



Investor's Guide



EL NUEVO
ECUADOR

Ministry of Production,
Foreign Trade, Investment and Fisheries

- **MINISTER OF PRODUCTION, FOREIGN TRADE, INVESTMENTS, AND FISHERIES**

María Sonsoles García

- **Vice Minister of Exports and Investments Promotion**

José Villena

- **Undersecretary of Investments**

Nathaly Ortiz

- **Director of Projects and Investments Promotion**

Miguel Álava

- **Projects and Investments Promotion Team**

Gabriela Santiago

Gustavo Castañeda

Andrés Pillajo

©Ministry of Production, Foreign Trade, Investment and Fisheries, 2024.

Rio Amazonas Ave. and Unión Nacional de Periodistas Street
Plataforma Gubernamental Financiera Quito, DM - EC170506.

Quito, Ecuador www.produccion.gob.ec

The partial or total reproduction

The partial or total reproduction of this publication, in any form, and by any mechanical or electronic means, is allowed as long as it is authorized by the editors and if its source is correctly cited.

FREE DISTRIBUTION - SALE PROHIBITED




**EL NUEVO
ECUADOR**

Ministry of Production,
Foreign Trade, Investment and Fisheries

TABLE OF CONTENTS



1. PROFILE OF ECUADOR	02
1.1. General Information	02
1.2. Economic Situation	02
1.3. Ecuador's Exports	03
1.4. Connectivity	04
1.5. Qualified Human Resources	05
1.6. Opening to the World	05



2. HOW TO DO BUSINESS IN ECUADOR?	07
2.1. Taxes	07
2.2. Incorporation of a Company in Ecuador	10
2.3. Labor System and Social Security	11
2.4. How to Import and Export from Ecuador?	14
2.5. How to Register Intellectual Property Assets in Ecuador?	15
2.6. Business visas in Ecuador	15



3. WHY INVEST IN ECUADOR?	17
3.1. Investment Regulatory Framework	17
3.2. Incentives for new investments	18
3.3. Investment Contracts	19
3.4. Incentives for Investments Tourism Sector	19
3.5. Incentives for Investments Renewable Energy	21
3.6. Incentives for Investments Audiovisual Sector	22
3.7. Free Trade Zone Regime	23
3.8. Public - Private Partnership	25
3.9. Investment Project Portfolio	26



4. Ecuadorian Commercial Offices	30
---	-----------

PRESENTATION

The New Ecuador, led by President Daniel Noboa Azin, has prioritized the definition of clear policies and regulations to promote and sustain foreign investment and financing, with several objectives: To facilitate the transfer of new technologies to Ecuador, to strengthen the country's business development, to generate employment, to benefit young people, and to promote tourism.

In this regard, important laws of an urgent economic nature have been approved, such as the Efficiency and Employment Generation Law, the Energy Competitiveness Law, and the Law for the Strengthening of Tourism. The approval of these laws, in record time, has shown the international community the political stability that the Ecuadorian nation is experiencing in.

The Investor's Guide, 2024 edition, has been prepared with the objective of showing that Ecuador is a country of opportunities, with safe public policies and a solid legal and institutional framework for investments.

In 2023, Ecuador's Gross Domestic Product (GDP) grew by 2.4%. This growth was driven by the dynamism of Government Spending, which increased by 3.7%; while Exports increased by 2.3%; Household Consumption, by 1.4%; and Gross Fixed Capital Formation (GFCF), by 0.5%.

On the other hand, the Central Bank of Ecuador has estimated the growth projection for the year 2024 at 1.0%. This forecast considers lower growth rates of Household Consumption (0.7%) and Government Expenditure (1.1%), and recovery of Exports (4.2%) and Gross Fixed Capital Formation (1.3%).

This guide will allow investors to learn about the country's economic situation, competitive advantages, opportunities, incentives, and benefits that Ecuador offers for investment.

For these and many other reasons, Ecuador is the ideal destination for your investments!!

1. Country Profile

1.1. General Information

- **Capital:** Quito
- **Area:** 256.370 Km²
- **Language:** Spanish
- **Time Zone:** GMT-5 horas
- **Population:** 17.9 million inhbs.(prj .2024)
- **Currency:** US Dollar
- **Literacy Rate:** 96.3% (census 2022)
- **GDP:** USD 116.618 millones (2023)
- **GDP Growth:** 2,4% (2023)
- **Annual Inflation:** 2.75% (Interannual variation abr.2024)
- **GDP per capita:** USD 6,822 (forecast. 2024)

SOURCE Banco Central de Ecuador (BCE),
Instituto Nacional de Estadística y Censos (INEC)



1.2. Economic Situation

According to statistics from the Central Bank of Ecuador, in 2023, Ecuador's economic activity slowed down compared to the growth of 2022, registering an expansion of 2.4%. GDP reached a value of USD 116,618 million.

GDP Evolution, chained volume measures
In millions of USD (2018 = 100) and percentage, 2019-2023.



FUENTE: Banco Central de Ecuador (BCE).



According to the National Accounts Results Report for the Fourth Quarter of 2023 and the preliminary year of 2023, the annual growth of 2023 is mainly explained by the increase in the Government's Final Consumption Expenditure by 3.7%, which was related to higher expenditures in remunerations by 6.1% and in purchases of goods and services by 8.5%, following the operations of the General State Budget (PGE).

Within the remuneration item, the increase in the amounts destined for the education and health sectors stands out. In the first case, in 2022, the reforms to the Organic Law of Intercultural Education (LOEI) were published, which allowed the equalization and homologation of salaries for teachers of the National Teaching Profession, generating an increase in the salaries of teachers in the public education system. The increase in the health sector responded to greater purchases of medicines, devices for general use, and clinical and pathology laboratories related to referrals of health care at the national and international level, which allows for maintaining and expanding the coverage of health services.

In addition, it highlights the increase of 1,262 new police officers, reaching 59,000 uniformed personnel in 2023 to strengthen security in the country.

1.3. Ecuador's Exports

In 2023, total exports reached USD 31,126 million with an annual variation of -4.7%, i.e., a reduction of USD 1,532 million compared to 2022.

On the other hand, non-oil exports, in 2023, grew 5.2% compared to 2022, reaching USD 22,175 million. In the case of non-oil products, the evolution of exports of agricultural products such as cocoa stands out with an annual variation of 35.2%, as well as bananas with a variation of 14.1%, and flowers with an increase in exports of 3.8%.

Shrimp is the leading traditional non-oil export product for the fifth consecutive year. In 2023, it reached a total amount of US\$7,205 million and a volume of 1.2 million metric tons (MT).

Finally, during 2023, the main destinations for Ecuador's non-oil exports were: China, the United States, the European Union, Russia, and Colombia.

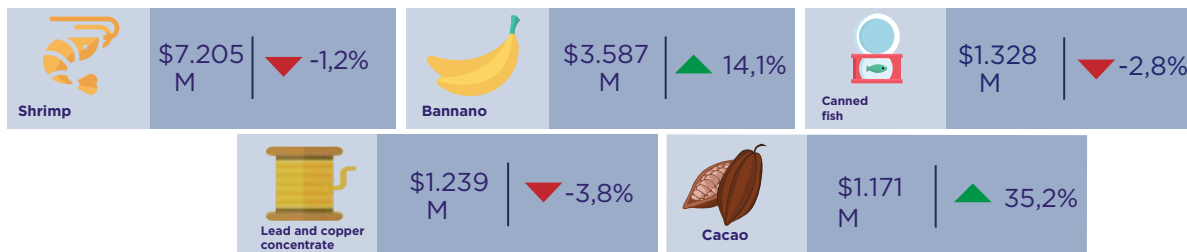




5 MAIN NON-OIL EXPORTS DESTINATIONS.

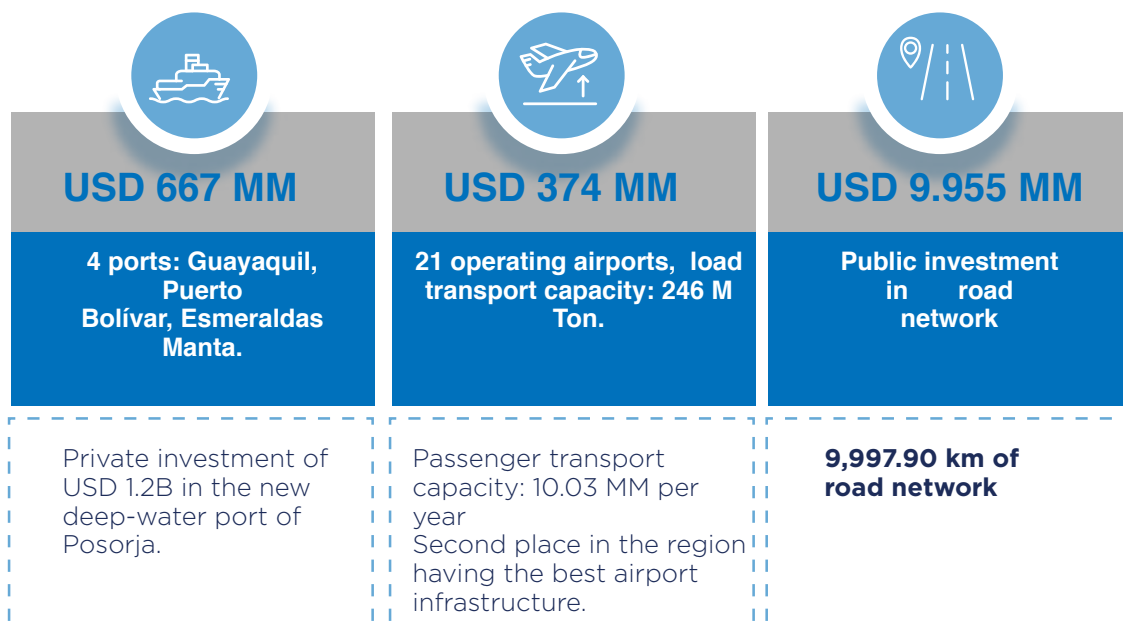


5 MAIN NON-OIL EXPORTED PRODUCTS



1.4. Connectivity

Over the past decade, the government has invested in road, maritime, and airport projects, investments that facilitate the mobility of goods and services in a safe and timely manner.



Source: Accountability of the Ministry of Transportation and Public Works (MTOPI)



1.5. Qualified Human Resources

Ecuador's 2024 Education Investment Plan defines a crucial path to strengthen the country's education system. With a total budget of USD 35,536.04 million, this plan represents a significant commitment to the nation's future, allocating 29.20% of the estimated GDP to this key sector.

The foundation of the plan rests on three fundamental pillars:

- **Infrastructure:** Construction, reconstruction, equipment and maintenance of educational institutions
- **Technology:** Incorporation of state-of-the-art technology, including connectivity, electronic devices, and digital platforms
- **Teaching:** Training, continuing education, and teacher welfare.

While the Education Investment Plan 2024 presents a hopeful outlook, it also faces challenges. It requires efficient and transparent management of resources. Effective implementation of initiatives and constant evaluation of their impact will be key to the plan's success.

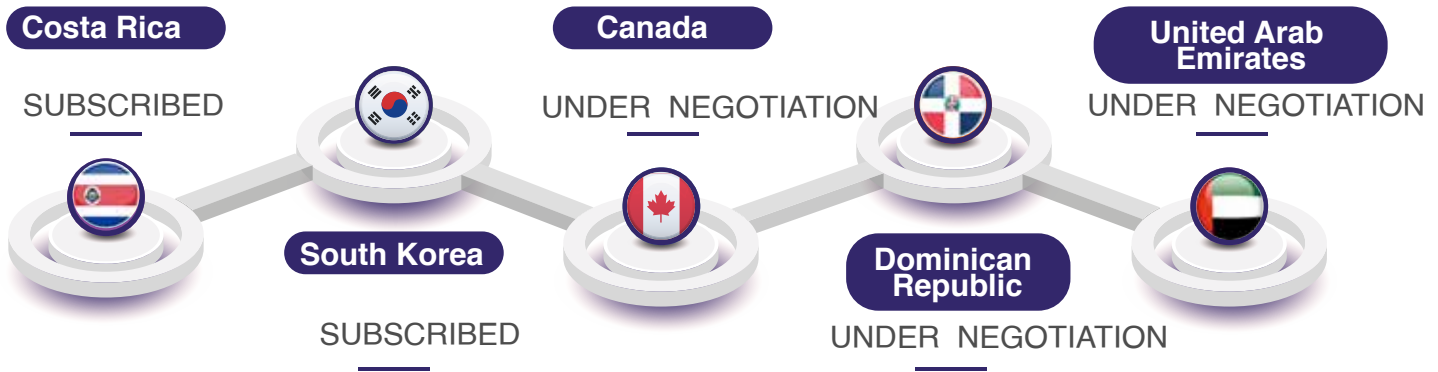
Despite the challenges, the 2024 Education Investment Plan represents a unique opportunity to transform Ecuador's education system. With significant investment in infrastructure, technology, teaching, educational quality, and attention to vulnerable groups, this plan has the potential to prepare new generations to face the challenges of the future and build a more prosperous and equitable Ecuador.

1.6. Opening to the World

To achieve a strategic insertion in the world economy, Ecuador has defined a negotiation agenda aimed at consolidating its main export destinations and opening new markets, diversifying its export basket, and through the reforms adopted at the national level, fostering a stable legal environment for attracting investment. Currently, Ecuador has Trade Agreements with:

The infographic consists of two main sections. The top section is titled 'Trade agreements' and features a circular icon of a handshake. To its right, a blue arrow-shaped box contains the number '12'. Further right, a grid of 12 circular icons displays the logos and flags of various trade organizations and countries: Comunidad Andina, Cuba, Mexico, MERCOSUR, Chile, European Union, Argentina, Uruguay, EFTA, United Kingdom, Peru, and China. Below this grid is the URL <https://www.produccion.gob.ec/acuerdos-comerciales/>. The bottom section is titled 'Double taxation agreements' and also features a circular handshake icon. To its right, a blue arrow-shaped box contains the text 'Signed and in force with con 22 countries.' Below this is the URL <https://www.sri.gob.ec/fiscalidad-internacional2>.

The following is the current status of Ecuador's Trade Negotiations Agenda:



It should be noted that in 2021, Ecuador signed the Convention on the Settlement of Investment Disputes between States and Nationals of Other States, also known as ICSID Convention. This establishes the institutional and legal framework for the settlement of international investment disputes. Currently, bilateral investment treaties are being negotiated with several countries..

WE PROMOTE
THE STRATEGIC INSERTION
OF ECUADOR

in world trade, with the elaboration of clear policies that allow productive development, and the improvement of integral competitiveness, value chains and investments.

2. How to do business in Ecuador?

2.1. Taxes

Ecuador offers clear tax, corporate, and labor regulations, which are key elements for the promotion of investment, entrepreneurship, innovation, and productivity.






In Ecuador, the Internal Revenue Service (IRS) is responsible for collecting the internal taxes established by law.



Ecuador's tax system includes state and local taxes. State taxes are assigned by the central government and local taxes are set by the Autonomous Decentralized Governments (ADG).

o State Taxes

Corporate Income Tax (CIT) for corporations. The following rates will be applied to the taxable base*:

% of IT Rate on the taxable base	Description
22% 	For micro and small companies or regular exporters
25% 	For companies incorporated in Ecuador, as well as for branches of foreign companies domiciled in the country and permanent establishments of foreign companies not domiciled in the country. When the company has shareholders, partners, participants, constituents, beneficiaries, or similar, residents or established in tax havens or lower taxation regimes with direct or indirect participation, it must inform about their participation, according to the tax regulations in force (This is known as the “transparency principle”).
28% 	In the case of companies that do not comply with the transparency principle, companies must pay an additional 3 points of income tax, under current tax regulations.

***Taxable income** - The total taxable income will be reduced by any refunds, discounts, costs, expenses, and deductions attributable to such income.

For more information visit:

<https://www.sri.gob.ec/impuesto-%20renta#%C2%BFcu%C3%A1l-es>



o Value Added Tax (VAT)

It is a tax levied on the value of local transfers or imports of movable goods, at all stages of commercialization and on the value of services rendered.

All persons and companies rendering services and/or transferring or importing goods must pay VAT. The current VAT rate is 0% and 15%.




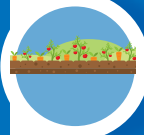

There is also a VAT exemption and refund for the purchase of raw materials and services related to productive activities.

For more information visit:

<https://www.sri.gob.ec/impuesto-al-valor-%20agregado-iva#%C2%BFcu%C3%A1l-es>

o Goods that tax a 0% VAT rate

Raw materials and inputs imported or acquired in the domestic market for the agricultural, aquaculture and fishing sector.

 <p>Mask, oximeters, alcohol and antibacterial gel with a concentration higher than 70%.</p>	 <p>Sanitary pads, tampons, menstrual cups and popular disposable diapers.</p>
 <p>The import of fuel derived from hydrocarbons, biofuels, their blends, including LPG and natural gas, for domestic consumption.</p>	 <p>Leasing of land for agricultural use</p>
	 <p>The services provided for accommodation establishments to foreign tourists.</p>

*Foreign tourists will be considered those who legally enter Ecuador, stay in the country for less than 90 days, and do not have temporary or permanent residence in the country.

o Tax on Special Consumption (TSC)

This tax is levied on the consumption of certain goods (domestic or imported) and services considered to be luxury goods, as detailed in Article 82 of the Internal Tax Regime Law.

For more information visit: <https://www.sri.gob.ec/impuesto-consumos-especiales>



TSC must be paid by:



People and companies that manufacture goods are subject to this tax.



Taxpayers who import goods are subject to this tax.



Taxpayers who provide taxed services.

To pay TSC, the taxable base of the products or services listed on the web portal must be determined:

[http://www.sri.gob.ec/web/guest/impuesto-consumos-especiales#%C2%BFcu%C3%A1l-es, opción “tarifa”](http://www.sri.gob.ec/web/guest/impuesto-consumos-especiales#%C2%BFcu%C3%A1l-es,%20opci3n%20tarifa).

o Tax on Currency Outflow Tax (COT)

This tax is payable on the transfer, remittance, or transfer of foreign currency abroad, whether in cash or through checks, transfers, withdrawals, or payments of any nature. As of April 1, 2024, the current tax on foreign currency outflows rate is 5%.

o Local Taxes - set by municipalities



*The values of the rates to be applied are determined from the taxable base of the products or services.

2.2. Incorporation of a Company in Ecuador

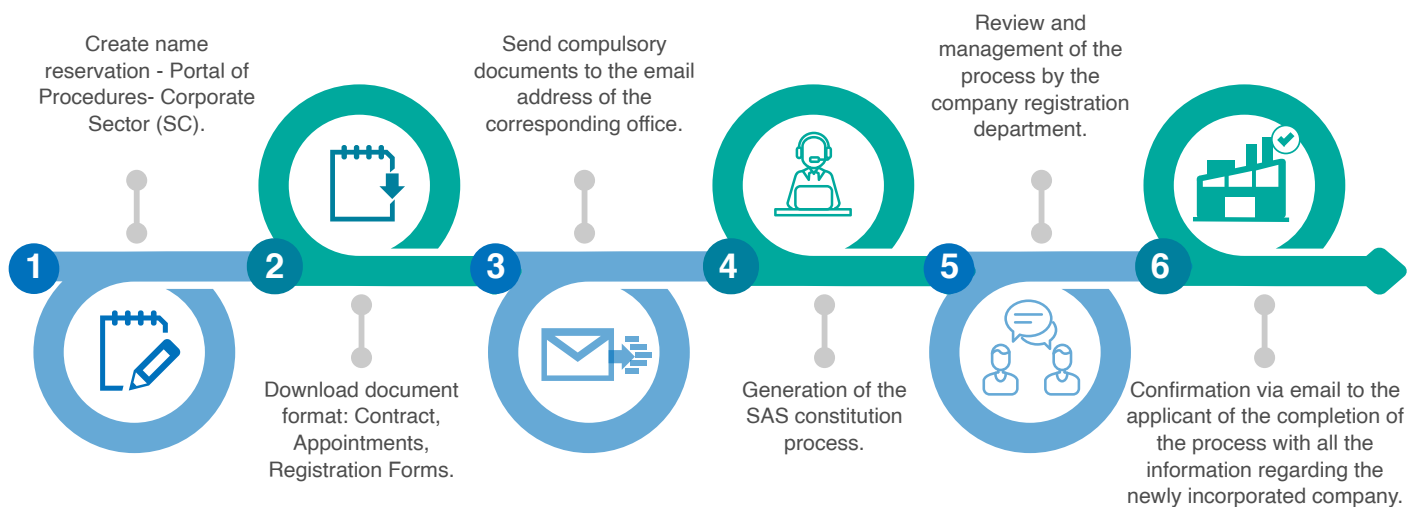
By the provisions of Article 2 of the Article's Law, there are 6 types of commercial companies. However, since the reform carried out in 2020, the Simplified Stock Company (SAS) was created, which allows a more agile and automatic process to be carried out for the incorporation of a company in Ecuador.

o Constitution of a SSC-SAS

It is a type of company that is constituted by one or more natural or legal persons, through a simplified procedure, at no cost. Its objective is to boost the economy through the formalization of enterprises, making them credit subjects and thereby expanding their production processes.

If you have an electronic signature, the constitution could be done in 2 to 3 days. It should be noted that the shares issued by the SAS may not be registered in the Public Stock Market Cadastre or be traded on the stock market.

o Process of Incorporation of a SSC-SAS:



* For more information visit:

<https://www.gob.ec/scvs/tramites/constitucion-sociedades-acciones-simplificadas>



2.3. Labor System and Social Security

a. Labor Code

The Labor Code is the law that regulates the labor relationship between employers and workers and the various types and conditions of work.

The Ministry of Labor is the governing institution of public labor and employment policies, which regulates and controls compliance with labor obligations.

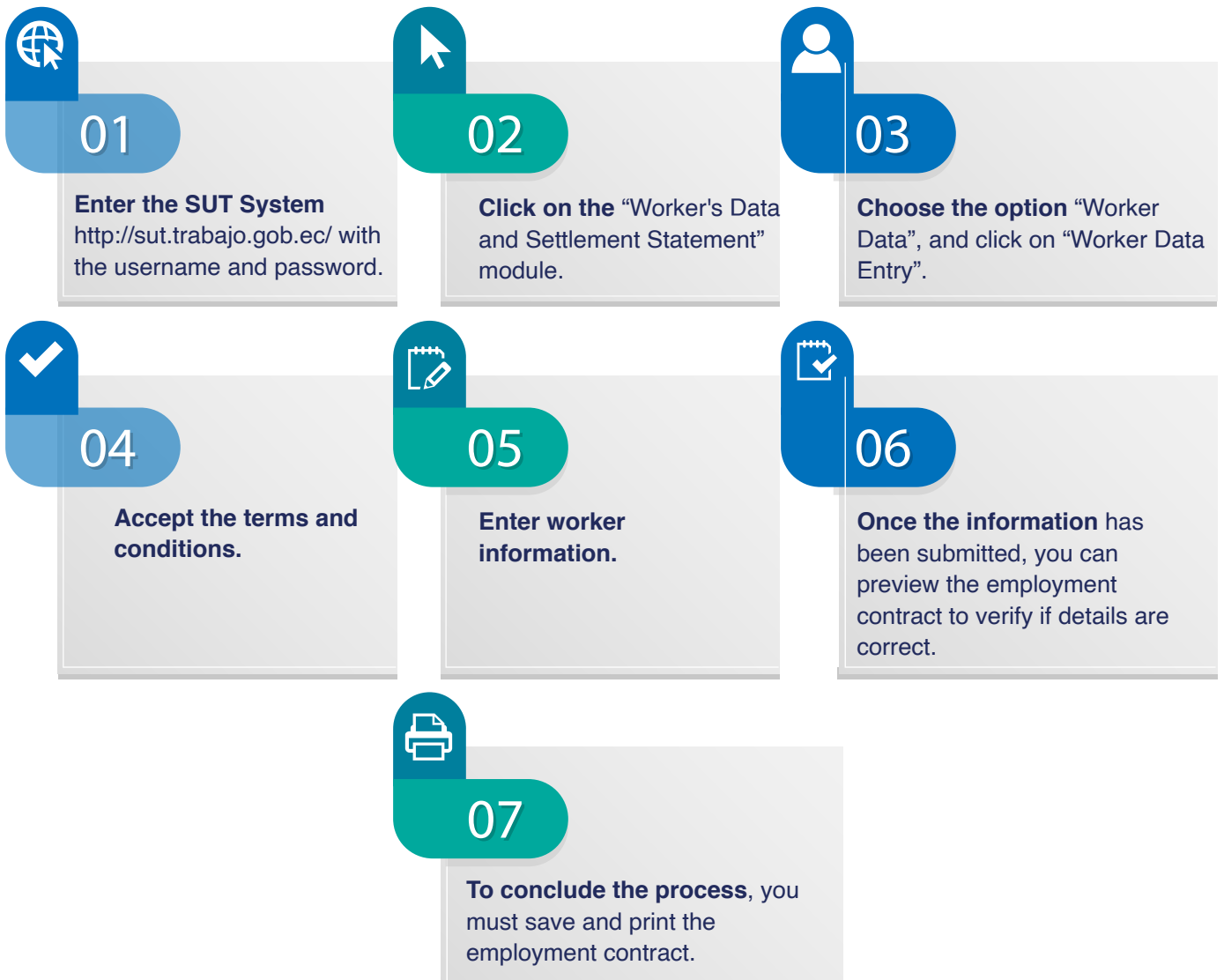
For more information visit: <https://www.trabajo.gob.ec/>

RELEVANT INFORMATION ON EMPLOYMENT CONTRACTS IN ECUADOR	
Unified Basic Salary(UBS)	USD 460 (2024)
Sectoral minimum wages	https://www.trabajo.gob.ec/wp-content/uploads/downloads/2024/01/3.-Salarios-minimos-sectoriales-2024.pdf
Workday	<ul style="list-style-type: none"> • Maximum Workday: It has a maximum of 8 hours per day. • Special Workday: These are regulated by the sectorial and labor commissions. • Night Shift: It is understood as the one carried out between 7 pm and 6 am of the following day. Its remuneration increases by 25%.
Beneficios adicionales para empleados	<ul style="list-style-type: none"> • Thirteenth salary: All payment contributions done during a year are divided into the number of months worked in the year. • Fourteenth remuneration: A basic wage salary paid after the employee has worked for a year. • Pension Scheme: 8.33% of salary received. Compulsory Holidays: From the 1st to the 5th year of work, employees have 15 days; after the 5th year onwards, it is 1 additional day per year. • Profit distribution: 10% paid to employees and an additional 5% paid to employees in proportion to the number of household dependents.

TYPES OF CONTRACTS

- | | |
|--|-------------------------|
| 1. Indefinite | 12. By Task |
| 2. Certain Work | 13. Agricultural |
| 3. Permanent Part Time | 14. At Home |
| 4. Eventual Continuous | 15. Occasional |
| 5. Eventual Discontinuous | 16. Banana Sector |
| 6. Seasonal | 17. Floriculture Sector |
| 7. Learning | 18. Maquila |
| 8. Of Piecework | 19. Transportation |
| 9. Between Craftsmen and Operators | 20. For Teenagers |
| 10. Domestic Service | 21. Free Zone |
| 11. By Work or Service Determined within the business line | 22. Emerging Special |

o Process for generating and registering a contract:



b. Social Security Law

All workers must be affiliated with the Ecuadorian Social Security Institute (IESS), the entity in charge of applying the Compulsory General Insurance System, to all people who work with or without a dependency relationship (contract).

The affiliation is made by the employer on the IESS website (www.iess.gob.ec). Likewise, contributions must be paid until the 15th of each month.

SOCIAL SECURITY	DESCRIPTION
Contributions	<p>Workers under a dependency relationship:</p> <ul style="list-style-type: none">• Employer Contribution: 11.15%• Personal contribution: 9.45%• Contributions to the Ecuadorian Institute of Educational Loans (IECE): 0.5%• Contribution to the Ecuadorian Professional Training Service (SECAP): 0.5%
Employers'system	<p>The employer is obliged, under their responsibility and without the need for a counterclaim, to register the worker or server as a member of the Compulsory General Insurance, from the first day of work, and to send the entry notice addressed to IESS, within the first fifteen (15) days. The employer will notify IESS in the event of salary modification, dismissal from work, or any other relevant event for the affiliated employee's work history, within a time frame of three (3) days after the occurrence of the event.</p>
Employer Registry in the Labour History System: (password request for Employer)	<p>Enter the IESS website www.iess.gob.ec.</p> <ul style="list-style-type: none">•Select the option "employer" - register a new employer.•Enter the RUC, or identification number, and choose the sector that fits the profile (private, public, or domestic).•Enter the mandatory data marked with an asterisk.•Complete the employer registration, input the password request, and the privacy information agreement. <p>Contact IESS agencies at the Universal Service Centers ("Centros de Atención Universal"), carrying the documents that have been requested, to obtain the employer password.</p>



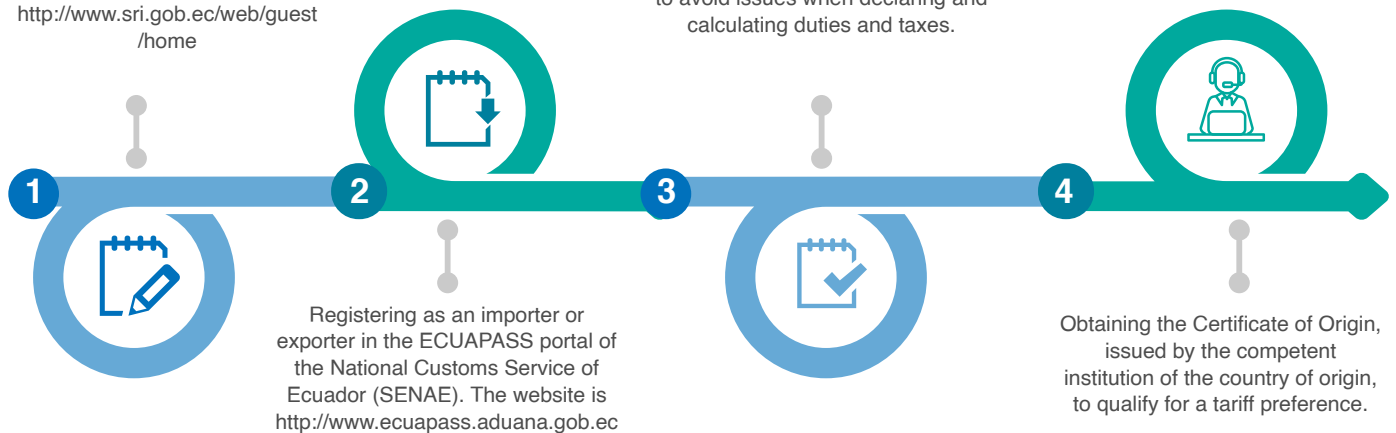


2.4. How to Import and Export from Ecuador?

To import or export from Ecuador, you must previously consider:

Obtaining the Single Taxpayer Registry (RUC) on the Internal Revenue System (SRI) website: <http://www.sri.gob.ec/web/guest/home>

Verifying the tariff nomenclature of products to be imported or exported, to avoid issues when declaring and calculating duties and taxes.



The National Customs Service of Ecuador (SENAE) is the competent authority in customs matters, to facilitate foreign trade and control the entry and exit of goods, cargo units, and means of transport through borders and customs zones.



SENAE determines and collects customs duties caused by the import and export of goods. For more information on the requirements and procedures for importing and exporting in Ecuador, please click on the following links: <https://www.aduana.gob.ec/para-exportar/> o <https://www.aduana.gob.ec/para-importar/>.



2.5. How to Register Intellectual Property Assets in Ecuador

The National Service for Intellectual Rights (SENADI) is the body in charge of protecting, promoting, disseminating, and conducting the proper use of Intellectual Property in three different areas: Industrial Property, Copyright, and Plant Varieties.

- 1 **Requirement for the registration of works**
<https://www.derechosintelectuales.gob.ec/requisitos-de-tramite-de-derechos-de-autor/>
- 2 **Requirements for trademark registrations**
<https://www.derechosintelectuales.gob.ec/como-registro-una-marca/>
- 3 **Requirements for patent registration**
<https://www.derechosintelectuales.gob.ec/como-registro-una-invencion/>

2.6. Business visas in Ecuador

a. Temporary Resident Investor Visa

The Ministry of Foreign Affairs and Human Mobility (MREMH), regulates the immigration status and stay of foreign citizens who invest in goods or economic resources of lawful origin to carry out productive and commercial activities, legal representation, proxies, and administrative positions to settle down and carry out lawful activities with a regular immigration status.

For this reason, the MREMH grants temporary residence visas for investors, which authorizes a two-year stay in Ecuadorian territory, with multiple admissions, and may be renewed as many times as required by the petitioner (*).

It is issued through the Diplomatic Missions or Consular Offices of Ecuador abroad and in the Zonal Directorates within Ecuador.

The Visa application fee is USD 50.00; once authorized, USD 270.00 must be paid. VAT is not levied. A 50% discount is applied for senior citizens (65 years and older), nationwide.

A 100% exoneration is applied at the national level, to people with a disability of or above 30%, presenting the disability card issued by the Ministry of Public Health of Ecuador.

Special Requirements:

- Title, policy, or certificate of deposit for a minimum term of seven hundred and thirty (730) days, issued by a credit institution recognized by the Superintendency of Banks or the Superintendency of Popular and Solidarity Economy, for an amount equivalent to and not less than seventy (100) unified basic salaries of the worker in general; or,
- Sale contract of a property located in national territory, in which the owner of the property is, (*) Article 60 of the Organic Law of Human Mobility 14 Stated, registered in the Property Registry of the respective canton, whose amount is not less than eighty (100) unified basic salaries; or,

(*) Artículo 60 de la Ley Orgánica de Movilidad Humana

- A document that proves the ownership of shares or stakes in an Ecuadorian company, for an amount not less than one hundred (100) unified basic salaries, duly registered with the Superintendency of Companies, Securities, and Insurance
- Copy of the public deed of the investment contract signed with the Ecuadorian State, valid; or
- Copy of the delegated management deed signed with entities of the central or decentralized autonomous governments, valid; o
- Copy of the administrative contract of any nature, which is subscribed with the State.
- The process of obtaining an Investor Visa is detailed below, as a blended procedure, which can be carried out at consular offices abroad.

For more information:

<https://www.gob.ec/mremh/tramites/concesion-visa-residencia-temporal-inversionista>

b. Temporary Work Residence Visa

This visa is aimed at all foreigners who intend to settle in the country to carry out lawful activities and work with a regular immigration status.

This type of visa is issued through the Diplomatic Missions or Consular Offices of Ecuador abroad and in the Zonal Directorates within Ecuador, and its application has a cost of USD 50, while the granting of the visa is USD 270 and does not levy VAT. A 50% discount is applied for senior citizens (65 years and older), nationwide.

A 100% exoneration is applied at the national level, for people with a disability of equal or above 30%, presenting the disability card issued by the Ministry of Public Health of Ecuador.

Special Requirements:

- Personnel action or employment contract issued by the corresponding public or private entity.
- Certificate of registration of the contract issued by the Ministry of Labor
- (Employer) Certificate of no outstanding obligations with the Internal Revenue Service, the Ecuadorian Institute of Social Security, and the Superintendence of Companies, issued by the competent authority in each case.

For more information:

<https://www.gob.ec/mremh/tramites/concesion-visa-residencia-temporal-trabajo-actividades-laborales-relacion-dependencia>



3. Why Invest in Ecuador?



Ecuador is a country with great opportunities for investment. The national legislation offers a renewed legal framework for the establishment of free trade zones, the creation of public-private partnerships, the competitiveness of the energy sector and the development of the tourism sector; instruments that seek to generate employment, but that mainly provide a favorable and ideal business climate to reposition the country as an attractive destination for foreign investment.

3.1. Investment Regulatory Framework

Since the late nineties, Ecuador has been working on a series of regulations with tax and customs incentives, creating an ideal scenario for investors, with stability, legal predictability, tax incentives, and secure mechanisms for dispute resolution.

The regulatory framework for investments in the country is summarized in the following laws:

01

Organic Code of Production, Trade and Investment (COPCI).

02

Economic Efficiency and Employment Creation Law 2023.

03

Organic Law of Incentives for Public Private Associations.

04

Energy Competitiveness Law 2024.

05

Tourism Law 2024.



3.2. Incentives For New Investments

Investment incentives are contemplated in the COPCI, the Reform Law for Tax Equity, the Law for Economic Efficiency and Employment Generation, the Organic Law for Energy Competitiveness and the Law for Strengthening Tourism. The following are the main tax exemptions available to new investments in Ecuador:

Incentives for new investments

TAX	DESCRIPTION	PERIOD
Income Tax	Up to 3 percent reduction on the Income Tax rate.	15 years
Income Tax	Up to 5 percent reduction on the Income Tax rate for companies that sign an Investment Contract.	For the term of the contract or up to equal the investment amount (whichever comes first)
Import Tariffs and Currency Outflow Tax (or Exit Tax)	Exemption on Import Tariffs, exemption on Currency Outflow Tax (or Exit Tax) for companies that sign an Investment Contract, and import capital goods and raw materials necessary for the investment.	For the term of the contract, for each transaction

The requirement to enter into an Investment Contract: The new and productive investment as defined by COPCI must be \geq USD 1 million, and at least USD 100,000 during the fiscal year in which the investment contract is requested to be entered into or in the subsequent year.

3.3 Investment Protection Agreement

It is a contract between a private investor (legal entity) and the Ecuadorian State, executed through a public deed.

Ecuador, through investment contracts, or protection agreements, offers national and foreign investors a series of benefits that the businessman can request in order to guarantee new and productive investments.

BENEFICIOS:

- ✔ Stability of tax incentives during the term of the contract.
- ✔ 5% income tax rate reduction.
- ✔ Tax exemption on the Currency Outflow Tax for imported capital goods and raw materials.
- ✔ Tariff exemption on imported capital goods and raw materials.
- ✔ Tax stability for investments of over USD 100 million during the term of the contract.
- ✔ Stability of essential legal norms for the execution of the project (that have been declared as such in the enabling title).



3.4 Incentives for Investments and the Development of the Tourism Sector

Ecuador's Incentives for Foreign Investment in the Tourism Sector

The Ecuadorian government has prioritized attracting foreign capital, which is reflected in various benefits for Foreign Direct Investment (FDI) in general, as well as special conditions for tourism-related projects. The Ley Orgánica de Eficiencia Económica y Generación de Empleo (Organic Law of Economic Efficiency and Job Creation) from December 2023 introduces the following tax incentive:

Tax Incentive for the Tourism Sector:

- 100% Income Tax Exemption for new investments in tourism of at least USD 100,000, for a period of up to 7 years. The total accumulated reduction cannot exceed the amount of the investment.



In addition, the **Ley para el Fortalecimiento de las Actividades Turísticas y Fomento del Empleo (Law for Strengthening Tourism Activities and Promoting Employment)** offers further incentives and adjustments to regulations, designed to facilitate the development of the tourism sector. This initiative aims to improve air connectivity, prevent business closures, protect jobs, attract airlines, and make airfares more competitive, among other benefits.

Key Incentives Established by This Law:

1. Reduction of the Exit Tax (ISD) for Airlines:

- ✔ A reduction of the Exit Tax (ISD) to 0% for all airlines, both national and international. This measure is designed to improve the competitiveness of the air sector, foster more equitable competition, and eventually lead to reduced airfare costs.

2. Payment Facilities with SRI, IESS, and the Financial System:

- ✔ Tourism sector taxpayers registered with the National Tourism Registry who have failed to meet their obligations with the Internal Revenue Service (SRI) by fiscal year 2023 will have up to 24 months to settle their debts.
- ✔ Obligations with the Ecuadorian Institute of Social Security (IESS) can also be deferred for up to 24 months. Micro, small, and medium-sized enterprises (MSMEs) in the tourism sector can defer the payment of income tax for the 2024 fiscal year, without interest or penalties, for up to 24 months.
- ✔ Financial institutions are required to establish special, preferential, and simplified processes for resolving financial obligations for tourism service providers registered with the National Tourism Authority. This is especially important for businesses affected by external challenges such as natural disasters, social or political instability, or economic crises, including declarations of states of emergency.

3. Progressive Reduction in Aviation Fuel Taxes:

- ✔ Progressive reduction of the aviation fuel tax from 5% to 0% on each gallon of aviation fuel used for international commercial flights. According to Article 31 of the Civil Aviation Law, this percentage will be reduced by 1 percentage point per year until reaching 0%.

4. Elimination of 25% Withholding Tax for Artists Providing Tourism Services:

- ✔ The 25% withholding tax on artists providing tourism services will be eliminated. This will encourage cultural and entertainment activities within the tourism sector.

5. Income Tax Deductions for Security Expenses:

- ✔ Taxpayers registered with the National Tourism Registry can deduct an additional 50% of expenses related to security measures, such as the purchase of alarm systems, security personnel, and surveillance cameras, for the 2024 fiscal year.

6. Exemption from Local Taxes for Investment Projects:

- ✔ For investment or reinvestment projects in tourism that are certified by the Ministry of Tourism and that have benefited from the 7-year income tax exemption, local authorities (municipal councils or metropolitan governments) can offer full exemption from local taxes, rates, and contributions for a period of 7 years. This can significantly reduce the cost of doing business for tourism investors.



- ✔ Decentralized Autonomous Governments (GADs) are also allowed to offer additional incentives beyond those specified in the law, including incentives for investments in tourism infrastructure, tourism activities, and the preservation of cultural and natural heritage within their jurisdictions.

✔ **Deduction of Income Tax for Security Expenses**

Taxpayers registered in the National Tourism Registry will be able to deduct an additional 50% for the calculation of Income Tax (IR) on expenses related to security measures, such as the acquisition of alarm systems, security personnel services, and surveillance cameras, during the 2024 fiscal year.

✔ **Exemption from Local Taxes for Investment Projects**

In the case of investment or reinvestment projects in tourism that are qualified by the Ministry of Tourism and have been granted the 7-year income tax exemption, municipal or metropolitan councils, through ordinance, may delegate to the corresponding administrative unit the qualification of such projects and the total exemption from taxes, fees, and municipal contributions for a period of 7 years.

Decentralized Autonomous Governments (GADs), within their competencies, may establish additional incentives to those specified in this law for the tourism sector, such as incentives for investments in infrastructure, tourism activities and modalities, and the preservation of cultural and natural heritage within their respective territorial jurisdiction.

These incentives are part of a set of measures designed to promote the sustainable growth of tourism in our country and improve the competitiveness of the sector.

3.5 Incentives for Investments in Renewable Energy in Ecuador

Ecuador offers a renewed legal framework to foster investment in the renewable energy sector.

The Law of Economic Efficiency and Job Creation exempts new investments in renewable energy and projects related to the industrialization of natural gas and its derivatives from paying Income Tax (IR) for 10 years.

The Energy Competitiveness Law complements this by promoting solar, wind, and biomass energy generation projects. This law amended the Organic Law of Public Electric Energy Service, the Organic Law of Energy Efficiency, and other related laws. Key measures include:

- ✔ Prioritizing electricity generation using the organic fraction of solid waste (biomass) as part of energy efficiency measures in decentralized public planning.
- ✔ Creating the National Energy Efficiency Investment Fund (FNIEE) to finance plans, programs, projects, and activities contributing to the goals of the National Energy Efficiency Plan.

100% additional deduction for depreciation and amortization expenses on machinery, equipment, and technologies used in distributed generation systems for self-supply with non-conventional renewable energy sources.



Exemptions on importing agricultural machinery that operates with clean energy sources, among others.



3.6 Incentives for Investments in the Audiovisual Sector

The incentives for investments in the audiovisual sector are outlined in the Organic Law for Digital and Audiovisual Transformation. Below are the main tax exemptions available for new investments in this sector:

Tax/ Figure	Description
Trade tariffs	Exemption from customs duties, taxes, levies, fees or contributions under the consumption or temporary internment regime for the importation of goods required for audiovisual production.
Currency Outflow Tax	Exemption to foreign payments for audiovisual productions, artistic and cultural activities.
Income tax	Companies will not be subject to income tax withholding at the source for payments abroad for payments abroad for the rendering of audiovisual production services.
Value Added Tax	VAT exemption for digital services recognized by the SRI, when they provide their expertise, goods or any other kind of technical support to all stages of production of national audiovisual content.
Audiovisual investment Certificate (AIC)	Tax credit for domestic and foreign production companies for 37% of the costs and expenses incurred in Ecuador in audiovisual and logistics services.

* Taxpayers in the audiovisual sector who benefit from exemptions and tax credit certificates must hire local and national suppliers of works, goods, and services for the development of their projects.





3.7 Free Trade Zone Regime

Free Trade Zones are an excellent tool for attracting investment, generating employment, and developing the area in which they are located. They are delimited geographical areas, subject to special foreign trade, customs, and tax regimes where industrial activities of goods, services, and logistics are developed.

On December 20, 2023, the Organic Law of Economic Efficiency and Employment Generation was published, which reformed the COPCI, repealing the Special Economic Development Zones (ZEDES) regime and introducing a new Free Trade Zones regime in the Ecuadorian legal system.

a. Permitted Activities

1) **Industrial Goods:** These are the areas that will be used for the processing, transformation, assembly, repair, and conditioning of goods through the handling of raw materials, inputs, or semi-finished products such as:

- Manufacturing
- Agriculture
- Agribusiness
- Fishery or aquaculture product processing
- Processing of forestry products
- Other as indicated by the Strategic Committee for Promotion and Attraction of Investments (CEPAI)

2) **Industrial services:** These are the areas that will be destined for the development, creation, innovation, and/or research of the following:

- ● Tourism
- Repair, cleaning, or quality testing of goods
- Auditing, consulting, management, administration, brokerage, and similar professional services
- Telecommunications, information technology systems, and any other similar or related services

- Medical and dental assistance and, in general, all healthcare services
- Scientific, technological research, and any other branch of research
- Technical support, maintenance, and repair of equipment, ships, aircraft, or any type of machinery.
- Others indicated by CEPAL.

3) Commercial and Logistics: It is the area of the Free Zone to carry out activities of trade of goods for import, export, or re-export. Commercial” are all the services of logistics, handling, recycling, exhibiting, assembling, refining, consolidation or deconsolidation, repair, maintenance, cleaning and conditioning of cargo units and others defined by the Strategic Committee for the Promotion and Attraction of Investments, CEPAL.

b. Prohibited Activities

The activities prohibited in Free Trade Zones are the following:

- 1) Mining extraction;
- 2) Exploration or extraction of hydrocarbons;
- 3) Production or commercialization of weapons and ammunition containing depleted uranium;
- 4) Companies engaged in the production or commercialization of any type of weapons.

Said list may be expanded by the CEPAL, with guidelines from the Ministry in charge of the environment..

c. Free Trade Zone Interveners

User Operator: Legal entity whose main activity is to facilitate the installation of companies (users) to establish themselves and carry out activities in the Free Zones (It can be private, public, or of mixed national or foreign economy).

Users: Legal entity of private, public, or mixed national or foreign law that is qualified by the user operator to carry out activities in the Free Zones.

Support services: Individuals or legal entities that can provide services to users and operators (security, maintenance, coffee shops, restaurants, medical and dental care for employees of users and operators).



3.8. Public-Private Partnerships

On December 20, 2023, the Organic Law of Economic Efficiency and Employment Generation was published, and in its Book II, it introduces a new regime for the attraction of investments, through projects under the Public-Private Partnership (PPP's) modality.

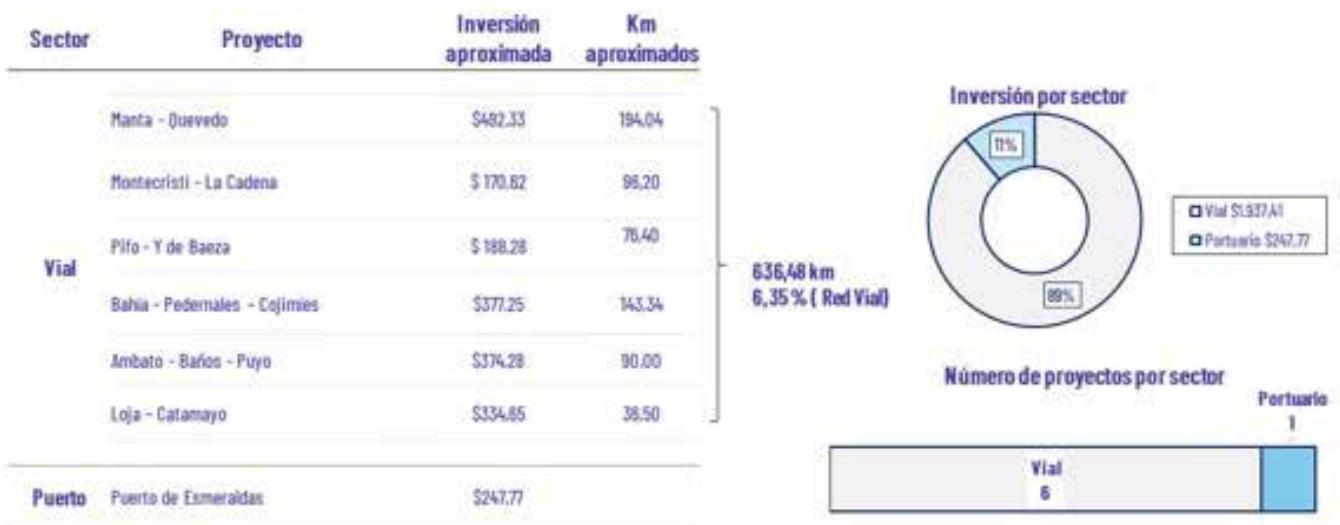
A Public-Private Partnership (PPP) is defined as a long-term delegated management contract between a public sector entity and a private manager for the development and/or management of a public asset or the provision of a public service.

The Private Manager assumes significant risks and responsibilities during the term of the contract and the consideration is linked to the performance concerning the level of service and availability of the existing or new infrastructure.

The Public-Private Investment Secretariat (SIPP) is the institution in charge of making investments for infrastructure and public services viable, with management delegated to the private sector. In this sense, it presides over the Interinstitutional Committee of Public-Private Partnerships, which has defined a "Pipeline" with 8 projects, in two sectors (Road and Port).

PPP PORTFOLIO

Proyectos en el Registro Nacional APP



Source:

<https://www.appecuador.gob.ec/portafolio-de-proyectos-publicos-con-participacion-privada/>



3.9. Investment Projects Portfolio

The Ministry of Production, Foreign Trade, Investment and Fisheries has prepared a portfolio of projects to guide investors and financial institutions, both national and international, on the investment opportunities that Ecuador has to offer.

- ① Public-Private Investment
- ② Private Investment

For more information click here:

Spanish



English



4. Ecuadorian Commercial Offices Abroad

To position the country in international trade, Executive Decree No. 288, dated May 31, 2024, created the Institute for the Promotion of Ecuador - Pro Ecuador, attached to the Ministry of Production, Foreign Trade, Investment and Fisheries, as the entity in charge of executing policies, regulations, plans, programs and projects related to the promotion of Ecuador.

In this context, Pro Ecuador will promote international strategic investment in sectors whose promotion is of national interest, for which it has a network of commercial offices around the world.

PRO ECUADOR has a network of **24 commercial offices in 21 countries**, which puts Ecuador within reach of the largest and most important international markets.




- | | | |
|---|---|--|
|  Ottawa, Canadá |  Lima, Perú |  Moscú, Rusia |
|  Nueva York, EE.UU. |  Santiago de Chile, Chile |  Estocolmo, Suecia |
|  Los Ángeles, EE.UU. |  Hamburgo, Alemania |  Ankara, Turquía |
|  Miami, EE.UU. |  París, Francia |  Beijing, China |
|  Ciudad de Guatemala, Guatemala |  La Haya, Países Bajos |  Cantón, China |
|  Buenos Aires, Argentina |  Milán, Italia |  Tokio, Japón |
|  Sao Paulo, Brasil |  Madrid, España |  Seúl, Corea del Sur |
|  Bogotá, Colombia |  Londres, Reino Unido |  Mumbai, India |


Learn more about our investor services:



 <https://www.vui.gob.ec/>

Contact US:

 Ministry of Production, Foreign Trade, Investment and Fisheries

 (593 4) 2591370

 inversiones@produccion.gob.ec





EL NUEVO
ECUADOR 

**Ministry of Production,
Foreign Trade, Investment and Fisheries**



PRO ECUADOR
Negocios sin fronteras

 @facebook

 ProduccionEcu

 @Produccion_Ecu

www.produccion.gob.ec