

Law No. 15,921 of 17 December 1987

The Senate and the Chamber of Representatives of the Republic of Uruguay, having met at the General Assembly, decreed as follows:

Chapter I

General Regulations

Article 1

The promotion and development of free trade zones – aimed at investments, increased exports and the use of local manpower, as well as to the promotion of international economic integration – is hereby declared a matter of national interest.

Article 2

Free trade zones are areas of the national territory, privately or publicly owned, duly fenced and isolated, to be determined by the Executive Power of Government, prior consultancy with the Free Trade Zones Honorary Advisory Committee, in order to allow the implementation, in such Zones, of all types of industrial, trading and service activities, which shall be subject to the tax exemptions and other benefits described herein. Such activities include:

A) Trading of goods, except for those referred to in Article 47 of this Law, storage, warehousing, conditioning, selection, classification, division, assembly, disassembly, handling or mixing of merchandise or raw materials originated locally or abroad. In all cases where goods enter the national political territory, the provisions of Article 36 of this Law shall be strictly applied.

B) Installation and operation of manufacturing establishments.

C) Provision of all types of services not restricted by national legislation, both within the free trade zone itself and from the free trade zone to third countries.

Users of free trade zones may also provide the following telephony and computer services, from the free trade zones to the non-free-trade national territory, to the extent that monopolies, State exclusivity and/or public concessions are duly observed:

1) International Call Centers, excluding those intended solely for the national territory.

- 2) Electronic mailboxes.
- 3) Distance learning.
- 4) Issuance of electronic signature certificates.

The above-described services will be subject to the same tax treatment as services provided from abroad, in what refers to both the provider and the deductions made by the parties to which services are provided.

D) Other activities that, in the opinion of the Executive Power of Government, may prove beneficial to the country's economy, or to the economic and social integration of States.

In the event that, by means of this regime, the provision of new services is authorized from free trade zones to the non-free-trade territory, such services will be subject to the taxes applicable at the time of the authorization, with the possibility of such tax regime being determined on the basis of permanent tax withholdings, as determined in that respect by the Executive Power of Government.

The Executive Power of Government shall adopt the measures necessary to prevent these activities from having a negative effect on the competitiveness and exporting capacity of companies established in the non-free-trade territory.

The National Telecommunications Administration shall not be allowed to establish differential rates for telecommunications services, based on the distance existing between the city of Montevideo and the location of the free trade zones, whereas the consideration of differences established for such rate purposes based on other aspects like volume and traffic shall not be banned.

AS PER THE WORDING OF Article 65 of Law No. 17,292 of 25 January 2001.

Article 3

The acquisition by compulsory purchase of private real property for the installation of free trade zones and access roads thereto is hereby declared a matter of common public interest.

The Executive Power of Government is hereby authorized to exchange state-owned real property for property owned by municipalities or other state public entities that may prove adequate for establishing free trade zones and their access roads or for the extension of the existing free trade zones.

Article 4

The only individuals authorized to reside within free trade zones will be those in charge of security duties and maintenance services necessary for the activities performed in the free trade zones, in addition to any officers appointed by the Executive Power of Government.

Chapter II

About the administration, control and exploitation of free trade zones

Article 5

The Ministry of Economy and Finance, through the Free Trade Zones Bureau, shall be responsible for the administration, supervision, and control of free trade zones. Said Bureau shall be entitled to decentralized activities in order to better fulfill its purposes.

Article 6

An Honorary Advisory Committee is hereby created in connection with the subject of free trade zones, which shall be constituted by five members appointed as follows:

- A) one, to be the Chairman thereof, appointed by the Executive Power of Government.
- B) four to be elected by the State-representative members of the Board of Directors of the National Development Corporation, who, to these effects shall constitute an electing body whose resolutions are to be adopted upon a minimum of four votes in favor. Along with the appointment of the five members described, an equal number of respective substitutes thereof is to be appointed through equal procedures.

Article 7

The Honorary Advisory Committee shall be called upon by the Ministry of Economy and Finance or by its Chairman, for the exclusive purpose of providing advisory opinions on the determination of areas within the nation's territory for the installation of free trade zones for State or private exploitation. Such initiative shall correspond exclusively to the Executive Power of Government before whom all applications are to be submitted. Applications

deemed convenient will in turn be necessarily derived to the referred Committee for consideration.

The Committee must provide a founded report thereon within a period of thirty calendar days as of the date on which the Executive Power of Government submits the application to the Committee for consideration. The application shall be accompanied by the founded opinion of the Free Trade Zones Bureau.

The Committee's advisory opinion must be supported by at least four votes in favor. Otherwise, or if the opinion of the Executive Power of Government has been voted against, all documentation is to be forwarded, for its consideration by the General Assembly of the Legislative Power of Government or to the Permanent Committee thereof, where a thirty day period will be granted for such body to issue its opinion. Upon expiration of such thirty-day period and in the absence of an opinion, the Executive Power shall be entitled to authorize the application.

Article 8

All areas demarcated as free trade zones may be exploited by either the State or by private parties duly authorized for such purposes.

To such effects, "exploitation" is to be understood as the operations performed by natural persons or legal entities to provide the infrastructure necessary for the installation and functioning of a free trade zone, in exchange for price agreed upon with each user.

Article 9

Private companies authorized to exploit a free trade zone shall not be exempt from the tax exemptions and benefits authorized hereby for users, regardless of their possibility of resorting to the declaration referred to in Decree Law no. 14,178 of 28 March 1974 (Industry Promotion).

Article 10

Private parties requesting an authorization to exploit a free trade zone must submit the corresponding applications to the Executive Power of Government accompanied by an investment project proving the project's economic and financial feasibility, and the benefits to the country that are expected to result from it.

Authorizations shall be granted upon payment of a defined sum, either by a lump sum paid to the State or by payment of a periodical tax as agreed, without prejudice to the provisions of Article 30 herein.

Article 11

Companies referred to in Article 9 must perform the exploitation pursuant to the terms and conditions resulting from the corresponding authorization, and any infringement or non-compliance therewith might be subject to fines, defined in accordance with the seriousness of the infringement, up to a maximum of \$U12,500,000 (twelve and a half million Uruguayan pesos). Such figure shall be updated every 1st day of January based on the Consumer Price Index published by the National Statistics Institute, without prejudice to the revocation of the authorization involved in cases where the nature of the violation incurred so justifies it.

AS PER THE WORDING OF Article 151 of Law No. 17,296 of 21 February 2001

Article 12

For cases where the revocation of an authorization or other serious circumstances that may justify it, the Executive Power of Government shall be entitled to adopt, through the Free Trade Zones Bureau, any measures deemed necessary for maintaining and providing the infrastructure essential for the free trade zone to operate normally.

All resolutions adopted for such purposes shall not have a suspensive effect.

Article 13

The owner(s) of premises where private free trade zones are to be established must define, for such premises, an easement that will imply the encumbrance of the property for the use so determined. Such easement is to be in effect for the whole term authorized for exploitation of the free trade zone and must be granted by the owner(s) of the plots, with the presence at the instance of such granting, of the Director of Free Trade Zones in representation of the Uruguayan State.

The referred easements are to remain in effect for the whole period of time stipulated, even in cases where the related authorization is revoked.

Chapter III

About users of free trade zones

Article 14

The users of free trade zones will be the natural persons or legal entities who are granted the right to develop therein any of the activities referred to in Article 2 herein. The companies installed in free trade zones will not be entitled to engage in industrial or trading activities or the provision of services outside the free trade zones.

Article 15

Direct users shall be those who acquire their right to operate in the free trade zone by means of a contract subscribed with the exploiter thereof, either the State or a private party duly authorized for such activity. To such effects, the State shall be entitled, under any circumstances, to hire directly through the Free Trade Zones Bureau and users shall be allowed to provide guarantees.

Indirect users shall be those who acquire their right to operate in the free trade zone by means of a contract subscribed with the direct user to use or be benefited from the latter's facilities.

The contracts granting the capacity as users must be registered at the Free Trade Zones Bureau, following which they shall become enforceable upon third parties.

Article 16

Contracts subscribed by and between those who exploit free trade zones and direct users, or those contracts subscribed by and between direct and indirect users regulating the rights of use of the free trade zone shall be considered as non-existent when not previously approved by the Free Trade Zones Bureau.

Article 17

Founding members of corporations whose only purpose has been defined as operate as user of a free trade zone may register directly, at the Public General Registry of Commerce, the articles of incorporation and bylaws of the corporation, and must submit the application thereof accompanied by a certificate from the General Treasury Inspection Board regarding the subscription of at least 50% (fifty per cent) of the company's capital stock by three or more natural persons or legal entities, also stating that at least 60%

(sixty per cent) of the capital stock subscribed has been paid-in by means of assets liable of financial estimates or in money.

Once the registration is done and a publication has been made in the Official Gazette of an extract of such the abovementioned documents, the corporation shall be lawfully incorporated and will be then entitled to request directly to the Director of the Public General Registry of Commerce the registration thereof in the Trade Section. Banco de la Republica Oriental del Uruguay shall release any deposits previously made in relation to the registration of the company's bylaws at the Public General Registry of Commerce. Likewise, such amounts will be released in cases where it is decided not to proceed with the incorporation of the company. The requirement of payment of a new 20% (twenty per cent) of subscribed shares, provided for in item 2 of Article 405 of the Code of Commerce (as per the wording of Article 208 of Law No. 13,318 of 28 December 1964) will not be applicable in these cases.

Article 18

In order for the users of free trade zones to maintain their capacity as such, as well as their entitlement to tax exemptions, allowances and other benefits granted by this Law, the personnel employed by said users of free trade zones, for the activities that the latter shall engage in at such zones, will be made up with at least 75% (seventy five per cent) of Uruguayan citizens, natural or legal.

In exceptional cases, the percentage may be reduced upon prior authorization by the Executive Power of Government, by virtue of specific characteristics of the activity to be developed and based on reasons of public interest.

Chapter IV

About exemptions and benefits

Article 19

The users of free trade zones shall be exempt from all national taxes, existing or to be created in the future, including those that require a specific exemption by law, in all aspects relative to the activities carried out in the zones.

Article 20

The abovementioned tax exemptions do not include special contributions to social security or legal services of a monetary nature established in favor of non-State social security legal entities.

In cases where the foreign personnel working at a free trade zone have expressed in writing their will to not benefit from the social security system applicable in the Republic of Uruguay, there will be no obligation to make the respective contributions.

In addition, any dividends or profits credited or paid to natural persons or legal entities domiciled abroad will not be exempt from the Income Tax on Industrial and Trading Activities if such dividends or profits are subject to taxes in the country of the person's or entity's domicile, and tax credits are admitted in those countries for tax amounts paid in the Republic of Uruguay (item "d" of Article 2 of Title 4 of the 1987 Revised Text).

Article 21

All goods, services, merchandise and raw materials, regardless of their origin, entered into free trade zones shall be exempt from all taxes and any other instrument of a similar implication applicable to imports or applied in instances relative to imports, including those which by law require a specific exemption regardless of their nature.

All goods, services, merchandise and raw materials originated in the country's non-free trade territory entering free trade zones will be subject to all applicable regulations relative to exports.

Article 22

The goods, services, merchandise and raw materials entered into free trade zones, as well as all products manufactured therein will be allowed to exit the zones at any time, exempt from all taxes and any other instruments of equivalent implications, encumbrances and charges, existing or to be created, including those which by law require a specific exemption, regardless of their nature.

Any goods, services, merchandise and raw materials existing at free trade zones, or manufactured therein, entering the country's non-free-trade territory from a free trade zone will be considered as imports to any and all effects.

Article 23

The National Port Authority shall collect the amount corresponding to the services actually provided, for all goods forwarded to or originated at the free trade zone, and the fees may not exceed the direct cost of the service.

For the purposes of applying the National Port Authority's fees, both the entry and the exit of goods, as well as their transfer to or from free trade zones shall be considered as an international transit, and the entry or exit may only be charged once.

Article 24

All public institutions providing consumables or services to users of free trade zones will be allowed to define special promotional rates for such users of free trade zones. Monopolies relative to services in the industrial and trade domain of the State shall not be applicable to free trade zones.

Article 25

The State assures users, throughout the duration of their contracts and subject to liability for damages, the tax exemptions, benefits and rights established in this Law.

Chapter V

About spaces and constructions in Free Trade Zones

Article 26

All constructions made in free trade zones by direct users must abide by the technical specifications and regulations determined by the Free Trade Zones Bureau.

Such constructions may only be used for fulfilling the user's specific activities.

Article 27

All monetary amounts, in local or foreign currency, owed by users to exploiters of free trade zones – either the State or authorized private parties – may be subject to adjustments as agreed upon between the parties of each respective contract subscribed. Such amounts to be paid by users must cover the whole period of time of occupation even in cases where such occupation extends beyond the end of the contract term and any extensions thereof.

Article 28

Non-compliance with three consecutive payments due in the case of monthly amounts, or one payment for period of over one month, shall entitle the exploiter – whether the State or private third parties – to directly request the user to leave the free trade zone, upon prior demand for payment establishing a period of three days for fulfillment, to be informed by means of a certified telegram.

The procedure for surrender shall be as provided for in Articles 1309 and ff of the Civil Code of Procedure, notwithstanding any penalties applicable by the Free Trade Zones Bureau.

Article 29

The collection of any amounts owed will be implemented through executory process following a demand served by a certified telegram, and no objections may be raised except those provided for in Article 108 of Decree-Law No. 14,701 of 12 September 1977, notwithstanding the penalties referred to in the above article.

Article 30

The free trade zones bureau may agree with the user(s) and private exploiters upon the possible compensation for the monetary amounts established with works of infrastructure and services to be provided by the latter for the improvement and development of free trade zones, but in no case may users or private exploiters appeal for compensation of any kind if it has not been previously agreed to in writing.

Article 31

The proceeds of monetary amounts obtained by the Free Trade Zones Bureau from users shall be applied to improving services, promotion and advertising, and for the development and improvement of the zones.

Article 32

Direct users may, throughout the period of duration of their contracts and extensions thereof, assign such contracts to third parties, upon consent by the Free Trade Zones Bureau and its co-contractor for cases of private exploitation.

Disposal of the constructions and installations made or acquired may only be made to the assignee of such contracts, to other users or to the State.

Those contracts shall be considered as non-existent if they have not been previously approved by the Free Trade Zones Bureau.

Article 33

After conclusion of the term of the contract or any extension thereof, the direct or indirect user must vacate the free trade zone. If this is not complied with, the procedure for surrender shall be as provided for in Articles 1309 and ff of the Civil Code of Procedure. The same procedure shall be followed in all cases involving the requirement to vacate.

Article 34

Users may implement improvements and constructions upon the express written authorization of those exploiting the zone.

Any improvements or constructions implemented without such authorization shall remain in favor of the exploiter, without the user being entitled to compensation or reimbursement of any kind, except for the option of the exploiter to compel removal at the expense of the user, without prejudice to any applicable penalties. The provisions of Decree-Law No. 14,219 of 4 July 1974, including all amendments thereto and related provisions shall not apply in free trade zones.

Article 35

In the absence of agreement between the parties, the constructions and improvements implemented by the user upon the authorization of the free trade zone's exploiter (the State or private third parties) shall be paid at the value determined for the date of vacancy.

The parties, including the Uruguayan State, may convene that all conflicts arisen regarding improvements be resolved by means of arbitration.

Chapter VI

About Goods at Free Trade Zones

Article 36

All goods, merchandise and raw materials originated abroad whose destination is a free trade zone must reach such destination immediately following arrival in the country. Such goods, merchandise and raw materials may not remain at any storage site other than those located within Customs premises, and for a time up to the maximum established by the applicable regulations in order to comply with entry into the respective free trade zone.

Article 37

Retail sales shall not be allowed within free trade zones.

Users of free trade zones may issue warrants and deposit certificates in relation to the goods, raw materials and products assigned to them and kept at the free trade zones.

Such certificates shall only be negotiable following endorsement by the Free Trade Zones Bureau.

Article 38

There shall be total freedom for entry to and exit from free trades zones of securities, local or foreign currency, precious metals, due to any reason, in addition to holding, trading, circulating, converting and transferring such items.

Article 39

The regulations to be determined by the Executive Power of Government shall include rules relative to the solution of cases involving goods, merchandise or raw materials abandoned by users at free trade zones, or by their owners or consignors, on the premises or warehouses belonging to such users. A case shall be considered as abandonment following a period of six months after the expiry of the last monetary obligation not complied with.

The Executive Power of Government is hereby empowered to sell such goods, merchandise or raw materials, directly or by means of a public auction, following a valuation. If the goods, merchandise or raw materials are the property of a direct user, all sums obtained will be applied, in the first place, to cover monetary amounts outstanding owed to the Uruguayan State or to the private exploiter. If they are the property of an indirect user, the sums shall be applied to fulfilling the obligations pending with the respective direct user, originated in the contract referred to in item 2 of Article 15 herein. If they are the property of third parties, the sums shall be applied in the first place to the fulfillment of obligations undertaken before the user as a result of the respective contracts relative to storage or consignment. The amounts remaining, if any, are to be deposited at Banco de la Republica Oriental del Uruguay, under the names of the owners of the goods sold, as the case may be.

Creditors of any kind shall be entitled to avail themselves of their rights on the amounts deposited.

In the event that such goods, merchandise or raw materials enter the market, they shall be subject to taxes, encumbrances and charges applicable at the time of being imported. The value subject to taxes will be the one resulting from the valuation or public auction, as certified by the Executive Power of Government.

Article 40

The requirements set forth at present, or to be determined in the future, relative to the mandatory inclusion of national components in goods manufactured, as well as all other regulations restricting, or that might restrict, the entry to or exit from the free trade zones, will not be applicable to the activities performed at free trade zones, except for regulations concerning controls thereof.

Article 41

The Ministry of Economy and Finance shall issue certificates of origin pursuant to the terms and conditions and formalities established by the Executive Power of Government, without the possibility of indicating, on such certificates of

origin, an itemization relative to the origin of products manufactured in non-free-trade territory.

All preferential treatment granted by other countries to Uruguayan exports in regards to certain products and in limited volumes or values, shall be applied to the benefit of preferably the exporting industries of such products that are already installed in the non-free-trade territory. The Executive Power of Government shall implement the actions necessary for such purpose.

Chapter VII

About Penalties and Last Regulations

Article 42

All infringements of and non-compliances with this Law, its regulatory provisions and contractual regulations shall be penalized by the Executive Power of Government by means of:

A) A fine of up to \$ 12,500,000 (twelve million five hundred thousand Uruguayan pesos), subject to adjustments on the 1st day of January of each year, pursuant to the Consumer Price Index published by the National Statistics Institute.

B) Ban on the entry and exit of merchandise and/or the performance of any operation as user for a certain period of time.

C) The interruption of exemptions and other benefits granted by this Law.

Amounts referred to in item A) above are enforced by means of Article 151 of Law No. 17,296 of 21 February 2001.

Article 43

The Executive Power of Government shall regulate this Law and will determine the measures necessary for achieving the simplicity and simplification of all services and procedures relative to the exports and imports of goods from free trade zones. The measures adopted will be those that, in consonance with the benefits granted by this Law and with the necessary controls, allow a greater efficiency and promptness of such operations.

Article 44

It is hereby ruled that the Colonial and Nuevo Palmyra Free Trade Zones, created pursuant to Law No. 7,593 of 20 June 1923, be included in the regulations of this Law.

Article 45

The current users of the Colonial and Nuevo Palmyra Free Trade Zones are hereby included in the provisions set forth in this Law.

Those who carry out simultaneous activities both inside and outside the free trade zones will have a period of one hundred and eighty days from the date of validity of this Law to adapt to the conditions set forth in Article 14 above.

Article 46

The Executive Power of Government shall be responsible for preserving the environment.

Article 47

The entry - to free trade zones - of weapons, gunpowder, ammunition, and other materials used for warlike purposes, as well all materials acknowledged by the Executive Power of Government as contrary to the interests of the country, is hereby prohibited.

Article 48

Decree-Law No. 14,498 of 19 February 1976, and Decree-Law No. 15,121 of 10 April 1981 are hereby abolished, as well as all other regulations contrary to this Law.

Article 49

Be it informed, etc.

Sessions Room of the Senate. Montevideo, 10 December 1987.

- Enrique E. Tarigo, President.
- Mario Farachio, Secretary.

Ministry of Economy and Finance
Ministry of Industries and Energy

Montevideo, 17 December 1987.

Be it complied with, receipt acknowledged, informed, published and included in the National Registry of Laws and Decrees.

SANGUINETTI – LUIS MOSCA – JORGE PRESNO HARAN.