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Uruguay's
Free Trade
Zones

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)

Uruguay's Free Trade Zones

- ❖ Free Trade Zones (FTZ's) 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 FTZ'S servicing customers worldwide

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)

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

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.

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 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.

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

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

Andersen

❖ 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

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 companys anual maintenance, tax and accounting services
- Legal residency / work permits for foreign nationals
- Legal services in general



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