

# ***Legal framework for investments and businesses in Ecuador.***



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# **1. ¿Why doing business in Ecuador?**

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# Strategic Location

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Ecuador has a direct access to the Ocean Pacific which represents great benefits for the shipping companies. These businesses benefit from saving time and resources.

Moreover, international trade is governed by the ECUAPASS system which guarantees the importation and exportation of goods with efficiency

Ecuador has 21 airports, some of them recently opened.

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# Economic Growth

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- Ecuadorian economy has grown significantly in recent years, having a superior index of development in comparison with its neighbour states.
  - Between 2007 and 2013, Ecuador's economy reached an average growth of 1.5 points (from a 3.4% to 5.1%) considering its gross domestic product.
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# CURRENCY

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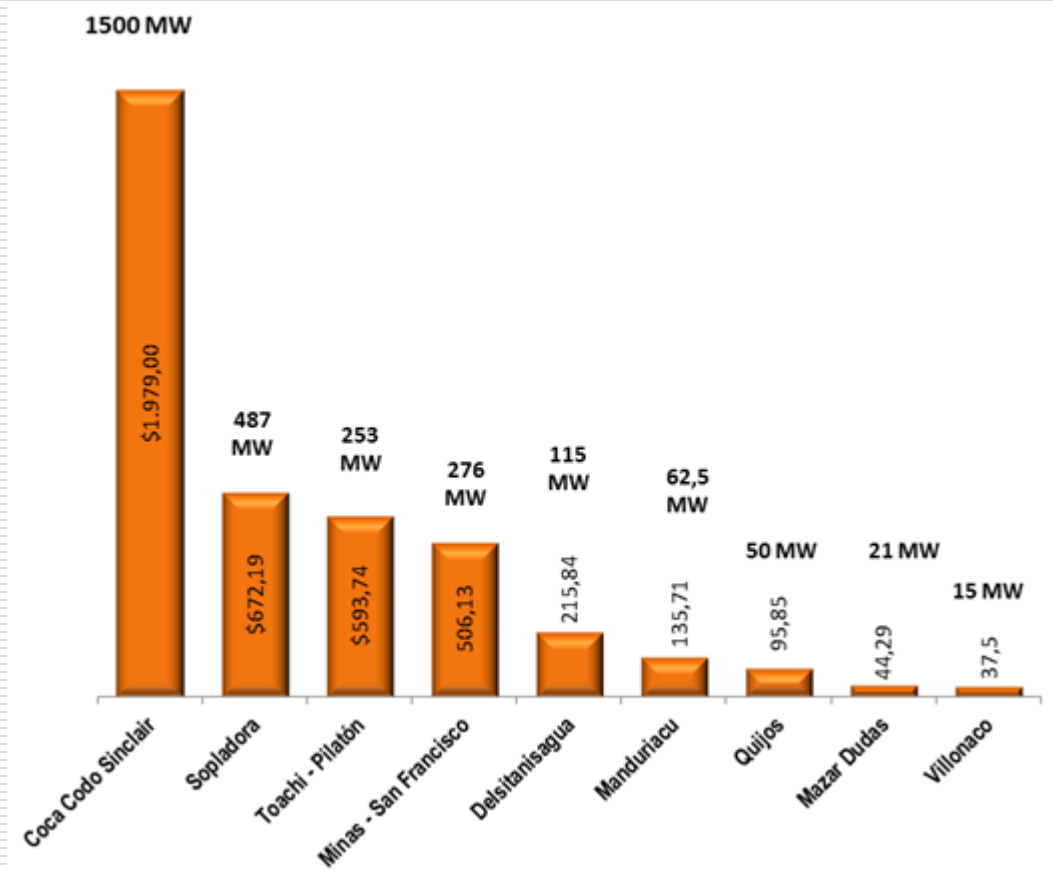
The USD is the official currency in Ecuador, which represents some benefits for investors.

Now a days, Ecuador is attempting a new type of money called: electronic currency.

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# Electricity:

Ecuador is currently building some hydroelectric and in the future is expected that it will be selling its energy to other states, such as: Colombia, Peru, etc.





# Investment and production incentives

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In 2011, the Ecuadorian National Assembly enacted the Organic Code for Production and Investments. Within its provisions national and foreign investors are encouraged to invest in new sectors such as: “Zonas Deprimidas”, ZEDES, Investment Contracts, etc.

The Ecuadorian government provides new benefits, incentives and protections in order to attract foreign and national investment in the locations where economic growth has had a low level.

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# Main features

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- A legal framework specialized for new kinds of businesses.
  - Provides support for the productive process.
  - Provides tax incentives
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# Freedom to invest

- The Organic Code for Production and Investments provides similar protection than those contained in Bilateral Investment Treaties (BITs). Such as: No expropriation, national treatment, most favored nation, etc.



# Legal Certainty

- ❑ Domestic and international arbitration.
- ❑ No seizure.
- ❑ Investment Contracts for 15 renewable years.



## **2. ¿How to do business in Ecuador?**

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## Kinds of businesses or investments available

1. Foreign direct investment;
2. Sale and purchase of shares agreements;
3. Incorporation of companies;
4. Domiciliation of companies;
5. Capital markets;
6. Real estate;
7. Horizontal agreements, vertical agreements, franchises;
8. Intellectual Property;
9. Technological development;
10. Mergers and acquisitions; etc.



# Corporations

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▪ Company Law provides the following most used kinds of corporations:

- 1. Stock company**
  - 2. Limited liability company**
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# **3. Incentives for investments in Ecuador**

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## ¿To whom?

- ❑ Any type of businesses
- ❑ All over Ecuador







# Revenue tax

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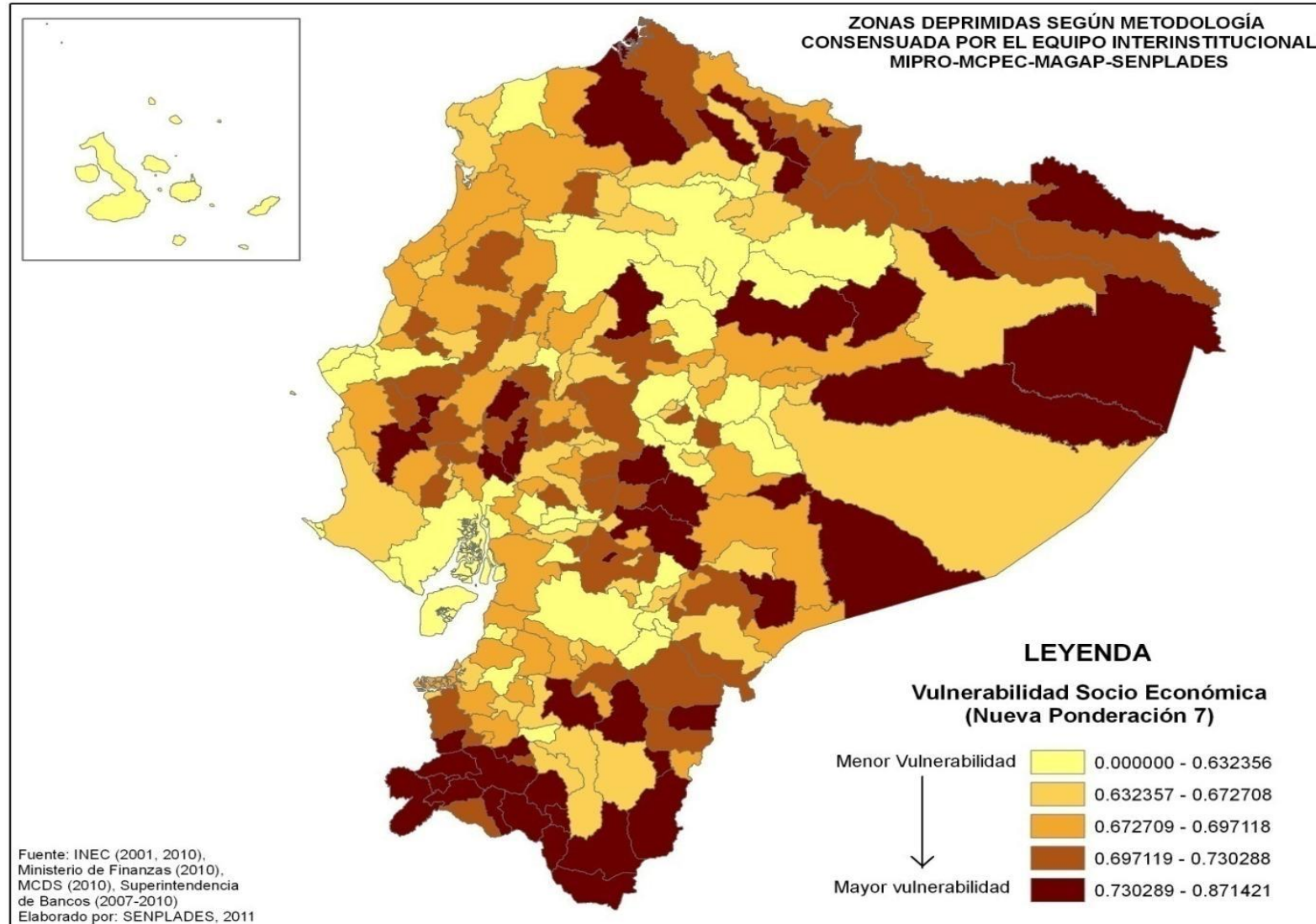
For re-investment of dividends in the same Company 10 points less in the Revenue tax.

Revenue tax payment dividend in 5 years.

Exemption of the payment in advance of the Revenue tax for the first 5 years of a new investment.

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# Zona Deprimidas: where new investments are encouraged





# “ZEDES”

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- Custom destinations where certain businesses have exemptions of some international trade expenses or taxes.
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# Public-Private Partnerships

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- The Ecuadorian Assembly has recently enacted a new law in which the joint participation of the private and the public sector is encouraged.

*"Public-private partnerships are contractual arrangements in which the private sector assists in delivering a public facility or service by providing funding or operating leadership"*

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