge-based economy. For more information on this regime and the suspension, see Tax Alerts 2019-1099, 2019-1867, and 2020-0191.
- *The Argentine Senate approved and sent to the House of Representatives the agreement reached between the Federal Government and provincial governments on 17 December 2019, amending the Tax Consensus to postpone until 31 December 2020 reductions on certain provincial taxes. Once approved by the House of Representatives and enacted by the Argentine Executive Power, the amendment must be ratified at the provincial level. For more information, see Tax Alert 2019-2288.
- Through Decree 824/2019, Argentina updated the list of jurisdictions considered "non-cooperating" for tax purposes, which affects the applicability of certain tax exemptions and reduced tax rates, among other things. For more information, see Tax Alert 2019-2217.

Brazil

- *On 18 December 2019, the Ministry of Economy, the President of the Senate and the President of the Chamber of Deputies announced an agreement to create a mixed tax reform commission of 15 senators and 15 deputies to prepare a consolidated text for a tax reform within 902 days. The consolidated text will be based on the two ongoing tax reform proposals (i.e., Bill 110/2019 proposed by the Senate; and Bill 45/2019 proposed by the Chamber of Deputies). The government will submit suggestions to the commission.
- Additionally, members of the Brazilian Government's executive branch, including the current secretary of the Internal Revenue Services, announced that they are presenting their comprehensive tax reform proposals in phases, with the first proposal being presented to Congress in early 2020. The first phase would replace the Program of Social Integration (PIS) and Contribution for the Financing of Social Security (COFINS) taxes with a contribution on goods and services tax (CBS), which would be similar to a federal value-added tax (VAT). The second phase would eliminate both the contribution for intervention on economic domain (CIDE) and the federal excise tax (IPI). This proposal would incorporate the CIDE into the CBS and replace the IPI with a selective tax levied only on certain products, such as cigarettes and alcohol, to discourage consumption. The third phase would reduce the combined income tax rate from 34% to 20% over five to eight years for corporate taxpayers. It also would increase the exempt income bracket for individuals and increase the tax rate for the highest income tax bracket applicable to individuals from 27.5% to 35%. The fourth phase would reduce payroll taxation, but there are currently no details. For more information, see Tax Alert 2019-2128.
- Through publication in the Official Gazette on 17 October 2019, the Brazilian Government enacted Provisional Measure (PM) 899/2019, allowing taxpayers and the tax administration to negotiate federal tax debts. Taxpayers meeting all relevant requirements will be able to negotiate: (i) non-judicial tax debts under the administration of Brazil's Revenue Authority (RFB), (ii) outstanding debts that fall under the oversight of the Attorney General of the National Treasury; and (iii) certain outstanding debts of independent governmental agencies or foundations. PMs are legal acts through which the President enacts laws effective for at most 120 days without the approval of the Congress, based on the urgency or relevance of the matter. The PM then needs to be approved by Congress to become law or it expires.
- Brazil enacted Law 13,874, known as the "Economic Freedom Right Act." The law allows investment funds, including a private-equity investment fund, to confer limited liability on investors and service providers. Investment funds also may create share classes with different rights and obligations. These amendments benefit the asset management industry in Brazil because they strengthen the legal framework around investment funds and ensure that Brazilian investment funds and their international counterparts are treated equally. Managers of investment funds should be aware of the ancillary issues created by granting limited liability to investors, including implications with respect to US check-the-box elections. For more information, see Tax Alert 2019-1798.
- The RFB issued Normative Instruction (IN) No. 1,911/2019, regulating the calculation, inspection, collection and administration of PIS/Pasep and COFINS (Social Security Contributions on Sales), as well as PIS/Pasep-Import and COFINS-Import contributions (Social Security Contributions on Imports). While IN 1,911/2019 streamlines the guidance for all of the social contribution provisions, taxpayers should carefully analyze the provisions of IN 1,911/2019, as they may contradict court positions. The administrative and judicial branches are currently split as to how the PIS and COFINS tax basis should be calculated. The Supreme Court is expected to rule on this issue soon. For more information, see Tax Alert 2019-1988.
- Through Constitutional Amendment No. 103, known as the Pension Reform, published on 13 November 2019, Brazil

increased the Social Contribution on Net Income (CSLL) rate applicable to banks from 15% to 20% beginning 1 March 2020. After the increase, the total nominal tax rate on the income of Brazilian banks will go from 40% to 45% (income tax and CSLL). For more information, see Tax Alert 2019-2058.

- *On 12 November 2019, the Brazilian government enacted Social Security system reform.
- *The Organisation for Economic Co-operation and Development (OECD) and the RFB issued a joint report on 18 December 2019, Transfer Pricing in Brazil: Towards Convergence with the OECD Standard (the Joint Report), which outlines two potential options for aligning Brazil's transfer pricing rules with the OECD standard. Alignment of Brazil's transfer pricing rules with the OECD standard is part of the process for membership in the OECD and is described as providing the benefits of increased tax certainty and prevention of double taxation. While no timeline has been set for such alignment, taxpayers should consider performing an initial assessment of the risks and opportunities associated with the potential changes to Brazil's transfer pricing rules. For more information, see Tax Alert 2020-0032.
- During the fourth quarter, Brazil agreed to start to negotiate a tax treaty with Qatar and Saudi Arabia. Additionally, the Indian Government published a press release confirming that the Union Cabinet of India has authorized the signing of an amending protocol to the Brazil – India Income Tax Treaty (1988), as amended by the 2013 protocol. Further developments will be monitored.

Canada

- In the federal general election on 21 October 2019, the Liberal Party under incumbent Prime Minister Justin Trudeau was re-elected to a second term. But unlike the election in 2015, the Liberals did not win a majority of seats in the House of Commons, meaning they will need the support of another party to survive any "confidence" vote that could defeat the government and thereby trigger another election. Parliamentary convention provides that if the government is defeated on a confidence question (e.g., granting of "supply" or budgetary policy), then it is expected to resign or seek the dissolution of Parliament for a general election to be held.
- The Liberals (and other parties) released a number of tax policy proposals as part of their election platform. They will move forward with the following two proposals:
  - An increase in the "basic personal amount" of income that is exempt from tax. This proposal would result in an effective tax cut for low- and middle-income individuals. The exemption would be reduced for incomes in the second highest marginal tax bracket and eliminated entirely for incomes in the top tax bracket.
  - A new 3% tax on the income of businesses in certain sectors of the digital economy, similar to the digital services tax France announced
- It is not clear at this time which, if any, of the other tax proposals will be implemented. Further details were not provided in an economic and fiscal update issued by the Finance Minister on 16 December 2019. Additional information on the government's intentions may not be known until the government tables its first budget, expected in Spring 2020.
- Alberta's Finance Minister tabled the province's fiscal 2019–20 budget on 24 October 2019. The budget contains several tax measures affecting individuals and corporations. For more information, see Tax Alert 2019-1902.

Chile

- *The Chilean Executive Power and the Senate agreed to a revised tax reform bill that would allow the Government to increase revenue to fund its new social agenda aimed at improving social security and health. The revised tax reform would impose a 35% tax rate on dividends distributed to residents in tax treaty jurisdictions, and a 44.45% tax rate on dividends distributed to residents in non-tax-treaty jurisdictions. The revised tax reform bill also would gradually prohibit Chilean holding companies in a tax loss position from claiming a refund for the corporate taxes paid by local subsidiaries remitting dividends. It also would establish a new tax bracket (40%) for high-income individuals (currently the highest marginal rate is 35%) and a surcharge tax ranging from 0.075 to 0.275% for real property valued over approximately USD 1 million. The Senate approved the revised tax reform bill on 16 January 2020. For more information on the tax reform, see Tax Alerts 2018-1710 and 2019-2060.

Colombia

- *Colombia enacted a new tax reform (Law 2010, the Economic Growth Law) on 27 December 2019 and is generally effective 1 January 2020. This tax reform replaces the 2018 tax reform (Law 1943 of 2018), which the Colombian Constitutional Court declared unconstitutional on 16 October 2019 due to procedural flaws (see Tax Alert 2019-1843). While the tax reform primarily maintains the 2018 tax reform provisions, it eliminates those that were only effective during 2019 (e.g., the tax amnesty provisions) and adds new provisions, such as introducing three VAT holidays per year and new tax benefits for companies that hire workers between the ages of 18 and 28. It also eliminates the consumption tax on real estate. For more on the new tax reform, see Tax Alerts 2019-1904 and 2020-0025.
- The Free Trade Commission for the free trade agreement between Costa Rica and Colombia issued Decision No. 14, in which it determined that a Certificate of Origin is valid even if the tariff classification on the certificate is different from the classification on the Single Customs Declaration, provided certain requirements are met. The decision applies from 14 October 2019 (for further information, see Tax Alert 2019-1849).
- On 22 October 2019, the Colombian Constitutional Court declared the law that incorporates the double tax treaty between Colombia and the United Kingdom constitutional. The treaty, signed and recently approved by Congress, follows the

new treaty negotiation guidelines under the OECD's Base Erosion and Profit Shifting (BEPS) project and contains certain rules to control international tax evasion. For more information on the treaty, see the [2016 Tax Alert.](#)

- The Colombian Congress enacted Law 2004 of 2019, which approves the double tax treaty signed by Colombia and Italy. The treaty follows the new OECD BEPS treaty negotiation guidelines. This new legislation will be forwarded to the Colombian Constitutional Court for its constitutional review.
- The Colombian Government issued Decree No. 2106, which simplifies the public entity procedures, including registering for and updating the Tax ID Registry electronically, reporting administrative acts (e.g., executive order, decree, official determination of tax), and paying registration fees.
- The Colombian Government published Decree No. 1973, which includes updated provisions on the attribution of income to permanent establishments or branches in Colombia. The decree clarifies that permanent establishments are taxed on attributed income and occasional earnings from both domestic and foreign sources. The tax is imposed on the amount determined from the sum of the permanent establishment's liabilities, assets, income, capital, costs, and expenses, which must be supported by a study of functions, assets, and risks. The decree also clarifies that a permanent establishment's attributed profits that correspond to income and occasional gains transferred to related parties from abroad will be taxed as dividends in accordance with Colombian tax regulations. The decree also includes provisions on the taxation of private equity funds and collective investment funds, including the deferral of tax and withholding obligations, among other things.
- The Supreme Administrative Court clarified that management fees that have not been subject to withholding tax cannot be claimed as a deduction even if they conform with the arm´s length principal (Judgment 20780).
- *Colombia and the United Kingdom exchanged diplomatic notes on 13 December 2019, informing that they have both completed the approval processes for the treaty to avoid double taxation to enter into force. The treaty entered into force on 1 January 2020 for Colombia and for taxes withheld at source. However, for the UK, the treaty will generally apply from 1 April 2020. For more information on the treaty, see Tax Alert 2019-2254.
- *The Colombian Government issued Decree No. 2371, which clarifies the tax treatment of dividends distributed based on the year during which profits were produced, the tax residence of the receiving entity, and the ability of shareholders to invoke their rights to the dividends. This decree also regulates the application of withholding tax on dividends.

Costa Rica

- The Costa Rican tax authorities published Decree No. 41818-H, amending the definition of related parties, the transfer pricing information return, and Advance Pricing Agreements (APAs). Specifically, the decree treats a transaction between a Costa Rican taxpayer and an individual or entity domiciled in a non-cooperating jurisdiction as a related-party transaction. It also expands the scope of the transfer pricing information return filing obligation by requiring any taxpayer with annual intercompany transactions (whether cross-border or domestic) exceeding the equivalent of 1,000 base salaries to file the information return. Additionally, the decree extends the term of APAs from three years to five years. For more information, see Tax Alert 2019-1850.
- Costa Rica's tax authorities published Resolution No. DGT-R-058-2019, establishing the procedure for taxpayers to report whether their capital income will be taxed under the ordinary income tax provisions of the Income Tax Law, instead of the capital income tax provisions. For more information, see Tax Alert 2019-1966.
- Costa Rica's tax authorities published a new procedure (Resolution No. DGT-DGH-R-060-2019) for requesting a VAT exemption or reduced VAT rate. The new procedure must be followed by (i) exporters, (ii) suppliers of exporters, (iii) suppliers of local governments, (iv) suppliers of the Costa Rican Social Security, and (v) traders, distributors and producers of products included in the list of basic foods and their inputs. Taxpayers that apply the procedure and meet all requirements will be able to acquire the goods and services for their operations without paying VAT or with a reduced VAT rate. For more information, see Tax Alert 2019-1877.
- The Free Trade Commission for the free trade agreement between Costa Rica and Colombia issued Decision No. 14, in which the Commission determined a Certificate of Origin will remain valid if the tariff classification on the certificate is different from the classification on the Single Customs Declaration (SCD), provided certain requirements are met. The decision applies from 14 October 2019 and provides clarity to taxpayers that have different classifications for goods on the certificate and SCD. For more information, see Tax Alert 2019-1849.
- Costa Rica enacted Law No. 9751, ratifying the Multilateral Instrument to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (the MLI). The MLI will modify provisions of the existing Costa Rican double tax treaties that qualify as a covered tax agreement. For more information, see Tax Alert 2019-2036.
- Costa Rica's General Customs Directorate published draft amendments to Article 457 of the General Customs Law regulations for public comment. It also published Resolution RES-DGA-396-2019, amending the General Policies of the Customs Procedures Manual. For more information, see Tax Alerts 2019-1945 and 2019-2025.
- Costa Rica's tax authorities published a resolution modifying Form D-151, "Annual Return for Customers, Suppliers and Specific Expenses" and Form D-152, "Summarized Annual Return of Single and Definitive Withholding Taxes." They also published a draft resolution on the payment of VAT on cross-border digital services and a draft resolution that allows taxpayers to request a special tax year. For more information,

see Tax Alert 2019-2238.

- ► *Costa Rica's tax authorities published a resolution on the obligation of "inactive companies" (i.e., entities that do not carry on a trade or business in Costa Rica) to register with the Tax Registry and file a specific tax return. For more information, see Tax Alert 2020-0039.

Dominican Republic

- ► On 12 December 2019, the Dominican Republic's Senate approved the General Law of the National Budget for 2020. The bill has been submitted to the Chamber of Deputies for approval. Its accompanying report proposes the imposition of an indirect tax, such as a VAT or an excise tax, on the sale of digital content through international platforms. Taxing the sale of digital content is intended to increase tax revenue, a goal of the national tax policy for 2020. This measure was influenced by the recommendations of the Economic Commission for Latin America and the Caribbean.
- ► *The Senate approved a draft bill that would establish a special temporary tax regime to allow taxpayers to declare or reassess the value of certain assets and pay a reduced tax rate of 3% on the value of those assets. This bill is intended as an incentive to encourage transparency in light of Law 155-07, Against Money Laundering and Financing of Terrorism, which entered into force in 2017. Assets that could be declared or reassessed under this special tax regime would include cash deposited in financial institutions, securities, movable and immovable property, inventories and any other equity, provided that the reassessment results in a reduction of assets. The bill still must be submitted before the Chamber of Representatives for evaluation and approval.
- ► *The Dominican Customs Authorities issued General Ruling No. 02-2019, which regulates the exportation process for merchandise and provides significant guidance relating to the different exportation processes and other related processes in the Dominican Republic. General Ruling 02-2019 entered into force on 8 January 2020.
- ► *The Dominican tax authorities issued Notice No. 59-19, which informs withholding agents and Dominican residents of the new withholding tables applicable to individuals for income tax purposes that are effective 1 January 2020 to 31 December 2020.

Ecuador

- ► *Ecuador enacted tax reform on 30 December 2019 with the tax provisions effective 1 January 2020. Specifically, the tax reform limits the application of the thin-capitalization rule to intercompany loans and imposes a currency exportation tax on certain loans, repeals the tax exemption for dividends, and subjects dividends distributed by Ecuadorian companies to nonresident entities to income tax. It also adds certain goods to the list of transferred or imported goods subject to a 0% VAT rate and imposes a 12% VAT rate on digital services when the consumer is an Ecuadorian resident. For more information on the tax reform bill, see Tax Alerts 2019-1955, 2019-2074, 2019-2151, and 2019-2286.

El Salvador

- ► The Government modified Section 155 of the Tax Code to exempt from tax Christmas bonuses paid to individuals during December each year, if the bonuses do not exceed two monthly minimum wages. Additionally, paragraph 16 was added to Section 4 of the Income Tax Law to exclude Christmas bonuses paid to individuals during December from taxable income if they do not exceed two monthly minimum wages in the commerce and services sector. Christmas bonuses that exceed that amount will be subject to withholding and income tax. Taxpayers, however, will be allowed to deduct two minimum wages. The monthly minimum wage amount is determined by a government-designated committee. Currently, the minimum wage is reviewed every three years.
- ► *The Salvadoran Congress approved (Legislative Decree No. 521) an eight-month tax amnesty program on 13 December 2019 to allow taxpayers to comply voluntarily with their tax and customs obligations. The amnesty period will begin upon the publication of the Decree in the Official Gazette. This amnesty program applies to all taxpayers that should have declared or paid taxes or customs duties before the amnesty program entered into force. Taxpayers paying the original or additional taxes due during the amnesty period will not have to pay interest, surcharges or additional fines. For more information, see Tax Alert 2020-0061.

Guatemala

- ► The Government issued Governmental Agreement 222-2019 to incorporate the following items from Governmental Agreement 5-2013 into the Regulations of the VAT Law: (i) Electronic Invoice Regime (FEL for its Spanish acronym) requirements; (ii) Electronic VAT Refund Regime requirements for taxpayers to submit monthly VAT refund requests for 100% of the input VAT generated; (iii) registry of exporters under the Electronic VAT Refund Regime and (iv) registry of taxpayers under the FEL regime. Beginning 1 July 2021, the Governmental Agreement will require all new taxpayers to operate under the FEL regime to issue tax documents.
- ► The Board of Directors of the Tax Authorities issued Agreement 26-2019, which incorporates certain modifications to Board of Directors Agreement 13-2018, aligning its content with the recent modifications to the Regulations of the VAT Law. It includes the requirements and conditions with which taxpayers must comply for them to be incorporated under the FEL Regime (e.g., register third-party certifiers of tax documents, adapt systems for issuing tax documents to the operational model of the FEL Regime, use the electronic tools provided by the tax authorities to operate under the FEL Regime, etc.).
- ► On 16 October 2019, the Guatemalan Congress enacted Decree 7-2019, which includes several amendments to the VAT Law. Specifically, the decree establishes a new Special Agricultural Taxpayer Regime that applies to all taxpayers that perform production or commercial activities in the agricultural

sector, and whose annual income does not exceed Quetzal 3,000,000.00 (approx. US $391,197) within a tax year. A 5% tax rate on gross sales applies to cattle breeders and a 5% tax on profits applies to cattle traders, and no other income tax applies. The decree also establishes a regulatory plan for taxpayers that have failed to file tax returns or want to amend them. The plan is also available to taxpayers subject to tax adjustments or criminal complaints filed against them by the tax authorities.

Honduras

- *On 31 December 2019, the Honduras Government published in the Official Gazette the national budget for 2020, which included a provision to extend the deadline to 31 March 2020 from 1 January 2020 for taxpayers to apply for the tax amnesty program established in Executive Decree 51-2018. For more information, see Tax Alert 2020-0108.

Mexico

- Mexico enacted tax reform that limits interest expense deductions in certain cases, modifies the treatment of payments made to companies in low-tax jurisdictions, includes new rules on the treatment of transparent vehicles and entities, expands the permanent establishment concept, and requires digital service providers to collect VAT on the sale of certain goods and services in Mexico, among other things. The tax reform also includes a general anti-avoidance rule that allows Mexican tax authorities to recharacterize a transaction for tax purposes if the transaction lacks a business purpose. Business purpose is assumed to be lacking if the tax benefit is greater than the reasonably expected economic benefit. Additionally, the tax reform establishes a mandatory reporting requirement for tax advisors and taxpayers. Taxpayers are required to report transactions not reported by their advisors. Reportable transactions are those that generate or may generate, directly or indirectly, a tax benefit in Mexico and have one of the 14 characteristics listed in the reform or a mechanism that results in avoiding the reporting obligation. Most of the provisions went into effect 1 January 2020. The rules for digital services are effective 1 June 2020, and the rules on fiscally transparent entities are effective 1 January 2021. For more information, see Tax Alerts 2019-1967, 2019-2023 and 2019-2165.
- *On 28 December 2019, Mexico published the Miscellaneous Tax Resolution for FY2020, which includes several administrative regulations related to some of the provisions enacted in the FY2020 tax reform. The regulations include rules for: (1) the mandatory reporting obligations; (2) the electronic signature suspension and revalidation procedure; (3) the deduction of expenses and investments made by foreign legal entities and figures (e.g., trusts, limited partnerships) that are considered transparent for tax purposes; and (4) the deduction of payments made by Mexican legal entities that are considered transparent under foreign tax legislation. Additionally, the regulations include rules for: (1) the withholding tax on nondeductible interest; (2) determining whether the corporate income tax has been triggered for foreign legal entities that are considered transparent for tax purposes; and (3) foreign resident entities that provide digital services in Mexico.

Nicaragua

- *On 20 December 2019, the Nicaraguan tax authorities published Ministerial Agreement No. 015-2019, which updates the revenue stamp taxes that are in force as of 1 January 2020.

Panama

- Panama enacted Law 114 of 2019, establishing a 5% excise tax rate on sugary drinks. The law also increases the excise tax rate on carbonated beverages from 5% to 7% and establishes a 10% excise tax rate on syrups and concentrates used for the preparation of sugary drinks. A 7% tax rate applies to certain products subject to the Panamanian import tariff (e.g., non-alcoholic beverages and sugar water, among others). However, drinks based on dairy products, grains, cereals, nectars, fruit juices, vegetables with natural fruit concentrates and products containing less than 7.5 grams of sugar added per 100ml are exempt from the tax.
- Panama enacted a tax amnesty program through Law 99 of 2019, granting individuals and legal entities an amnesty for the payment of fines and surcharges of all taxes managed by the Panamanian tax authorities. The tax amnesty cancels interest, surcharges and fines for taxes owed by taxpayers, including fines imposed for the late filing of tax-related documentation and reports. The tax amnesty period is from 14 October 2019 to 29 February 2020. Also, Law 99 of 2019 amends Law 76 of 2019, which established the Tax Procedure Code. The modifications reduce the statute of limitations from 12 to five years for indirect taxes. Additionally, Law 99 of 2019 modifies the effective date of the Tax Procedure Code from 1 January 2020 to 1 January 2021, except for provisions currently in force.
- Panama issued Executive Decree 553 of 2019 to establish the procedure for obtaining the benefits under the new tax amnesty program. The Executive Decree sets out the taxes to which the tax amnesty applies and the procedures for filing the reports or documentation included in the program.
- *Panama issued two resolutions that extend the deadline for filing the country-by-country report and the notification from 31 December 2019 to 31 January 2020. Panama also issued Resolution 201-9117 of 2019, establishing the procedure for constituent entities to comply with the notification obligation for country-by-country purposes. Constituent entities of multinational groups that are tax resident in Panama must file the notification through the “Vizor for CbC Solution” platform on the tax authorities’ website. Constituent entities under the same MNE group must comply with the notification obligation individually. For more information, see Tax Alert 2020-0093.

Paraguay

- Paraguay enacted tax reform (Law No. 6380/19) that establishes transfer pricing rules, which were not previously part of Paraguay's tax law, and replaces the income tax on commercial, industrial and service activities (IRACIS for its

Spanish acronym) and the income tax on agricultural activities (IRAGRO for its Spanish acronym) with a 10% business income tax (IRE for its Spanish acronym). It also includes corporate income carryforward rules. The law is effective 1 January 2020. The applicability dates were announced in Decree No. 2787/19. For more information, see Tax Alerts 2019-1823 and 2019-1982.

Peru

- Peru issued Urgent Decree 005-2019, amending the temporary exemption from capital gains tax (CGT) for transfers of securities carried out through the Lima Stock Exchange (LSE) if certain conditions are met. Urgent Decree 005-2019 also extends the CGT exemption from 31 December 2019 to 31 December 2022. For more information, see Tax Alert 2019-1931.
- Peru issued Urgent Decree 009-2019, extending the tax regime applicable to real estate investment trusts (REITs) in Peru from 31 December 2019 to 31 December 2022. The regime also includes a tax exemption for capital gains derived from REIT certificates traded on the LSE. For more information, see Tax Alert 2019-1940.
- Peru issued Urgent Decree 021-2019 to extend from 31 December 2019 to 31 December 2022 Law No. 27623 and Law No. 27624, which allow mining companies and hydrocarbon exploration companies to claim a refund for VAT and the municipal promotion tax under the early recovery regime.
- *Peru issued Supreme Decree No. 369-2019-EF, amending the income tax regulations on the requirements for deducting taxes paid abroad and the regulations establishing the financial information taxpayers must provide to the Tax Administration for the automatic exchange of information in accordance with international treaties and decisions of the Commission of the Andean Community. Supreme Decree No. 369-2019-EF also establishes other provisions to be taken into account for the application of the indirect credit.
- *Peru issued Urgent Decree 024-2019, extending from 31 December 2019 to 31 December 2020 the VAT exemption for (i) the transactions contained in Appendices I and II of the VAT Law, and (ii) the issuance of e-money in accordance with the provisions of Law No. 29985. Urgent Decree 024-2019 also extends until 31 December 2020 the application of Legislative Decree No. 783, which allows entities that are authorized to receive donations to request a refund of the VAT levied on acquisitions made with foreign donations. The extension also applies to imports made by "diplomatic missions." For more information, see Tax Alert 2019-2223.
- *Peru issued Urgent Decree 025-2019, exempting certain legal persons and entities from filing the declaration of Ultimate Beneficial Owner (UBO). Urgent Decree 025-2018 also establishes the criteria for determining the status of the UBO for trusts and mutual funds. Likewise, Urgent Decree 025-2019 appoints mutual fund share distributors as withholding agents and incorporates the obligation to withhold mutual fund share distributors' fees when there is second-category income (i.e., capital gains, royalties, interest and dividends).

Puerto Rico

- Taxpayers may be able to fully deduct related-party expenses in Puerto Rico if they submit a transfer pricing study with their income tax returns. The Puerto Rico Treasury Department (PRTD) has not issued regulations or administrative guidance on the transfer pricing study. Unofficial statements made by PRTD tax policy officials in public forums, however, have alluded that, in the absence of administrative guidance, a transfer pricing study complying with IRC Section 482 should be sufficient to support full deductibility of related-party expenses under the Puerto Rico Internal Revenue Code of 2011, as amended. Nonetheless, taxpayers should continue to monitor this matter closely because the PRTD reserves the right to issue an official interpretation on the application of the new transfer pricing option at any time. For more information, see Tax Alert 2019-1777.
- The PRTD issued new informative return forms for 2019, which are required for deducting expenses in accordance with the tax reform (Act 257-2018) enacted in 2018. The PRTD also issued Administrative Determination 19-08, in which it determined that recipients of telecommunications, internet, insurance premiums and television services must prepare and file Form 480.7E, Advertising, Insurance Premiums, Telecommunication, Internet, Access and Cable or Satellite Television Services, for tax year 2019. Administrative Determination 19-08 applies for only one year. For calendar year 2020 and thereafter, service providers must file Form 480.7E. For more information on the forms, see Tax Alerts 2019-2124 and 2019-2237.
- The PRTD issued Circular Letter of Internal Revenue No. 19-14, explaining what information must be included in the Agreed Upon Procedure report to be prepared by a certified public accountant licensed in Puerto Rico to claim deductions under the alternative minimum tax and alternative basic tax regimes.

United States

- The US Congress approved a tax package, as part of a year-end appropriations bill, that extends through 2020 many tax provisions that expired in 2017 and 2018 and that were set to expire in 2019. Among the extended provisions was the controlled foreign corporation (CFC) look-through rule, the Work Opportunity Tax Credit, and the New Markets Tax Credit. The legislation also repealed several taxes enacted as part of the Affordable Care Act in 2010.
- *The US Senate has begun the impeachment trial of President Trump, after the House of Representatives formally initiated the process by delivering articles of impeachment to the Senate on 15 January.
- The US Treasury Department released several significant regulations related to the Tax Cuts and Jobs Act (TCJA) before year-end. These include:
  - Final regulations (T.D. 9885) on the base erosion anti-abuse tax (BEAT) under Internal Revenue Code (IRC)

Section 59A. The final regulations are generally consistent with the proposed regulations published in December 2018 but do reflect some modifications.

- New proposed regulations (REG-112607-19) on the BEAT, which taxpayers may rely on for tax years beginning after 31 December 2017, that would allow taxpayers to elect to waive a deduction for all US income tax purposes to avoid taking it into account as a base erosion tax benefit. For more information on the BEAT guidance, see Tax Alert 2019-2154.
- Final regulations (T.D. 9882) on determining foreign tax credits (FTCs) under the IRC. The final regulations are generally consistent with the proposed regulations published in November 2018 but reflect some important modifications and clarifications.
- New proposed regulations (REG-105495-19) addressing the allocation and apportionment of expenses. For more information on the FTC guidance, see Tax Alert 2019-2155.
- New proposed regulations (REG-122180-18) that would expand the scope of limits on executive compensation deductions enacted as part of the TCJA under IRC Section 162(m). For more information on the executive compensation guidance, see Tax Alert 2019-2229.

- The IRS released its 2019–2020 Priority Guidance Plan, which lists areas the IRS hopes to address in the year ahead. The latest plan continues to prioritize implementation of the TCJA.
- Regarding trade, the situation remains fluid, with the following key developments occurring:
  - *The Senate approved the US-Mexico-Canada Agreement (USMCA) on 16 January, following the House's approval on 19 December. The next step is for Canada's Parliament to pass the agreement, after which the agreement would enter into force, most likely at the end of the year.
  - *A "Phase One" trade deal with China was signed 15 January. The agreement, formalizing a deal reached in December 2019, reduced 15% tariffs on $120b of Chinese goods to 7.5%, while maintaining tariffs on approximately $260b of Chinese imports. China committed to improving its IP and tech transfer regimes, and to providing better market access for financial services. It also committed to $200b in purchases of US exports over two years. Resolving difficult structural issues such as subsidies has been deferred to a Phase II negotiation.
  - *France agreed to postpone its digital services tax until the end of 2020 to allow time for the OECD to try to reach a multilateral agreement on taxation of the digital economy. In return, the US agreed to postpone retaliatory duties it had proposed of up to 100% on French products with an approximate trade value of $2.4b, including cheese, champagne, cosmetics, handbags, and cast-iron cookware.
  - Following a World Trade Organization ruling, on 18 October 2019, US tariffs went into effect on $7.5b of EU-origin goods in response to the EU providing subsidies to Airbus.

Uruguay

- Uruguay's Ministry of Economy and Finance announced tax benefits aimed at encouraging the growth of certain economic sectors. In general, the measures include tax exemptions and reduced taxes. For more information, see Tax Alert 2019-2192.
- Uruguay's President signed the MLI, which will automatically adapt several bilateral double taxation treaties signed by Uruguay to the OECD's BEPS principles. For more information, see Tax Alert 2019-1926.
- Uruguay also signed a double tax treaty (DTT) with Japan. The DTT aligns with the OECD Model Tax Convention, as well as the recommendations in the OECD final reports in its Action Plan on BEPS. For more information, see Tax Alert 2019-1935.
- Uruguay's Executive Power proposed a bill aimed at promoting scientific research and scientific knowledge on cannabis by allowing the Executive Power to exempt laboratory equipment and supplies used in cannabis research from import duties. The importation of such equipment and supplies would not require a customs broker. Also, the bill would establish a Uruguayan Center for Advanced Studies in Cannabis and a National Cannabis Research Fund, which would finance cannabis research activities and would allow donations made to the Institute of Regulation and Control of Cannabis to be considered as "special donations" for corporate income tax purposes. For more information, see Tax Alert 2019-1704.
- MERCOSUR issued Decision No. 33/015, which allows goods to retain their MERCOSUR origin quality and benefit from the preferential tax treatment, provided the goods enter the free trade zone for transportation or warehousing. In general terms, goods are considered to have MERCOSUR origin quality when they are fully or mostly manufactured with materials coming from one or more MERCOSUR countries (Argentina, Brazil, Paraguay and Uruguay). In addition, goods from a country outside of MERCOSUR may receive the same preferential tax treatment, provided the goods are on the MERCOSUR Commerce Commission's approved list and the country has the same origin rules for goods that enter into all MERCOSUR states as a result of a trade agreement with MERCOSUR. For more information, see Tax Alert 2019-1811.

Venezuela

- In Official Gazette No. 41.763, Venezuela published Decree No. 4,025, requiring individuals and corporations to register, for accounting purposes, information and transactions in Sovereign Cryptocurrency, regardless of their registration in Bolivars, in accordance with the regulations issued by the National Superintendence of Cryptocurrency and Related Activities (SUNACRIP), which are still pending. SUNACRIP will issue regulations within 60 days of the decree's effective date. The decree went into effect on 19 November 2019.
- In Official Extraordinary Gazette No. 6, 4844, Venezuela published Decree No. 3,997, which established a mandatory minimum monthly wage of Bolivars 150,000.00 for workers who provide services to the public and private sectors. The mandatory minimum monthly wage also applies to the pensions of pensioners (i.e., those who are unable to work for various reasons, including disability) and Public Administration retirees, as well as the pensioners and retirees of the Venezuelan Institute of Social Insurances. The decree went into effect 1 October 2019.

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