

SETTING UP BUSINESS IN ECUADOR



General Aspects

Ecuador is a 283.561 km² country, located in southwestern South America. It's considered to be the fourth smallest country in South America, and it's bordered by Colombia on the north, Peru on the east and south, and to the west by the Pacific Ocean. Ecuadorian territory also includes the Galapagos Islands, located 1,000km west to the mainland. The largest city in the country is Guayaquil, with a population of 2.684.016, but the capital city is Quito, with a population of 2.671.191, according to the last census. The nationwide official language is Spanish, but there are two pre-colonial languages spoken by a remarkable percentage of the population; Kichwa and Shuar.

Ecuador is one of the seventeen megadiverse countries in the world, which is why its' new constitution of 2008, is the first in the world to recognize enforceable Rights of Nature. Ecuador is a democratic republic, and recognizes the pluri-nationality of those who want to exercise their affiliation with their native ethnic groups.

Legal Forms of Business Entities

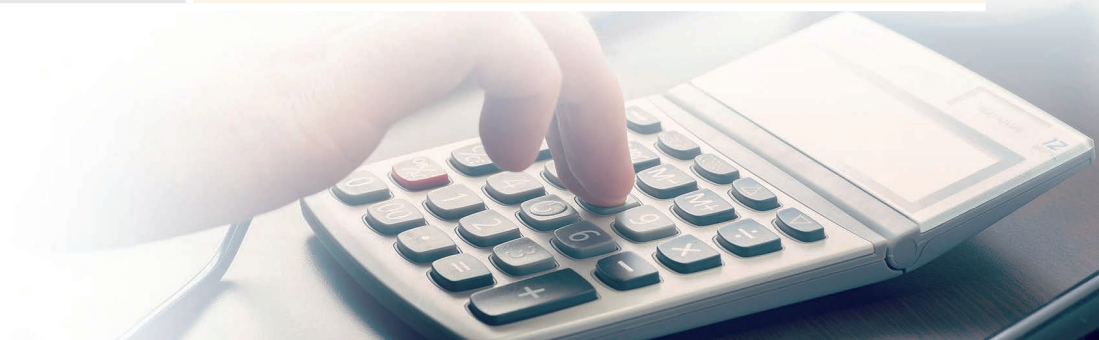
Legal form	Feature
Main Legal Forms	<p>There are three main legal forms of organization in Ecuador; Limited Liability Company, Corporations and Opening a Branch. Each of these have to be register at the Mercantile Registry of each Cantón.</p> <p>To establish a company in Ecuador, the preferred choice among foreign investors are Corporations and the Branch Activities</p>
Incorporation process	<p>Since 2014, the incorporation process of a Limited Liability Company or a Corporation could be done online, through the Superintendence of Companies website.</p> <p>In spite of this, the incorporation process of a company can still be rendered by an attorney in law, providing maximum security and reliability during its process.</p> <p>To keep control, companies are obliged to maintain individual corporate statements; to distribute its earnings between employees and to pay the relevant tax. These individual companies must uphold their obligations to the state organisms of control based on their financial statements.</p>
1. Corporations	<p>In order to begin the incorporation process of this type of Companies, our legislation required a minimum of two founding members and no more than 15. These members could be national or foreigners, and natural persons or legal entities and have limited responsibility for their shares only. If it is a foreign company, it must appoint an attorney-in-fact in Ecuador, submit a certificate of existence of the company from the country of origin, and a list of national and foreign shareholders as well. This list shall reach up to the final beneficiary, that is to say, a natural person.</p> <p>In case that any of the companies reflected in the list of shareholders trades in any stock exchange market, they must also submit an apostilled certificate of the relevant authority.</p>

Share Capital	<p>The share capital of a Corporation must be at least USD\$800. All the shares of the Company must have a nominal value or an accountable par and must also be issued in registered form. These shares must be freely negotiable.</p> <p>This kind of Company, must entirely signed its share capital, and at least a 25% of the nominal value of each share has to be paid. The remaining 75% must be paid within the next two years. Payment methods must be determined in the articles of association, the bylaws or by the general meeting of shareholders.</p>
Legal Reserve and Earnings	<p>Every fiscal year, at least 10% of the net earnings are transfer to a legal reserve, until it reaches a 50% of the share capital value. This reserve can be used to cover losses in the future and, if used, it must be replenished with future earnings. The reserve may also be capitalized, but can never be distributed to the shareholders, unless the company is in process of dissolution.</p> <p>Companies under the control of the Superintendence of Banks may distribute their dividends on a semi-annual basis.</p>
Management and Administration	<p>The articles of association or bylaws must define the structure of the organ in charge of managing the Company and its powers, attributions and rights. The Shareholders Meeting is the main organ of control of the company, which is independent of the Board of Directors.</p> <p>A legal representative is in charge of the administration, as President or General Manager, however, the Shareholder Meeting role and decisions prevail.</p> <p>Resolutions of the Shareholder meeting are adopted by a qualified majority. Abstentions and blank votes shall count towards the majority.</p>
Required Information	<p>Every Company under the control of the Superintendence of Companies will annually need to turn in the following information:</p> <ul style="list-style-type: none"> • Financial Statements • Legal representative, commissioner and external auditor’s reports. • Additional information about foreign shareholders, if they were legal entities not persons. <p>On the other hand, Companies under the control of the Superintendence of Banks, are obliged to publish their financial statements from June to December, in a nationwide newspaper within 30 days of the end of the reporting period.</p>

<p>Opening a Branch</p>	<p>To settle a branch in Ecuador, the foreign society will need the following documents:</p> <ol style="list-style-type: none"> 1. A certificate issued by the Consul of Ecuador, to certify that the Company is a legally constituted entity in the country of origin, that is allowed to open branches and that has permission to negotiate abroad. 2. Appoint a permanent legal representative in Ecuador. <p>The branch must have assigned a capital of at least USD\$ 2.000.</p> <p>These documents must be submitted within a petition to operate as a foreign company in Ecuador to the Superintendence of Companies under a public deed, which includes the documents described before. In addition to this, the legal representative must submit a Certificate of Deposit corresponding to the paid capital. If the legal representative is not Ecuadorian, he must obtain a resident visa.</p> <p>Branches may not be rearranged nor converted into a subsidiary. The license to operate in Ecuador granted to a branch must be cancelled before creating a new company.</p> <p>Instead of opening a branch for a Company that only requires a legal representative in Ecuador, it's preferable to open a representative office.</p>
<p>Limited Liability Company</p>	<p>This Company must have at least 2 partners and no more than 15. Partners have limited responsibility for their shares only, corresponding to their individual contributions.</p> <p>The social capital of this companies cannot be less than USD\$ 400, of which 50% must be paid in the incorporation process, and the remaining 50% shall be paid within a year.</p> <p>There must exist a legal reserve, composed by an annual 5% from net incomes, until it reaches the 20% of the capital value.</p> <p>If partners are foreign companies, they must appoint an agent or a legal representative in Ecuador, and submit annually: a certificate of legal existence from the foreign origin country, as well as the names of the foreign shareholders until the last share beneficiaries (natural person). Ecuadorian law prohibits the association of foreigner Banks and foreigner limited liability companies with Ecuadorian liability companies.</p>
<p>Joint Venture</p>	<p>Generally, Joint Ventures are composed by two companies.</p> <p>The reaching of the partner's rights is limited to obtain accounting of funds which have been paid out, and a statement of gains and losses at the expiry of their contract.</p>
<p>Holding</p>	<p>The aim of the holding Company is to acquire shares from multiple other companies, in order to gain control by establishing relationships with shareholders, return on the investments and management with the purpose of creating a business group.</p> <p>To keep control, Holdings are obliged to maintain individual corporate statements; to distribute its earnings between employees and to pay the relevant tax. These individual companies must uphold their obligations to the state organisms of control based on their financial statements.</p>

Organizational Questions

Legal form	Feature	Remarks
Mercantile Registry	Companies of all legal forms must be register in the Mercantile Registry of the company domicile, except Civil Law Partnership.	A company cannot start operating unless it's registered in the Mercantile Registry.
Register at the Tax Authorities	Any company (company, partnership, sole Proprietorship or Civil Law Partnership) needs to be registered at the Tax Authority (S.R.I) and get a tax identification number (R.U.C).	A company cannot start operating without being registered at the S.R.I, the authorities will provide legal sanctions.
Bank Account	<p>To open a bank account, individuals from Ecuador need a valid Identification document or passport. It is not necessary to be registered at the Tax Authority Register or to get a tax identification number.</p> <p>Companies need the articles of association or bylaws, the appointment of the legal representative, a basic services payroll, a Shareholders list, a Tax identification number and a letter requesting the opening of the account, once it is register in the Public Mercantile Register.</p>	
Transfer of Capital	Ecuadorian companies' capital can be moved in and out of the country without any restrictions but it is necessary to inform the authorities about the transfers. When transferring over \$1,000, companies will have to pay the Tax on the Remittance Currencies (I.S.D), which now has a 5% rate.	Depending on the amount of the transfer of capital, companies will have to inform the Tax Internal Services.
Visa and Residence permit	All citizens can set up a business and take up self-employed work in Ecuador without the requirement of any permit, but they need to obtain a tax number (RUC) and, for companies, the legal representative will need any kind of visa, except for the 12-IX one (Visa 12-IX: Tourism-Sports-Health-Studies Science-Art-Commercial Acts)	



Employment

Legal form	Feature
Basic Principles	Labor conditions in Ecuador are mainly regulated by the Labor and Social Security Law.
Remuneration	<p>Full time employees provide their services in return of a monthly salary payment. Among the most relevant remuneration components, you can find the following:</p> <p>Wage or Basic Salary: The money you receive in exchange of extraordinary or supplementary work. Comissions or benefits contractually established.</p> <p>Any other compensation, considered normal in the workplace, for instance, additional bonuses. The income the employee receives from the employer, as services or goods.</p> <p>Wages and salaries can be freely negotiated by both parties, but under any circumstances may agree a unified monthly basic salary lower than the legally established workers basic salary or to the sectorial salary in compliance with their economic activity. For 2017, this basic salary was established at \$375 dollars, monthly.</p>
Additional Payments	<p>a) Thirteenth Salary or Christmas Bonus: Must be monthly paid or in a unique payment until 24 December, every year, according to employee desire. It's basically one twelfth of the income perceived by the employee, during the 12 months period, from 1 December to next year's 30 November.</p> <p>b) Fourteenth Salary or School Bonus: This corresponds to a unified basic monthly salary, that is to say, for 2017, the amount of \$375.00. This bonus must be monthly paid or in a unique annual payment until 15 March, in the Coast and Island regions, and until August 15 in the Amazon and Mountain region.</p> <p>c) Reserve Funds: Once the employee reaches the first service year, he acquires the right to access his annual reserve funds, consisting of a recognition of the 8,33% from the workers monthly wages. This reserve can be monthly paid.</p> <p>d) Profits: Every year, the employer is obliged to pay to his employees the 15% of the net profits obtained by the company, the activity performed or the business during the last year. This percentage is distributed in the following way: The 10% that represents an individual right which belongs to all the employees, will be distributed equally between them: but if one of them has not worked the whole year, he will receive the proportional part of it. The remaining 5% will be distributed to those employees who have these [family responsibilities]: children under the age of 18 years, disabled children of any age and the spouse or partner recognized by law. Now there are some restrictions over the amount a company can distribute to its workers.</p> <p>e) Living wage: It's an economic stipend perceived by the employee in return of his work for the employer. This amount must afford the employee's basic needs and his family's, for that matter, such wage shall be equivalent to the cost of living, [canasta básica familiar] divided by the household members. The living wage established for 2016, which shall be paid in 2017, ascends to \$692,50 per month, and \$8.310, 36 per year.</p> <p>f) Retirement Pension: The employee that has worked for a Company for 25 years, or more, continuous or uninterruptedly, acquires the right to get a retirement pension. This consists of a lifetime monthly payment, the amount of which is related to the payments received by the employee during his labor relationship. This right can also be acquired by employees who were dismissed after 20 years of work, but they will obtain a lifetime monthly payment, proportional to their retirement.</p>
Vacations	Annual vacations: Any employee who has completed one year of service with the same employer is entitled to an uninterrupted period of 15 calendar days of paid vacation
Foreign citizen hiring	A foreign citizen who is not Ecuadorian and who wants to work and reside in Ecuador must apply for a visa at the Consulate of Ecuador in their home country before entering Ecuador, or during the 90 days on entrance to Ecuador.

Social Security	Employees are required to make monthly contributions to the social security system IESS, for a fee of 9.45% of total compensation.
Health and Security employees regulations	Article 434 [2] of the Labor Code establishes the employer's obligation to issue the regulation, where in the workplace has more than ten workers.
Committee for Safety and Health at Work	It is the duty of workplaces in where there are more than fifteen workers, to organize the Committee for Safety and Health at Work. The Committee shall be composed of an equal number of three employee representatives and three representatives of employers and their respective alternates, elected for a period of
Health and Safety Unit	According to the Regulations for Safety and Health of Workers and Environmental Improvement Work, companies with a hundred or more permanent workers must have a Health and Safety Unit, headed by a person skilled in the matter.
Permanent Medical Service	Workplaces that have more than one hundred workers must establish a permanent medical service, which must have required medical personnel and in accordance with the provisions of the Regulations for the Operation of Medical Services Company.
Social Worker	It is an employer obligation who has a hundred or more employees under his charge to hire the services of an entitled social worker. In the event that the Company has three hundred or more employees, the employer must hire another social worker for every three hundred surplus.
Disabilities	According to the provisions of paragraph 33 of Art. 42 of the Labor Code, an employer that has a minimum of twenty workers must hire a minimum of 4% of staff with disabilities.
Approval of special work schedules	The company must submit for approval the special work schedules.

Taxation

Tax	1.- CORPORATE INCOME TAX (C.I.T)
General Aspects	Corporate Income Tax (hereinafter referred to as CIT) is levied on companies domiciled in Ecuador. Companies domiciled in Ecuador include those incorporated in Ecuador and companies incorporated in foreign countries that have been approved as branches by the Superintendence of companies after a legal proceeding. Companies incorporated in Ecuador are subject to tax on their worldwide income. Foreign companies are subject to tax on income derived from activities within Ecuador and from goods and assets located within Ecuador.
Taxable Base	The base for calculation of Income Tax is composed by the totality of ordinary and extraordinary taxable income, minus devolutions, discounts, costs, expenses and deductions attributable to such income. Additionally to this taxable base, taxpayers must add non-deductible costs and expenses and subtract the exempt income, in accordance with the Tax Law.

Rate of corporate Tax	<p>The standard rate of CIT for 2018 is 25%. However, a 28% CIT will apply for those companies that have a 50%, or more, shareholders participation located in Tax Haven Jurisdictions.</p> <p>Companies that reinvest their profits in Ecuador are entitled to a reduction of 10% in the corporate income tax rate on the reinvested amount (which means, the reinvested profits are taxed at 12%) if they retain the reinvested profits until 31 December of the tax year following the tax year in which the profits are earned.</p>
General Exemptions	<p>For purposes of determination and calculation of income tax, the following income, among others, will be exempt:</p> <ol style="list-style-type: none"> 1. Dividends and profits calculated after the payment of income tax, distributed, paid or credited by domestic companies to other local and foreign companies, branches of foreign companies and nonresident individuals 2. Exempt income obtained by state institutions or public companies, which are regulated by the Public Enterprises Law. 3. Exempt income consecrated in international treaties; 4. Income received by non-profit private organizations and by political parties; 5. Interest received by individuals for their savings accounts and deposits, paid by financial institutions of Ecuador; 6. Income received by Government colleges and Universities; 7. Income arising out of non-monetary investments made by entities that maintain oil & gas contracts with the Government; g) 8. Income earned from the occasional sale of real estate. 9. Income derived from capital gains, profits, benefits or financial yields distributed by investment funds, welfare funds, pension funds and merchant trust funds to their beneficiaries, provided said funds have complied with their obligations as taxpayers; 10. Indemnities received from insurance policies, 11. Thirteen and fourteen salaries, 12. Severance indemnities received by workers and employees, etc.
Deductions	<p>In computing taxable income, a company can deduct all costs and expenses deemed necessary and related to the activity, aimed at attaining, maintaining and improving the taxable and not exempt income</p> <p>The following payments abroad are deductible within specified limitations:</p> <ol style="list-style-type: none"> 1. Payments for imports, including interest and financing fees, as provided in import licenses; 2. Export fees of up to 2% of the export value; 3. Interest with respect to foreign loans registered with the central Bank of Ecuador, provided the foreign loans are Government to Government loans, or loans granted by the World Bank, the CAF, the BID, and other multinational organisms. In addition, in order for interest of foreign loans to be deductible, the amount of the foreign loan shall not exceed 300% of the foreign debt- capital stock relation. 4. Payments on account of international lease of capital goods 5. 96% of the insurance or reinsurance premiums paid to foreign companies that do not have a Permanent establishment or representation in Ecuador. <p>Nondeductible expenses include the following:</p> <ol style="list-style-type: none"> 1. Interest on foreign loans, to the extent the interest rate exceeds limits established by the central Bank Board, and interest on foreign loans not registered at the Central Bank of Ecuador; and 2. Losses on sales of assets to related parties.

Transfer Pricing Rules	<p>On 31 December 2004, Ecuador incorporated to its legislation several rules regarding the taxability of transactions between related parties, tax havens and the methods to apply the Arm's Length Principle.</p> <p>In the transactions celebrated between related parties, the price shall be adjusted through the individual or combined application of any of the below described methods, in such a form that the "arm's Length Principle" is reflected in their result. The methods are:</p> <ol style="list-style-type: none"> 1. Comparable Uncontrolled Price method 2. Resale Price method. - (Resale minus) 3. Cost Plus method 4. Profit Split method 5. Residual analysis Profit Split method 6. Transactional Profit method or Transactional net margin method <p>The Transfer Pricing Annex and Integral Report. Taxpayers have the obligation to file with the IRS a Transfer Pricing Annex when their transactions with related parties above in a fiscal year exceed USD 1,000,000.00 and a Transfer Pricing Integral Report detailing the transactions carried out with related parties in a fiscal year when their transactions with related parties abroad exceed USD 5,000,000.00. The IRS can request information also with regard to transactions carried out with related parties within Ecuador.</p> <p>According to the tax reform enacted 23 December 2009, taxpayers are exempt from the transfer pricing regime, when:</p> <ol style="list-style-type: none"> 1. The income tax liability exceeds 3% of their taxable income, 2. Do not carry out transactions with parties domiciled in Tax Haven Jurisdictions 3. Do not maintain contracts for the exploration or exploitation of non-renewable resources with the Government
Penalties on Unpaid Taxes, Late filing and Interest	<p>The penalty for late filing shall be equal to 3% of the tax levied, for each month or fraction of a month, up to a maximum of 100% of the tax levied. In the case of late filings by withholding or perception agents, the penalty shall be imposed on the tax due, which is, after deducting the corresponding tax credit.</p> <p>Tax obligation which is not declared and paid in the term set forth in the Tax Law will result in an annual interest equal to 1.5 times the referential active interest rate for ninety days established by the central Bank of Ecuador, to be calculated since the date the tax obligation became due until it is fulfilled. Fraction of a month will be considered a complete month.</p>
Tax	2.- VALUE ADDED TAX (I.V.A)
Value Added Tax (I.V.A.)	<p>IVA is levied on the transfer of goods, imports and services provided. The actual rate is 12%, but there are transfers, imports and services levied with "0" rate. The following transactions are exempt from IVA:</p> <ol style="list-style-type: none"> 1. Contributions in kind to corporations 2. Awards arising from inheritances and liquidation of companies 3. Sale of businesses in which the assets and liabilities are transferred 4. Merges, spin-offs and transformation of corporations 5. Donations to public entities and charities 6. Transfer of shares, participations and other securities

**Transfers levied
with "0" rate**

- a. Food Products of agricultural, aviculture, cattle, apiculture, cuniculture, aquaculture and forest nature; meats and fish in natural estate;
 - b. Milks in natural estate, pasteurized, homogenized, powdered, maternity milks, child protein milks;
 - c. Bread, sugar, brown sugar, salt, grease, margarine, oats, cornstarch, noodles, flours for human consumption, canned tuna, mackerel, sardines, trouts, and oils for human consumption, except olive oil;
 - d. Certified seeds, bulbs, plants, live roots. Fish flour, balanced foods, fertilizers, insecticides, pesticides, herbicides and veterinarian products;
 - e. Tractors with tires up to 200 HP, drill plows, harvest and crop machinery, bombs for irrigation.;
 - f. Medicines and drugs for human consumption, as well as raw material to produce them. Vases and labels for medicines;
 - g. Paper and books printed in paper;
 - h. Goods to be exported;
 - i. Goods imported to Ecuador by: Foreign Diplomats and officers of International organisms, provided they are exempt from custom duties, Passengers entering the country, Donations on behalf of Government entities, Goods imported under the Temporary Import Regime, while they are not nationalized , Imports of capital goods made by Government entities, Andean Development corporation, Interamerican Development Bank and World Bank
1. Fluvial, maritime and Terrestrial passengers and cargo transportation as well as international aerial cargo transportation,
 2. Health Services,
 3. Lease and rent of real estate destined exclusively for housing,
 4. Public Services of electricity, potable water, sewer and trash collection,
 5. Education Services,
 6. Kindergarten, child care and elderly care homes services,
 7. Religious services,
 8. Book printing services,
 9. Funeral services,
 10. Some administrative services provided by the Government,
 11. Public shows and spectacles,
 12. Exchange, Stock market and Financial Services provided by the entities duly authorized by the law and the Government,
 13. Transfer of securities,
 14. Services for export, including inland tourism,
 15. Services provided by Professionals up to an amount of US\$ 800.00 for each case,
 16. Toll for the use of roads and highways,
 17. Lottery conducted by Junta de Beneficencia and Fe y Alegria (charity entities),
 18. Aerial fumigation
 19. Services rendered by artisans,
 20. Refrigeration and freezing services for maintenance of food,
 21. Services provided to Government entities that receive tax exempt income.
 22. Life insurance and reinsurance, medical assistance and personal accidents Services

	<p>According to the tax reform of 23 December 2009, importation of services is now levied with 12%IVA and it must be calculated and paid in the monthly IVA tax return made by taxpayer. The acquirer of the service provided from abroad must withhold and pay 100% of the IVA levied in the contracting of service.</p> <p>It shall be regarded as importation of services, those provided by a non-resident corporation or individual on behalf of an individual or corporation resident or domiciled in Ecuador, provided the utilization of the service is made completely in Ecuador, even if the service is rendered from abroad.</p>
General I.V.A Taxable Base	The taxable base for IVA is the total amount of the movable goods of corporal nature that are being transferred or of the services provided, calculated upon their sale prices or of the price of the providing services, which includes taxes, surcharges and other expenses legally attributable to the price.
Taxable Base on Imported Goods	IVA taxable base on imports is the result of adding to the CIF value the taxes, custom duties, surcharges, fees and other expenses as declared in the import permit and other relevant documents.
Rate	The general rate for IVA is 12%
IVA Tax Credit	<p>As a mandatory general rule, IVA tax credit will be granted on IVA paid in the purchase and utilization of goods and services levied with this tax, provided such goods and services are destined to the production and merchandising of other goods and services levied with 14% rate.</p> <p>There will be no IVA tax credit in the local purchase and import of goods or in the utilization of services made by taxpayers to be used in the production or sale of goods, or in the providing of services, totally levied with "0" rate; and the purchase or import of fixed assets to be used in the production of goods and services totally levied with "0" rate.</p>
IVA Refund on Export Activities	Individuals and corporations that have paid IVA in the local purchase or import of goods, used in the manufacturing of goods to be exported, will be granted a refund for the tax paid, without interest, in a period of time not exceeding ninety days. If the refund is made after this term, interest will apply. Notwithstanding the above rule, this will not apply to oil & gas exports, due to the fact that oil & gas are not manufactured, but rather extracted from the soil.
Tax	3.- TAX ON SPECIAL CONSUMPTIONS (I.C.E)
Object of ICE	ICE applies to the consumption of cigarettes, beers, soft drinks, and luxury or sumptuary articles, national or imported
Taxable base	Taxable base of products subject to ICE locally manufactured, shall be determined adding the "exfactory" price, costs and commercialization margins, minus IVA and the own ICE. The rates established in the law shall be applied to this taxable base. For imports subject to ICE, the taxable base will be established increasing to the "Ex-Custom Price" an additional 25% on account of costs and expected commercialization margins.

Rates of ICE

GROUP I.- RATES:

1. Tabacco products 150%
2. Perfumes 20%
3. Video games 35%
4. Fire guns, sports guns and ammunition 300%
5. Incandescent bulbs 100%

GROUP II.- RATES:

1. Ground transportation motor vehicles up to 3.5 tons cargo capacity, according to the following scale:

1. Motor vehicles which price to the Public is up to USD 20,000.00 5%
2. Pick up and Vans which price to the public is up to USD 30,000.00 5%
3. Motor vehicles, excepting Pick Up and Vans, which price to the public ranges between USD 20,000.00 and 30,000.00 10%
4. Motor vehicles, excepting Pick Up and Vans, which price to the public ranges between USD 30,000.00 and 40,000.00 15%
5. Motor vehicles, excepting Pick Up and Vans, which price to the public ranges between USD 40,000.00 and 50,000.00 20%
6. Motor vehicles, excepting Pick Up and Vans, which price to the public ranges between USD 50,000.00 and 60,000.00 25%
7. Motor vehicles, excepting Pick Up and Vans, which price to the public ranges between USD 60,000.00 and 70,000.00 30%
8. Motor vehicles, excepting Pick Up and Vans, which price to the public ranges exceeds USD 70,000.00 35%

2. Ground transportation hybrid or electric vehicles up to 3.5 tons of cargo capacity, according to the following scale:

1. Hybrid or electric vehicles which price is up to USD 35,000.00 2%
2. Hybrid or electric vehicles which price to the public ranges between USD 35,000.00 and 40,000.00 8%
3. Hybrid or electric vehicles which price to the public ranges between USD 40,000.00 and 50,000.00 14%
4. Hybrid or electric vehicles which price to the public ranges between USD 50,000.00 and 60,000.00 20%
5. Hybrid or electric vehicles which price to the public ranges between USD 60,000.00 and 70,000.00 26%
6. Hybrid or electric vehicles which price to the public ranges exceeds USD 70,000.00 32%

3. Planes, small planes and helicopters, excepting those for commercial passengers transportation, motorcycles, tricars, yat-ches and leisure boats 15%

GROUP III

1. Paid TV cable 15%
2. Casinos and other gambling businesses 35%
3. Fixed-line services 15%

GROUP IV

1. Clubs memberships, dues and other charges, Provided they exceed USD 1,500.00 a year 35%

GROUP V

1. Cigarettes USD 0.16 per unit.
2. Alcohol (incl. Artesanal beer) USD 7.24 per liter. / 75% (Ad-Valorem Rate)
3. Beer USD 12.00 per liter. / 75% (Ad-Valorem Rate)
4. Soft drinks 10%
5. Soft drinks with sugar content less than or equal to 25 grams per liter of beverage. Energy drinks. USD 0.18 per 100 grams of sugar

Tax	4.- CAPITAL FLIGHT TAX (I.S.D)
Tax Rate	<p>Amount 5% on all moneys, funds, currencies remitted abroad, with or without the intervention of Financial Institutions.</p> <p>It includes the transfer or conveyance of currency abroad, in cash, in checks, credit cards, through wire transfer, withdraws or payment of any nature remitted abroad, with or without the intervention of the institutions of the banking and financial system. It also includes the offsetting or compensation of accounts with entities abroad. All these transactions shall be subject to a 5% tax on the amount remitted, transferred or carried outside Ecuador</p>
Taxpayers subject to this tax	<ol style="list-style-type: none"> 1. Ecuadorians and foreign individuals residents of Ecuador 2. Undivided inheritances 3. Private national corporations, Branches of foreign companies and permanent establishments domiciled in Ecuador, even in the cases when they offset or compensate accounts with entities, related or not, from abroad 4. Importers of goods, either individual, national or foreign corporations or permanent establishments of foreign companies
Moment of the payment in case of imports	<p>If the payment of the import was made from abroad, in any manner, the Capital Flight Tax shall be declared and paid at the time of nationalization of the goods; to such purpose all importers must file with the customs authorities, the corresponding form to the extent that the SENAE (custom authority) can accurately identify the transaction and collect the tax whenever applicable.</p>
General Exemptions	<ol style="list-style-type: none"> 1. Cash currencies held by Ecuadorian and foreign citizens, who leave the country or minors who do not travel with an adult, up to three unified basic salaries, shall otherwise be taxed. In the case of adults traveling accompanied by minors, the applicable exemption amount shall be added a unified basic salary for each minor. 2. Transfers, shipments or transfers made abroad, except by credit or debit cards, are exempt up to an amount equivalent to three unified basic salaries. In the case of consumptions with credit or debit cards or withdrawals made from abroad, an annual amount equivalent to five thousand dollars (USD 5,000.00) will be considered exempt, adjustable every three Years based on the annual variation of the Consumer Price Index - General CPI - to November of each year, prepared by the competent public body; Otherwise they will be taxed. 3. Payments made abroad for the repayment of principal and interest generated on loans granted by international financial institutions or specialized non-financial entities qualified by the corresponding control bodies in Ecuador that grant financing with a term of 360 calendar days or more, via credit, deposit, purchase and sale of portfolio, purchase and sale of securities in the stock market, that are destined to the financing of housing, microcredit or productive investments. Financing operations granted directly or indirectly by related parties by management, administration, control or capital and which in turn are resident or established in tax havens or less taxing jurisdictions, except where the borrower is a financial institution, will not be part of this exception. 4. The payments made abroad by administrators and operators of Special Economic Development Zones (ZEDE) for imports of goods and services related to their authorized activity, without prejudice to the application of the regime provided for in the preceding paragraph for their operations of external financing. 5. Payments made abroad, dividends distributed by national or foreign companies domiciled in Ecuador, after the payment of income tax, in favor of other foreign companies or natural persons not resident in Ecuador, provided, The company or the natural person - as appropriate - is not domiciled in tax havens or jurisdictions of lower taxation. This exemption will not apply when dividends are distributed in favor of foreign companies of which, in turn, shareholders are natural persons or companies resident or domiciled in Ecuador, who are shareholders of the company domiciled in Ecuador that distributes them

General Exemptions ISD

1. Payments made abroad for the financial income, capital gains and capital of those investments coming from abroad that have exclusively entered the Ecuadorian securities market to carry out this transaction and that have remained in the country for at least the indicated period By the Tax Policy Committee, which may not be less than 360 calendar days, made by natural or legal persons domiciled abroad, through the Stock Exchange legally constituted in the country or the Special Stock Exchange Register;
2. Foreign payments arising from financial income, capital gains and capital from investments abroad, in securities issued by legal entities domiciled in Ecuador, which had been acquired in international markets, and provided that the resources generated for such investment have entered the country and have remained at least the period indicated by the Tax Policy Committee, which may not be less than 360 calendar days, intended for housing financing, microcredit or productive investments. This exemption does not apply when payment is made directly or indirectly to natural persons or companies resident or domiciled in Ecuador, or between related parties.
3. Payments made abroad in respect of financial income, capital gains and capital of those fixed-term deposits made with resources from abroad, in institutions of the national financial system, and whose minimum term will be that indicated by the Tax Policy Committee, Carried out by natural or legal persons as of the date of publication of this Law.
4. Imports for consumption of electric cookers and induction cookers, their parts and pieces; Pots designed for use in induction cookers; as well as electric water heating systems for domestic use, including electric showers.
5. Those who study abroad in educational institutions recognized by the competent national authority in Ecuador, may carry or transfer up to an amount equivalent to the costs related and charged directly by the educational institution. For which they must carry out the processing of prior exoneration, in accordance with the conditions and procedures established by the Tax Local Authority. In cases in which the tax is paid, it can be requested to return of it by fulfilling the same conditions established for the exemption. In addition, persons who leave the country for study purposes to educational institutions duly recognized by the competent national authority in Ecuador and for reasons of catastrophic illnesses recognized as such by the State, may carry up to 50% of a basic fraction encumbered with zero rate of income tax, in accordance with the conditions and procedures established by the Tax Local Authority.

Exemptions in the Execution of Public Projects in Public-Private Partnership.

Foreign payments made by companies that are created or structured for the development and execution of public projects in a public-private partnership are exempt from the tax on foreign exchange, which comply with the requirements established in the law that regulates the application of The incentives of PPPs, whatever the domicile of the recipient of the payment:

1. In the importation of goods for the execution of the public project, whatever the import regime used.
2. In the acquisition of services for the execution of the public project.
3. Payments made by the company to the public project financiers, including capital, interest and commissions, provided that the agreed interest rate does not exceed the reference rate at the credit registration date. The benefit is extended to the subordinated credits, provided that the borrowing company is not in a situation of undercapitalization according to the general regime.
4. Payments made by the company for distribution of dividends or profits to its beneficiaries, without prejudice to where they have their fiscal domicile.
5. Payments made by any person or company in connection with the acquisition of shares, rights or interests of the structured company for the execution of a public project in the form of public-private partnership or for transactions involving securities representing bonds issued for The financing of the public project.

General Exemptions ISD

Special Cases:

The following operations do not generate an obligation to pay the ISD, under current legal provisions:

1. Payments for imports made under the regimes of "temporary admission for re-export in the same state", "temporary admission for inward processing", "free warehouses", "international fairs", "special warehouses" and "processing under customs control".
2. Payments made from abroad by natural persons or Ecuadorian or foreign companies domiciled or resident in Ecuador, when said payments are made with resources that cause ISD upon leaving the country.
3. Transfers, shipments, transfers or payments made under the Law of the Guayaquil Charitable Board, Special Law of the Electricity Sector, Higher Education Law, Free Zones Law.

Transfers abroad made by international organizations, diplomatic missions, consular offices and foreign officials of these entities

When these entities or their foreign officials duly accredited in the country, send or transfer foreign currency, through financial institutions or courier companies, must attach to the respective application, only the form "Declaration of transaction exempt / not subject to Tax on the Exit of Currencies ", provided for this purpose by the Local Tax Authority. This form must be filled only through the website of the Local Tax Authority, in the option e Online Services.



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