



1st Edition

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ABOGADOS

Guide to Investing

in Bolivia from Canada.

Focusing on the Mining Sector

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■ INTRODUCTION

Why Bolivia?

Bolivia presents a compelling investment destination for Canadian businesses, offering a wealth of natural resources, strategic location in South America, and a government eager to attract foreign capital. With abundant reserves of lithium, silver, tin, and other valuable minerals, Bolivia's mining sector is particularly attractive. Beyond mining, industries such as energy, agriculture, and infrastructure also provide lucrative opportunities for Canadians looking to invest.



Purpose of This Guide

This guide is designed to provide Canadian corporations, Small and Medium-sized Enterprises (SMEs), investors, and legal practitioners with a high-level and insightful overview of the investment landscape in Bolivia. It aims to clarify the legal framework, highlight incentives, and showcase the opportunities while addressing potential challenges.

■ BOLIVIA'S ECONOMIC OUTLOOK & INVESTMENT CLIMATE

Economic Outlook: Growth Prospects and Resilience



Bolivia has experienced sustained economic growth in recent years, much of it stemming from the Commodity Boom of the 2000s and early 2010s, during which Bolivia benefited from rising global commodity prices. When the Commodity Boom ended in 2014, the country maintained its growth through strategic government investments and a surge in domestic credit.

Between 2015 and 2023, Bolivia's GDP grew by an average of 4.1% annually, outpacing the growth rates of many other South American countries. In 2023, Bolivia's GDP growth of 3.1% far exceeded that of neighbouring mineral-rich countries such as Brazil (2.9%), Chile (0.2%), Peru (-0.6%), and Argentina (-1.6%).

While growth is estimated to have slowed to 1.6% in 2024 due to factors such as declining natural gas production, temporary reserve constraints, lower agricultural output from El Niño, and sociopolitical complexities, a rebound to 2.2% is anticipated in 2025. This would place Bolivia in line with neighbouring countries like Colombia, Chile, and Peru.

Bolivia has kept inflation relatively low compared to regional peers, although inflation is expected to rise in 2024-2025. Still, the projected inflation rates remain on par with its neighbours, signaling the government's efforts to manage price stability despite economic challenges.

In terms of political stability, Bolivia scored 48 on the World Bank's Political Stability and Absence of Violence Index in 2023, outperforming countries such as Brazil (43), Peru (40), and Colombia (31). This score reflects a relatively stable political environment, which is favorable for Canadian investment.

General Investment Climate: Opportunities and Progress

Bolivia offers a range of promising opportunities for Canadian investment, particularly in key sectors such as agriculture, energy, critical minerals, and mining. With its abundant natural resources, Bolivia presents significant potential for growth in these industries, supported by ongoing efforts to enhance the country's investment climate.

In recent years, Bolivia has initiated comprehensive legal reforms and policy adjustments to attract foreign investment and stimulate economic development. These measures include streamlining business registration processes, strengthening property rights, and introducing mechanisms for dispute resolution that provide protection against expropriation. Additionally, policies have been implemented to promote fair competition, protect intellectual property rights, and ensure the smooth repatriation of profits for foreign investors.

Bolivia's 2014 Investment Law guarantees equal treatment for national and foreign firms, reflecting the government's openness to international business partnerships. While public investment continues to play a significant role in the economy, foreign companies can establish joint ventures with the state in strategic sectors such as energy and mining, creating mutually beneficial collaboration opportunities.

The government has also prioritized aligning its legal framework with international investment treaties, enhancing legal certainty and investor confidence. These efforts have been recognized by members of the World Trade Organization (WTO), who have commended Bolivia for its progress in establishing a more predictable and secure business environment.

While challenges persist, including complex regulatory processes and fiscal constraints, Bolivia's commitment to improving the investment climate is evident through these ongoing reforms. For investors with a long-term outlook, Bolivia's resource wealth, strategic location in South America, and commitment to aligning with global investment standards present compelling opportunities for growth and success.



■ LEGAL & REGULATORY FRAMEWORK

Bolivian Investment Law

The Investment Promotion Law (Ley No. 516, 2014) serves as a fundamental pillar for fostering a favorable investment climate and stimulating economic growth in Bolivia. Enacted to attract foreign capital and revitalize the national economy, the law establishes a transparent and predictable regulatory framework for international corporations. It outlines clear guidelines regarding investment types, registration procedures, and potential incentives in key sectors, demonstrating Bolivia's commitment to a secure and equitable business environment.

A distinctive feature of the law is its classification of investments that contribute to value-added production, particularly in the mining industry, as “preferred investments.” This status is granted by the Bolivian Ministry of Development Planning for projects that align with strategic productive activities. To qualify for this designation, investments must include elements such as technology transfer and the generation of local employment. This initiative underscores Bolivia's strategy to leverage foreign investment for broader economic and social development.

Key provisions of the Investment Promotion Law include:

■ **Preferred Investments in Strategic Sectors:** Investments in hydrocarbons, mining, and energy sectors are classified as "preferred investments" and may receive targeted incentives and benefits.



■ **General and Specific Incentives:** The law provides various financial advantages, such as tax reductions and exemptions, to encourage investment in critical sectors like energy and mining.



■ **Legal Clarity and Security:** It guarantees transparent and consistent rules for legal relations between the state and investors, ensuring a stable and predictable investment environment.



■ **Promotion of Technology Transfer:** The law incentivizes foreign investors to introduce advanced technologies and skills, fostering innovation and productivity across sectors.



■ **Streamlined Processes:** The legislation mandates simplified procedures and shortened timelines for investment processing, making the regulatory landscape more accessible for foreign investors.



■ **Investment Protection:** the law ensures that foreign investments are safeguarded against unlawful interference by third parties, providing robust legal protections to investors.



Overall, the Bolivian Investment Promotion Law reflects the country's proactive stance in creating a conducive environment for both domestic and international investors. Through these measures, Bolivia aims to position itself as a competitive and reliable destination for Canadian investment in South America.

Bolivian Mining Law

Bolivia's Mining Law (Ley No. 535, 2014) provides a comprehensive legal framework designed to regulate and support mining activities within the country. This legislation encompasses environmental, social, technical, and legal requirements, ensuring a balanced and sustainable approach to mining. A key objective of the law is to create a robust legal security regime throughout the entire mining production chain, safeguarding the rights and investments of both domestic and foreign investors. The law affirms the State's role in granting, recognizing, respecting, and guaranteeing mining rights, thereby enabling the full exercise of mining activities in accordance with the Bolivian Constitution. The State is responsible for ensuring legal security for mining ventures, with rights holders entitled to protection from any unlawful interference. Competent public authorities are tasked with responding to and mitigating any attempts to obstruct recognized mining rights, with penalties in place for those who engage in such activities. An important feature for investors is the recognition of pre-existing mining rights. These rights apply to mining areas with established ownership before the enactment of the current law. Known as "title holders," these individuals or entities retain their previously acquired rights, which can be formally recognized through mining administrative contracts. This provision presents valuable opportunities for foreign investors to enter into joint ventures with existing title holders, facilitating collaborative projects across the mining production chain.

Key provisions of the Bolivian Mining Law include:

- **Legal Security for Investments:** The law guarantees the protection of mining investments from unlawful interference, ensuring a stable and secure environment for investors.
- **Equal Treatment for Foreign Investors:** Foreign investors are permitted to acquire mining rights and are subject to the same obligations and responsibilities as domestic investors, promoting fairness and equal opportunity.
- **Licensing and Contractual Access:** The law allows for the issuance of licenses and contracts for both exploration and exploitation activities, which can be accessed by foreign entities.
- **Investment Promotion:** The legislation underscores the state's commitment to fostering a favorable investment climate, recognizing mining as a strategic sector for economic growth.
- **Fiscal Clarity and Stability:** Clear guidelines for the calculation and payment of royalties and taxes are provided, ensuring predictability and stability for mining enterprises.



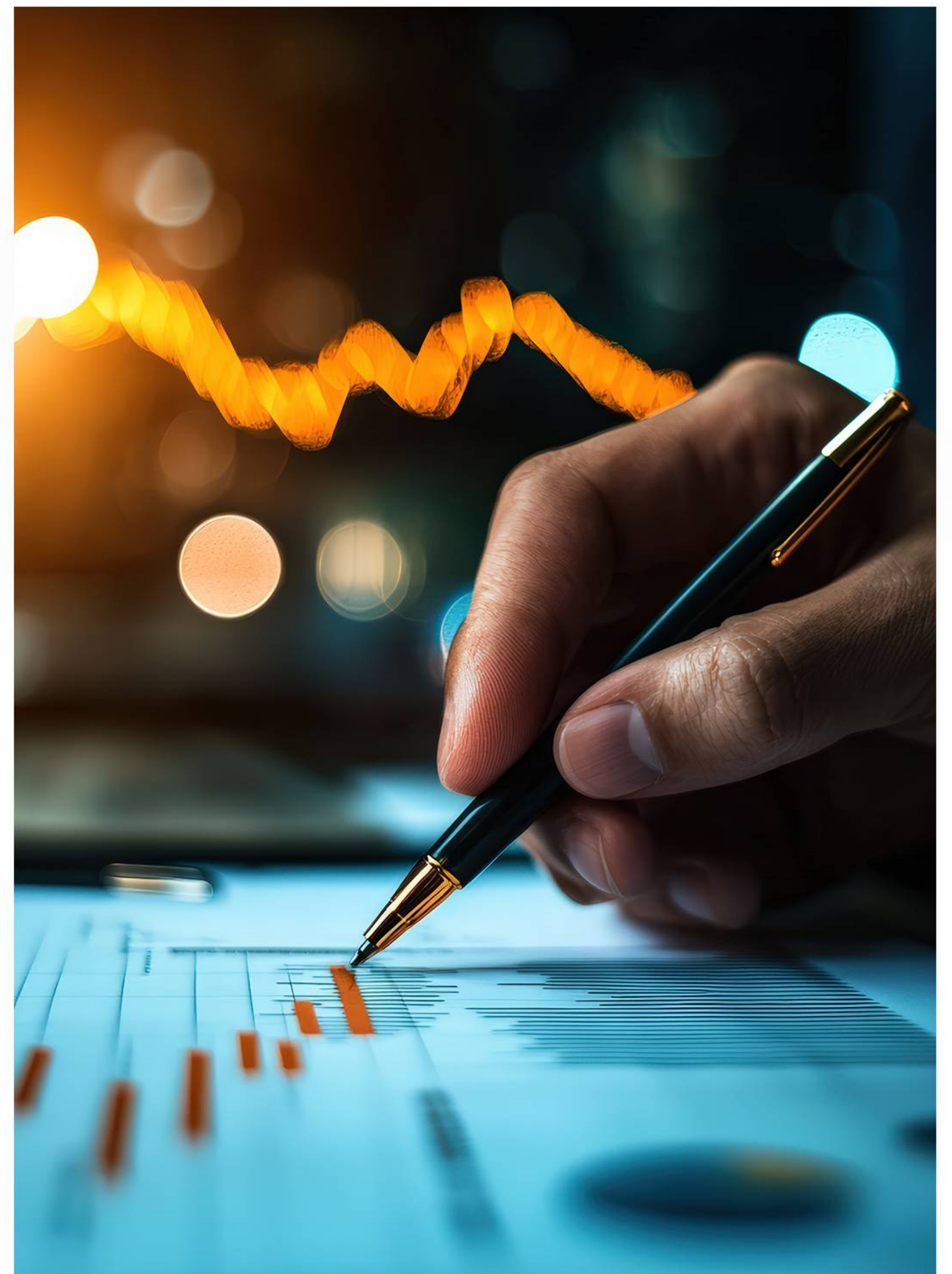
Bolivia's Mining Law thus establishes a reliable and transparent framework for mining investments, positioning the country as an attractive destination for both domestic and international stakeholders seeking long-term opportunities in the mining sector.

Annual Budgets

Each year, with the approval of the Plurinational Legislative Assembly, the Bolivian government renews the General State Budget Law to enhance the management of public finances. These laws also include provisions designed to foster both domestic and foreign investment in the country.

For example, the 2024 Budget Law empowers central-level Public Enterprises, in line with constitutional principles, to form strategic investment partnerships with legally established national or foreign companies. To facilitate this, these enterprises can create Mixed Economy Companies or enter into joint ventures, following the guidelines set forth in the Commercial Code, while ensuring majority state ownership and control.

This framework reflects Bolivia's ongoing commitment to attracting international investment, particularly in large-scale projects where state-owned enterprises play a pivotal role. In the mining sector, key players such as COMIBOL (The Mining Corporation of Bolivia) and YLB (Bolivian Lithium Deposits) stand out, holding exclusive rights over the country's lithium and rare earth resources.



Constitution of Bolivia

Bolivia's Constitution serves as the foundation of the country's legal framework, providing certainty for investment and project development. It assigns the state the responsibility of promoting the sustainable and industrial use of natural resources while protecting the environment. The Constitution also mandates the creation of productive, industrial, and commercial policies to meet domestic needs and boost export capacity. This legal foundation underscores Bolivia's commitment to protecting and promoting investment through clear, consistent regulations, making it an attractive destination for Canadian investors.



■ **TAXATION & INCENTIVES**

■ **Tax Regime**

Bolivia offers a straightforward and attractive tax system. Taxation is based on the principles of source and territoriality, meaning only income generated from Bolivian sources is taxable, regardless of the taxpayer's domicile or residence.

Income is considered Bolivian-sourced when it originates from assets located, utilized, or economically exploited within the country. The tax structure includes value-added taxes, income taxes, and corporate income tax.

In the mining sector, taxation follows the general framework for non-renewable natural resources, which involves mining or extractive taxes, extraordinary contributions, royalties, and contractual participations.

■ **Corporate Income Tax**

The general corporate income tax is 25% for entities domiciled in Bolivia. The taxable base is the net income from financial statements after deductions provided by law and regulations. This percentage is lower than several neighbouring mineral-producing countries, such as Peru (29.5%), Colombia (35%), and Argentina when an earnings threshold of ARS 34,703,523.08 (USD \$32,842.34) or higher is reached (30%).

■ **Withholding Tax**

Generally, the Withholding Tax (WHT) of 12.5% is applicable to payments to non-residents if the Bolivian company is remitting Bolivian-sourced income (e.g. dividends, interest on loans, provision of any kind of services, royalties). However, double tax treaties may reduce the WHT rates.

■ **Transactions Tax**

This tax of 3% is applicable on gross income; however, Corporate Income Tax is considered an advance payment of Transaction Tax.

■ **Value Added Tax**

Value Added Tax (VAT) of 13% is levied on the sale of movable goods and provision of services carried out within Bolivian territory at a rate of 13%, including definitive importations. The VAT is included in the final price, so the effective tax rate is 14.94%. Exports are exempt from VAT and tax credits are refundable.

■ **Financial Transactions Tax**

A financial transaction tax (FTT) of 0.3% is levied on financial transactions in foreign currency.

■ **Excise Duties**

Excise duties, between 0% (or no excise duty) and 50%, are indirect taxes on the sale or use of specific products (e.g. vehicles, beverages, and tobacco).

■ **Customs Duties**

Customs duties, between 0% (or no customs duty) and 40%, are calculated over the transaction value of the merchandise valued as per Bolivian customs legislation, plus transportation and insurance costs.

In addition to these taxes, companies involved in extractive operations in Bolivia are subjected to paying the following:

■ **Additional Income Tax**

Mining companies are subject to an additional income tax of 12.5 % if they are involved in the exploitation activities or 7.5% if they are engaged in manufacturing raw materials.

■ **Surtax on Extractive activities**

The Surtax of 25% is calculated on the net income arising from extractive activities (oil, gas, and mining companies).

■ **Royalty**

The mining royalty, between 2.5% and 3%, is calculated on the total sales price. It is not an export tax. The rate depends on the minerals conditions. And it could be considered a deductible expense or can become a tax credit against Corporate Income Tax.

Bolivian law calculates the royalty on evaporitic resources based on gross sales value from export returns (DEX). The Mining Royalty is levied at the following rates:

Transformation Grade	Applicable Rate (%)
Lithium Carbonate	3
Potassium Chloride	3
Other subproducts or derivatives	3
Sodium Chloride	2.5

■ **Double Tax Treaties**

Bolivia has seven double taxation agreements. Among them are Argentina, France, the United Kingdom, Spain, Sweden, Germany, and the member countries of the Andean Community of Nations—Colombia, Ecuador, and Peru.

■ **Incentives**

As mentioned in the Legal & Regulatory Framework section, the Bolivian government has taken action to attract foreign investment, including from Canadians through expanding incentives. The Bolivian Investment Law provides various financial advantages, such as tax reductions and exemptions, to encourage investment in critical sectors like agriculture, energy, and mining.

Additionally, investments in hydrocarbons, mining, and energy sectors are classified as "preferred investments" and may receive targeted incentives and benefits.

■ MINING SECTOR INFORMATION

Bolivia boasts a rich and diverse mineral endowment, positioning it as a key player in the global mining industry. The country is home to abundant reserves of silver, zinc, tin, and is increasingly recognized for its vast lithium deposits—tied with Argentina for largest in the world. With a long-standing tradition of mining, favourable mining and investment laws, and significant untapped potential, Bolivia presents attractive opportunities for Canadian investors seeking access to critical and strategic minerals in a resource-rich, mining-friendly environment.

■ Lithium and Tin

Bolivia represents one of the most promising markets for lithium production, attracting partnerships with international firms from countries like China, Russia, and the United States to initiate extraction projects. The country's lithium reserves are estimated at 23 million metric tons, placing it alongside Argentina as having the largest known reserves globally.

In addition to Lithium, Bolivia is a significant producer of Tin. It produced approximately 21,000 metric tons in 2024, with an estimated reserve of 400,000, similar to Brazil (420,000) and significantly more than Peru (130,000).

■ Silver and Zinc

Bolivia is also a key producer of silver, with an estimated production of 1,300 metric tons in 2024 and reserves totalling approximately 22,000 metric tons. Regarding Zinc, Bolivia produced an estimated 510 metric tons in 2024.

■ Other Mining Output

In addition to Tin, Silver, and Zinc, and—increasingly, Lithium—Bolivia also produces high quantities of Antimony, Bismuth, Boron, Lead, Tantalum, and Tungsten.



■ CANADA-BOLIVIA TRADE & INVESTMENT RELATIONS

■ Diplomatic Relations and Multilateral Cooperation

Canada and Bolivia first established diplomatic relations nearly 64 years ago, in May 1961. Today, relations between the two countries remain cordial and mutually beneficial. Canada maintains an embassy program office in the city of La Paz, and Bolivia operates an embassy program office in Ottawa. The Canadian embassy program office works to expand cooperation on responsible resource management commercial relations.



Both Bolivia and Canada are active members of the World Trade Organization (WTO) and the Organization of American States (OAS), demonstrating their commitment to international trade and regional cooperation. As members of the WTO, both countries adhere to global trade rules aimed at promoting fair competition, reducing trade barriers, and fostering economic growth. Their participation in the OAS further highlights their engagement in strengthening democratic governance, human rights, and regional stability across the Americas. Additionally, Canada is party to the ANDEAN-Canada Cooperation Agreement (1999), which contains investment provisions aimed at fostering mutual exchange and commercial development between the ANDEAN member states, which includes Bolivia, and Canada.

Canada's development assistance plays a key role in the bilateral relationship, totaling \$23.7 million in 2020-21 through Global Affairs Canada's various programs. This support aligns with Bolivia's national social and economic development plan.

■ Trade Relations

In 2023, bilateral trade between Canada and Bolivia nearly reached CAD \$270 million. Canadian exports to Bolivia were primarily machinery, electronics, and automotive products, totaling CAD \$19.5 million. On the other hand, Canadian imports from Bolivia were mainly precious metals, stones, mineral ores, tin products, and cereals, valued at approximately CAD \$250 million.

Beyond the current trade exchange, the Trade Commissioner Service of Canada has highlighted key sectors for further growth, with a focus on Bolivia's extractive industries (energy and mining) as well as its education sector, identifying these areas as priorities for continued investment and collaboration.

■ Canada Desk

PPO Abogados, Bolivia's largest and most respected law firm, established a Canada Desk in 2021 after years of collaborating with a diverse range of Canadian companies, particularly in the mining sector. The firm has played a key role in facilitating large foreign mining investments in Bolivia, including guiding the entry of a Canadian company in early 2019.

These experiences have given PPO deep insights into Canadian business culture, its requirements, and expectations. As a result, the firm is committed to creating opportunities for Canadian investors by offering top-tier services in Bolivia through its Canada Desk.

The Canada Desk supports numerous Canadian companies in exploring investment opportunities and managing operations in Bolivia. Additionally, PPO is an active member of the Bolivian-Canadian Chamber of Commerce, an organization dedicated to promoting Bolivian-Canadian commercial relations.

■ SUCCESS STORIES

Many Canadian companies already have a strong presence in Bolivia, with several expanding their operations or increasing investment. While most are focused on resource extraction or mining exploration, the number of Canadian firms in Bolivia is steadily growing, including in sectors beyond mining.

Below are some examples of Canadian companies with successful operations or investments in Bolivia:

- Andean Precious Metals **mining**
- Auxico Resources Canada Inc. **mining**
- Biolyse **pharmaceutical**
- Canadian Energy Entreprises Bolivia S.R.L. **oil & gas**
- Eloro Resources **mining**
- New Pacific Metals **mining**
- Pan American Silver **mining**
- Pantera Silber Corp **mining**
- San Cristobal Mining Inc. **mining**
- Santacruz Silver Mining Ltd. **mining**
- Tincorp **mining**

■ CONTACT

For more information on investing in Bolivia or to explore specific opportunities, please reach out to PPO's dedicated Canada Desk. With comprehensive experience supporting Canadian companies, particularly in the mining sector, PPO offers expert legal advice and guidance to ensure smooth and successful operations in Bolivia.

Mining practice



Mattias Garron

Partner

mgarron@ppolegal.com



Luis Fernando Valle

Senior Associate

lvalle@ppolegal.com



Victor Armanza

Associate

varmaza@ppolegal.com

Canada Desk at PPO Abogados:



Pablo Ordoñez

Partner

pordonez@ppolegal.com



Ana Valeria Escobar

Partner

aescobar@ppolegal.com



Vicente Guevara

Associate

vguevara@ppolegal.com



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