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# ANDERSEN **TAX** & **LEGAL**®



Uruguay's  
Free Trade  
Zones



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# Uruguay's Free Trade Zones

- Free Trade Zones (FTZs) are specific geographic areas with a special regulatory status: Companies operating within them face **no** taxation
- Uruguay has eleven FTZs in different parts of the country (near airports, ports, inland, or in Montevideo's business district)
- Operations which may be performed within FTZs include a broad range of services (such as financial, trading, IT, BPO, shared services) and logistics (storage, handling, and classification of goods)

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# Uruguay's Free Trade Zones

- Free Trade Zones (FTZs) are a strategic sector of Uruguay's economy, representing between 5% and 7% of GDP in recent years
- FTZs were first established under legislation approved in 1987 and have grown to occupy an important part of Uruguay's economy and labor market
- Hundreds of global and regional companies operate within Uruguay's FTZs servicing customers worldwide

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# Services Free Trade Zones

- Services FTZs allow for companies operating from within to provide any type of services to:
  - clients located within the FTZ
  - clients located abroad
  - clients located in other FTZs
  - clients located in Uruguay (as long as they are payers of local corporate income tax)

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## The Key Advantage of FTZs: No Taxes

- When a company establishes itself in a FTZ, it faces **no** Uruguayan taxes, except social security taxes on its local employees (as any employer)
- Tax exemptions are guaranteed for current or future taxes
- Thus, the company will not pay:
  - Import taxes or duties
  - Corporate Income Tax (IRAE)
  - Dividend distribution tax
  - Capital Tax (IP)
  - Value Added Tax (VAT) on goods or services

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## Requirements to operate within a FTZ

- The only requirement that a company operating within a FTZ faces is that 75% of its workforce must be Uruguayan citizens. However, in services, a company may obtain a waiver and employ only 50% of local labor
- The company's officers do not need to be local
- To operate within a FTZ a company must incorporate an SPV, and file its user/lease agreement and a business plan with the Finance Ministry

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# Process to operate within a FTZ

## ■ Simple and clear process:

- The Company chooses the FTZ which best fits its needs in terms of infrastructure, location, etc.
- A fully-owned local vehicle is incorporated (a corporation or a limited liability company) or a branch of the foreign company is established
- The company signs the user/lease agreement with the operator of the FTZ
- A memorandum explaining the company's intended activity and operations (the "business plan") is filed with the Finance Ministry. It is usually approved within 60 days

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## The Local Vehicle

- When incorporating a local vehicle, it may be a Corporation or an LLC:
  - No minimum capital requirement
  - A sole officer / director is possible
  - A sole shareholder is possible in the case of Corporations
  - Officers / directors may be foreign nationals
  - Physical presence of officers / directors not required



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# Uruguay's Advantage: a Stable Business Environment

- Uruguay offers a business-friendly environment
- Free inflow and outflow of capital and repatriation of profits
- Open financial system, with no capital controls
- Free exchange and use of foreign currency
- Solid banking system

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# Andersen Tax & Legal

- We are the first global law firm present in Uruguay
- Full-Service Law and Tax Firm
- Clients: mostly foreign companies and individuals
- Staff:
  - Bilingual
  - Attorneys, Accountants, Tax Advisors, Notaries
- Services:
  - Legal advice
  - Tax, Accounting Services
  - Company Incorporation
  - Property Conveyance
  - Legal and Tax Residency

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## Our Services in Free Trade Zones

Our firm has broad experience advising foreign companies on the set-up of operations within a FTZ, plus the ongoing support:

- Helping select the appropriate FTZ
- Incorporating the local vehicle
- Drafting the “business plan” to be filed with the Finance Ministry
- Drafting / reviewing user lease agreements
- Providing the company’s annual maintenance, tax and accounting services
- Legal residency / work permits for foreign nationals
- Legal services in general



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