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Cuba's New Foreign Investment Law Takes Effect

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The new investment law Cuba has passed to draw capital to the island and refloat its economy came into effect this past Saturday, DPA reported.



A private "paladar" restaurant in Havana. Photo: Juan Suarez

Cuba's Foreign Investment Law, unanimously approved by the country's Parliament at the close of March this year, opens up broad sectors of the nation's economy to foreign capital.

Among other things, it also offers potential investors tax prerogatives, such as a profit tax cut anywhere from 15 to 30 percent and tax exemptions for hired personnel.

According to official declarations made during the parliamentary assembly of March 29, Cuba hopes to secure direct foreign investment of up to 2.5 billion dollars a year with this new law.

The foreign investment law replaces a legislation that had been in effect in Cuba since 1995, when the island began to open sectors of its economy, particularly tourism, to foreign capital. Cuba has been suffering a chronic economic crisis since the early 90s, following the collapse of the Soviet Union, once its main commercial partner.

The new law also affords Cuban émigrés the opportunity to invest, either as individuals or members of organizations. The potential inflow of capital arising from Cubans living in the United States, where 85 percent of all Cuban immigrants live, will be significantly reduced by the effects of the economic embargo that Washington has maintained for over 50 years.

The law does not however envisage the possibility of having Cuban citizens living on the island invest as individuals and only authorizes domestic investments in the form of entities (State companies).

The legislation also maintains current conditions on the hiring of personnel by foreign investors, to be carried out indirectly via State employment agencies.

Wage payments will also be subject to an ad-hoc exchange rate that shall be applied to the Mariel Free Trade

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Zone, some 40 kilometers west of Havana. The rate for exchanges between Cuban Pesos (CUP) and Cuban Convertible Pesos (CUC) will be lower than the country's official rate.

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