

LATIN AMERICA BENEFITS GREATLY FROM DIGITAL NOMADS



Niels Olsen, Minister of Tourism of Ecuador, explained on social media the benefits of attracting digital nomads, following the announcement that the Guillermo Lasso administration is preparing to introduce a visa that will legalize temporary residence for this type of worker.

“This visa allows foreigners to work remotely in Ecuador for foreign companies. How does this benefit our country? More foreign currencies in our economy and new jobs,” said Olsen.

Ecuador seeks to become the first South American country to issue visas for digital nomads, and the timing could not be better.

Before COVID-19, these types of remote workers were already seen in various countries of the world, but the current situation has caused digital nomads to increase globally.

Since the start of the pandemic, it is estimated that digital nomads have already surpassed 100 million globally. Meanwhile, the Inter-American Development Bank (IDB) forecasts that there will be 1 billion of these types of workers by 2050.

Some European countries already grant visas for digital nomads, such as Germany, Portugal, Iceland, Croatia, Estonia, among others. In the Americas, only four countries so far offer this opportunity: Antigua and Barbuda, Barbados, Panama and Costa Rica.

Last August, Costa Rica passed the “Law to attract International Workers and Remote Service Providers” to bring in digital nomads and strengthen their tourism industry while guaranteeing legal security to these workers.

The law allows foreigners with an income greater than US\$3,000 a month to stay for up to one year in the country with a visa that can be extended for another year. For those traveling with family, the income must be at least US\$5,000.

Among the benefits, remote workers enjoy a complete tax exemption on earnings and from importing basic personal computers, telecommunications and similar goods that are necessary to fulfil their job or provide services.

“With this law, we are moving towards economic reactivation. With this revolutionary law, from the point of view of structural strength, Costa Rica has a great tool to empower the country as a favorite destination,” says congressman Carlos Ricardo Benavides, promoter of the project in the Legislative Assembly.

Panama is another Central American country that in May introduced the Short-Term Remote Worker Visa program, which seeks to attract tourists who extend their stays, and thus boost the economy (which fell 17.9% in 2020) “by stimulating travel, restaurants, shopping, consumption, and services in general, resulting in a greater reactivation of jobs for Panamanians,” the government explained in

the statement.

Mexico is also a favorite destination for digital nomads, and while it does not have official status for them yet, the country offers a temporary residence visa in which applicants must prove financial solvency (a salary of US\$1,620 a month or be the holder of a bank account with at least US\$27,000).

Another Latin American country diving into the digital nomad market is Colombia, a country that in 2020 passed the Entrepreneurship Law, which seeks to create a special immigration status. "The Government together with the Ministry of Foreign Affairs will issue a special permit for the entry, residence and work of digital nomads [...] with the purpose of promoting the country as a remote work hub," says the law.

The fact is that when it comes to relocating, remote workers carefully study how taxes will impact them when moving to another country.

"Foreigners should not only take into consideration how a visa for remote work can make the process easier, but also the tax implications that their relocation to a foreign country can generate for them and for the company for which they work. Let us remember that many countries are ruled by regional laws and this can mean taxes both in the country of arrival and in the company due to the contracts of permanent establishments," explains Valeria Galindo, partner of the Labor Area of EY Peru.

But why do several Latin American countries want digital nomads to become permanent residents? According to the study "Work and Wander: Meet Today's Digital Nomads" prepared by the Adventure Travel Trade Association (ATTA), 87% of these types of workers have a job that allows them to generate an income (US\$4,500 a month on average) while traveling, and thus are able to extend their stay. In addition, remote workers spend on average 36% of their salary at the destination.

These are professionals who use technology to work remotely and have no limitations while moving across various cities of the world. According to the ATTA report, 17% are writers, 14% work in digital marketing, 8% are bloggers and 7% are programmers. In addition, more than half of digital nomads (51%) are between 25 and 34 years old, that is, millennials willing to discover the destination's tourist attractions.

In a way, digital nomads also contribute to the reactivation of tourism, one of the industries hardest hit during the pandemic. For this reason, many Latin American countries are committed to attracting remote workers due to their spending capacity, ease of traveling and consumption, especially in small local businesses instead of international chains.

According to data from the Government of Mexico, the average expenditure of a digital nomad based on a stay of no less than three months, in a cheap hotel, with private rooms, in city centers, and including three meals, can reach \$29,333 in Playa del Carmen, \$31,027 in San Miguel de Allende, and \$30,645 in Mexico City.

However, beyond a paradisiacal beach or a magnificent view, digital nomads look for infrastructures that make work easier, such as co-working spaces or work centers that encourage networking between professionals. These workers look for places that promote rest, but are also their dream location. However, internet speed is also a key factor.

The pandemic is changing the way we work, live and travel. People want to live anywhere, blurring the line between living and traveling, and now we all know that it is possible. More and more people

are choosing to relocate to other cities, countries or even rural areas, as technology allows them to stay connected. Whether they want to do Zoom meetings on the beach, take the family for the ultimate road trip, or learn a new language in their favorite city, participants will be able to make the world their home.

In general terms, Latin America has a great potential for the digital-nomad workforce thanks to its exotic destinations and low cost of living compared to other regions of the world. The time to attract this long-stay tourist is now, since many companies have become more flexible when it comes to work, which means remote work is here to stay. Several countries are already aware of this, and do not want to pass on the opportunity.

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