

Uruguay – Free Trade Zone Regime

Focus: Logistics operations, regional distribution, industry, and global services.

Main characteristics:

- TOTAL exemption from national taxes (IRAE/Income Tax, VAT, Property Tax, Contributions, etc.).
- 100% tax exemption on imports, storage, and re-exports.
- Companies can act as regional hubs for Brazil, Chile, Peru, Paraguay, Argentina, Bolivia, etc.
- Allows industrial, logistics, commercial, and service activities (BPO, IT, pharmaceuticals, trading, distribution).
- Long-term regime: 30-year renewable contracts.
- Strong legal security and regulatory and institutional stability.
- High-standard infrastructure:
 - o Montevideo Free Trade Zone (ZF Montevideo) — a regional benchmark.
 - o Integrated Free Port and Free Airport (the only model of its kind in Latin America).

Logistical Advantages

- Strategic location between Brazil and Argentina and easy access to other countries
- Deep and fast maritime access with direct ship calls
- Consolidated hub for pharmaceuticals, chemicals, electronics, and high value-added goods.

Paraguay – Maquila Regime

Focus: Industrialization for export with reduced labor costs.

Main characteristics

- Companies produce in Paraguay for export (external markets, mainly Brazil).
- Only 1% tax is levied on the added value ("1% Maquila").
- Import of inputs with tax suspension, provided they are destined for export.

- Significantly cheaper labor compared to Uruguay and Brazil.
- Regime widely used for:
 - o Auto parts
 - o Clothing
 - o Plastics
 - o Basic electronics
 - o Simple industrial transformation
- Sales to the domestic market are permitted, but lose benefits and are taxed.
- Requires an effective production process in the country (machinery, local labor, factory control).
- Greater focus on manufacturing, not on services or high-value logistics.

Competitive Advantages

- Low labor costs.
- Cheap electricity.
- Proximity to the Brazilian market for exporting factories.

Which one to choose? It depends on your company's strategy.

Uruguay is better for companies seeking:

- ✓ Regional hub for distribution and logistics
- ✓ TOTAL tax exemption and free flow of currency
- ✓ Advanced inventories to serve Brazil, Chile, Peru, Argentina, Bolivia, etc.
- ✓ Corporate services (BPO, IT, regional management)
- ✓ Lower logistics costs with direct access to international maritime routes

Paraguay is better for companies seeking:

- ✓ Reduced production costs
- ✓ Access to cheap labor and energy
- ✓ Assembly or manufacturing of less complex items