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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 such as **Aguada Park**)
- 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 (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

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 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 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

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 Tax & Legal

- We are the first global law with a presence 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

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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