

Trade Logistics

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Invest in
Montevideo

Why Montevideo?

- Montevideo hosts the country's main port.
- It provides a first-class logistics corridor, connected to the main routes and productive enclaves of Uruguay.
- It offers an integrated incentive scheme: free port and airport, customs warehouses and free trade zones.
- Ideal location for regional distribution centers focused on LatAm.





Free Trade Zones

Free trade zones are regulated by law and their users can be exempt from all taxes, either existing or to be created, with the exception of Social Security contributions.

Commercial, industrial and/or service activities are allowed.

Montevideo is home to three of the main free trade zones in the country:

- Aguada Park www.aguadapark.com
- WTC Free Zone www.wtcmontevideofreezone.com
- Zonamérica web.zonamerica.com/#/zonamerica-uruguay

Main benefits:

- 100% exemption from Corporate Income Tax (IRAE) and any other existing or future national taxes (does not include contributions to Social Security).
- Exemption from VAT on purchases and sales of goods and services, both to and from abroad.
- Dividends distributed among shareholders residing abroad are also tax exempt in Uruguay.
- Service companies can hire up to 50% foreign staff.

- Foreign staff can opt to contribute to social security in Uruguay or in their country of origin.
- Non-resident entities are exempt from IRAE for their operations carried out with foreign goods declared in transit or kept within the free zone when they are not destined for the national customs territory; as well as when sales destined for the national territory do not exceed 5% of the total sales of goods in transit or kept within the free zone. Goods traded through the Free Zones with the rest of the world are exempt from customs duties.



Free Ports and Airports

With the approval of the Law of Ports and its subsequent regulations, the port of Montevideo became the first terminal on the Atlantic coast of South America operating under a “Free Port” regime.

By operating in a free port, companies can benefit from:

- Free movement of goods without the need for authorizations or formal procedures.
- Exemption from all taxes, duties and surcharges applicable to imports.
- Warehoused merchandise is not included in the taxable base of Net Worth Tax or Income Tax.
- The movement of goods and the provision of services carried out in port customs facilities are exempt from VAT.
- Goods do not lose their original status, whether they are re-exported in the same conditions as they were imported, or they have been subject to customization operations that do not alter the nature of the product or its country of origin.

The Customs Code (Carou) establishes that any merchandise entering the ports may remain in them for a maximum period of five years (extendable) and enables the Free Port to operate under a multimodal system including storage, commercial, repair and maintenance, temporary (for exhibitions and similar activities) and logistics warehousing (see details in the Customs Warehouses section).

Additionally, Uruguay also has a system of free airports. Carrasco International Airport is one of the seven free airports in the world and the only one in South America. As in the Free Port scheme, merchandise at the airports is allowed free circulation and is exempt from customs duties, tariffs and taxes. Together, the free port and airport, along with the free zones, offer an ideal structure for an interconnected multimodal system, ideally suited for regional distribution centers.



Temporary Admission

This regime is based on Law 18,184 and its regulatory decree 505/09. It provides for the possibility of introducing merchandise of foreign origin, tax free, to be later exported, within a term of 18 months, extendable for another 18 months.

This merchandise can be re-exported in their original state or after undergoing a transformation, elaboration, repair or value addition as established.

Temporary Admission also offers the *Stock Replacement and Drawback* mechanisms. Stock Replacement consists of the replacement of goods imported under the general regime, by importing similar goods, free of taxes and duties, when they have been used as material for the transformation, in the country, of exported products.

The Drawback Regime enables requesting a refund of taxes and duties paid for importation under the general regime of all those goods that by definition can be imported for temporary admission and that have been used in the country in the elaboration of products destined for export.



Customs Warehouses

Customs warehouses are regulated by Law 19,276 of the CAROU and by Decree 216/006.

They are the customs regime by which merchandise can enter and remain in a privately managed space, being exempt from taxes for its subsequent inclusion in another customs regime, re-shipment or re-export.

Merchandise of foreign origin thus warehoused is considered in transit and can be unloaded and re-loaded at any time, free of import or export taxes, as well as any other national tax. The term for permanence of the merchandise within the warehouse is 24 months, non-extendable.

The CAROU provides for the following types of warehouses:

- Storage warehouse: merchandise can only be subjected to operations aimed at ensuring its recognition, conservation, splitting, and any other operation that does not alter its value or modify its nature/state
- Commercial warehouse: merchandise can be subjected to operations aimed at facilitating its commercialization or increasing its value, without modifying its nature or state.

- Industrial warehouse: merchandise may be subjected to operations aimed at modifying its nature or state, including the industrialization of raw materials and semi-finished products, assembly and any other similar operation.
- Temporary warehouse for exhibitions or other similar activities: foreign merchandise entered may be used for exhibitions, shows, fairs or other similar activities, with prior authorization from the National Customs Directorate.
- Logistics warehouse: the merchandise can be the object of operations to modify its state or nature, as long as they do not affect its origin. These operations can include assembly; mixing; placement or replacement of parts, pieces or accessories; hardware configuration; software installation; packaging, assembling, labelling or other processes as long as they are used for the commercialization of merchandise that will exit the warehouse; and other similar operations that may be authorized by the Executive Branch.

The institutions charged with Customs Warehouse approval are the National Customs Directorate (DNA) and the Ministry of Economy and Finance (MEF). Permits are non-transferable and granted for 5 years and may be renewed. A minimum operation bond is required, which is set by the MEF and varies according to the type of warehouse and the square meters allowed.



Industrial and Science-Technology Parks

The development of Industrial Parks (IP) and Science-Technology Parks (PCT) is promoted by laws which grant them national interest status and offer tax benefits for the companies that establish business in them, as well as for those that operate them.

Park users may be companies that carry out industrial and service activities, as well as others in the following sectors: ICT, bio and nanotechnology, creative industries, and industrial recovery of waste and use of by-products. Their use by start-ups and business incubators, as well as training and research institutions, is also especially promoted.

IP and PCT developers who establish their businesses in Montevideo will enjoy various tax benefits concerning IRAE, IP and VAT. These exonerations will vary according to the type of park and its composition. The Law also provides incentives for users.



Related Institutions

- **MTOP: Ministry of Transport and Public Works**
www.gub.uy/ministerio-transporte-obras-publicas/
- **INALOG: National Institute of Logistics**
www.inalog.org.uy
- **ANP: National Ports Administration**
www.anp.com.uy
- **Unit of Logistic of the Montevideo Municipal Government**
www.montevideo.gub.uy/institucional/dependencias/unidad-de-logistica
- **Uruguayan Chamber of Logistics**
www.calog.com.uy
- **Association of Professional Freight Transporters of Uruguay**
www.intergremial.com



Economic Characteristics of the Trade Logistics Sector

Through its free port and airport system, in combination with the free zone and customs regime, which provides for facilities such as the temporary admission of goods, Uruguay has positioned itself as a logistics hub in South America, with an ideal location for international companies interested in centralizing their regional distribution.

The logistics sector in Uruguay encompasses various activities that are carried out in ports, airports, road networks, logistics parks and specialized logistics companies.

The main services are:

- **Consulting, professional logistics, support and IT development:** Marketing of software solutions for logistics, online systems for web visibility of inventories and design of facilities for customer distribution centers.
- **Traditional shipping:** Transport and transfers from ports and airports in the region, reception and control, storage and preparation of orders for shipment to their final destination.
- **Logistics added value or semi-industrial activities:** They include facilities for packing, repackaging, mixing of chemical and other products, customizing delivery according to the needs of end customers or the regulations of the destination countries.
- **Supply chain logistics:** Coordination of customer operations with their logistics providers to optimize deliveries, including coordination of production plants abroad, shipping lines, cargo agents, port and airport terminals.



Success stories

Montevideo's success stories include Merck, which centralizes here the distribution for all the Americas (from Tierra del Fuego to Alaska), or Japanese company Ricoh's regional distribution center for Latin America, which has recently incorporated other service operations (shared services center).

Both companies are based in Zonamérica and are living proof of Montevideo's attractive conditions for companies that need to centralize their distribution, optimizing stock and wait times.

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