

**International Bar Association Annual Conference 2020**

**Recent Developments in International Taxation**

**Bolivia**

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## Recent highlights

During the past year, Bolivia has been through two unusual events, namely the Covid-19 SARS-2 pandemic and a full month of an organised civil society strike against a presumably fraudulent elections process that triggered the resignation of the Bolivian President and led to the establishment of a new transitional government. In this regard, most of the tax measures have been released to extend deadlines and defer payments.

## Covid-19 measures

Supreme Decrees 4198 and 4249 lay out the measures to support taxpayers affected by the consequences of the Covid-19 SARS-2 virus. Further administrative regulation has been issued by the Tax Administration (Servicio de Impuestos Nacionales de Bolivia).<sup>1</sup>

The extensions of deadlines and payments were approved for VAT, corporate income tax (CIT), transaction tax (TT), personal income tax (PIT), debt payment plans, transfer pricing reporting obligations and withholding tax (WHT). Additionally, the government suspended the deadlines for administrative processes in the tax administration sphere.

The following measures are the most relevant.

### *CIT (utilidades de las empresas or IUE)*

The deadlines to file and pay income tax returns for companies that ended the fiscal year on 31 December 2019 were extended to 29 May 2020 for large companies (*grandes contribuyentes* or *GRACO*) and 31 July 2020 for medium and small companies (*resto de contribuyentes* or *RESTO*). Moreover, for all declarations and payments where deadlines have been extended, the application of penalties and interest is suspended until the expiry of the new deadlines.

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<sup>1</sup> Tax Administration Resolutions nos 10200000006, 10200000008, 10200000009 and 10200000010.

Regarding debt payment plans, taxpayers that had a deadline of 31 July 2020 could request to defer the payment of CIT plans in three payments until 31 October 2020, without any penalties or interest.

Furthermore, donations in cash made by 31 December 2020 in favour of public or private health institutions, provided they are intended for prevention, diagnosis, control, care and treatment of patients facing the coronavirus emergency (Covid-19) throughout the national territory, will be deductible for CIT up to ten per cent of the profit net taxable income obtained from 1 January to 31 December 2019. The deduction should be supported by a document that confirms the receipt and conformity of the donation by the benefiting hospital, which will appear in the accounting records of the donor and the beneficiary entity.

#### *VAT for independent services*

From March 2020 to 21 December 2020, the VAT input cost is extended for independent professional services for food purchases, and health and education services, only if they are related to the 'family direct core' of the taxpayer.

#### *TT (impuesto a las transacciones or IT)*

Bolivia generally taxes gross income arising from the performance of any economic or commercial activity (including non-profitable activities) at a rate of three per cent on a monthly basis. The taxable base of this tax includes VAT paid by the taxpayer. In addition, domestic double taxation relief, effectively CIT paid in the preceding year, may be credited against TT.

Supreme Decree 4198 states the following provisions:

- VAT effectively paid by the taxpayer will not be included in the taxable base of TT from March 2020 to June 2020 for large taxpayers and to September 2020 for medium and small taxpayers.
- For taxpayers, the effectively paid 2019 CIT may be credited against TT, with a ratio of 1:1.1 for large taxpayers and 1:1.2 for medium and small taxpayers if they paid the 2019 CIT in cash by 15 May 2020.

## VAT

For at least two years, Bolivia has tried to take a new step in e-invoicing connected online to the tax administration in a new system of invoicing (virtual system of invoicing). The new regulation<sup>2</sup> was supposed to be in force in early 2020, but was cancelled<sup>3</sup> due to the impact of Covid-19 and the lack of a system and providers to make it possible.

As a consequence, invoicing in Bolivia is governed by the old system of invoicing (electronic system of invoicing), which is again in force with four different forms of invoicing, two of which are e-invoicing and digital validation.

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<sup>2</sup> Tax Administration Resolutions nos 101800000026, 101900000003, 101900000006 and 101900000018.

<sup>3</sup> Tax Administration Resolutions nos 102000000011.