

## **ADVANTAGES OF THE MONTEVIDEO FREEPORT SYSTEM**

The Montevideo Freeport system enables foreign companies to operate their regional distribution center using a Freeport system as if it were an extension of their own warehouse.

Customs' procedures are not required when containers enter the port by sea. Containers can be consigned to or be non-restrictive to suppliers. Customs' transactions are performed when the goods are reshipped abroad by land, rail or air.

The company instructs Uruguayan port operators to store the goods until receiving the corresponding destination location, which enables the company to keep the goods' ownership and availability during this time.

A foreign company bills customers as sales are begin to be made.

In order companies not to pay national Corporate Income Tax or Equity Tax, billing and sales operations should be performed from a foreign country.

Shipping instructions then arrive to the warehouse located at the Freeport and the order is prepared and delivered to the selected carrier.

Goods can circulate and be traded freely; they can be carried or reshipped using any means of transportation (plane, truck, boat, train).

There are no limitations to the time goods can remain at the port, destinations can be changed freely, and shipment orders can be fractioned, prepared or repackaged as needed.

Then, goods operate as in a free zone; operations such as subdivisions, repacking, sorting and mixing of packages, can be performed. Manufacturing operations are not authorized. The nature of the goods cannot be modified either.

Goods' storage and operations are exempted from taxes and Customs' duties.

The goods will not lose Mercosur tariff preferences by transiting or staying at the port warehouses, and they can be reshipped using any means of transportation.

The Mercosur Certificate of Origin can be fractioned into as many times as shipments are made. The National Customs Department is responsible for issuing Certificates of Origin, whether goods are to be nationalized or traded abroad. In order for Derivative Certificates of Origin to be issued the warehouse has to send the electronic entry documentation, invoice and Certificate of Origin. While goods are stored in the Montevideo Freeport, their Certificate of Origin expiration date remains on hold.

COMPARATIVE TABLE (FREE ZONE  
 – FREE PORT)

	FREE ZONE	FREE PORT
Formal Regulations	Law N° 7.593 Law N° 15.921 Decree N° 454/988 Decree N° 920/988	Law N° 16.246 Decree N° 412/992 Decree N° 455/994 Law N° 16.320 art. 163 Law N° 17.555 art. 23/24 Decree N° 376/002 Decree N° 409/008
Authorized Activities	a) Commercial  b) Industrial  c) Services	a) Increase goods 'value without changing their nature.  b) Services associated with the goods.
Authorized (added value)	a) Marketing, warehousing, storage, packing, sorting, classifying, splitting, assembling, disassembling, handling or mixing of goods or raw material of foreign or local origin.  b) Installation and operation of factories.  c) Financial services, computer repairs and maintenance, and other services required for business operations, sales or service supply to third countries.	a) Marketing, warehousing, storage, packing, sorting, classifying, splitting, assembling, disassembling, handling or mixing of goods or raw material of foreign or local origin.  Change sockets according to the electrical standards of the destination country.  Labeling, packing, picking, packaging, selective picking, grouping, bar coding, fumigation, mounting assemblies, thermal shrinkage, banding, blister packaging, semi-industrial processes.  The nature of the goods cannot be changed.

		All operations are authorized as long as goods' production is not involved.
Corporation Tax	<p>Free Zone Users: Exemption from all existing or future national taxes</p> <p>Non- residents: No Equity Tax or Corporate Income Tax for goods located in the Free Zone, under certain conditions.</p> <p>Other: General regime for Equity Tax and Corporate Income Tax</p>	<p>No general exemption system</p> <p>Non- residents: No Equity Tax or Corporate Income Tax for goods located in the Freeport under certain conditions.</p> <p>Other: General regime for Equity Tax and Corporate Income Tax</p>
Fees	<p>Users of Free Zone: Mandatory annual fees set by the Department of Trade, Free Zone Division</p>	Not applicable
Employees	<p>Minimum: 75% of Uruguayan employees.</p> <p>Social security general system, except for foreign staff.</p>	<p>No conditions.</p> <p>Social security general system</p>
Origin of the Merchandise  Mercosur	<p>Resolution Nr. 8/94 by Common Market Council</p> <p>(applies Common External Tariff or Extra Zone Tariff)</p>	<p>Resolution No. 8/94 by Common Market Council, not applicable (maintains Tariff Preferences)</p>

Certificate of Origin Mercosur	Origin is lost after entering the Free Zone	The National Customs Department may issue as many Derivative Certificates of Origin as shipments are made  The CO expiration date is maintained on hold as long as the goods remain stored in the Freeport warehouse
Length of time the merchandise can be stored	No limit.	No limit.

Inventory control	Inventory operated in real time.	Inventory operated in real time.
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Customs' documentation required for entry	SCD (Single Customs Declaration) transit (with corresponding air/land/ocean Bill of Lading and Commercial Invoice), as well as Customs' Custody	a) Entry by sea: no documentation needed, except for the Ocean Bill of Lading.  b) Entry by air or by land: SCD transit (with corresponding air/land Bill of Lading and commercial invoice), as well as Customs' Custody
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Customs' documentation required for Exit	SCD transit (with corresponding air/land/ocean Bill of Lading and commercial invoice) as well as Customs custody.	a) Exit by sea: no documentation needed, only the Ocean Bill of Lading.  b) Exit by air or land: SCD transit
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		(with corresponding air/land Bill of Lading and commercial invoice), as well as Customs' Custody.
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Circulation (purchase or sale of goods)	Free in the Free Zone	Free in the Freeport
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## FORMAL REGULATIONS

### FREE ZONE:

Law N° 15.921 – Free Zones Act.

Decree N°. 454/988 – Regulations on Free Zone Act.

Decree N°. 920/988 - Operational Regulations on the Free Zone Act.

### Modifications:

Article 65, Law N° 17.292 (Article 2, Law N° 15.921).

Article 1, Decree N°.71/001 (Article 6, Decree Nr. 454/988).

Article 2 y 3, Decree N°.71/001 (Article 9, Decree Nr. 454/988).

Article 38 y 44 of Decree N°. 454/988, repealed by Decree N°. 733/991.

Article 47 of Decree N°. 454/988, repealed by Decree N°. 64/992.

Note: Originally, the Uruguayan Free Zone Law was designed to promote manufacturing activities. Later, it was also adapted to promote business, finance and service operations.

### FREE PORT:

Law N° 16.246 - Law on Ports.

Decree N°. 412/992 – Regulation on Ports Act.

Decree N°. 455/994 - Regulation of the Uruguayan Free Ports and their relation with the organs of State control.

Law N° 17.555 - Article 23 – Free Port system in Carrasco International Airport (CIA).

Decree N°. 376/002 – Administration, operation and maintenance FO the CIA.

Decree N°. 409/008 – Rules for Free Port system in the CIA.

Note: Montevideo is the only "Freeport" of South America. The Uruguayan Freeport legislation has been adapted from the Hamburg Port model and other European Free ports.