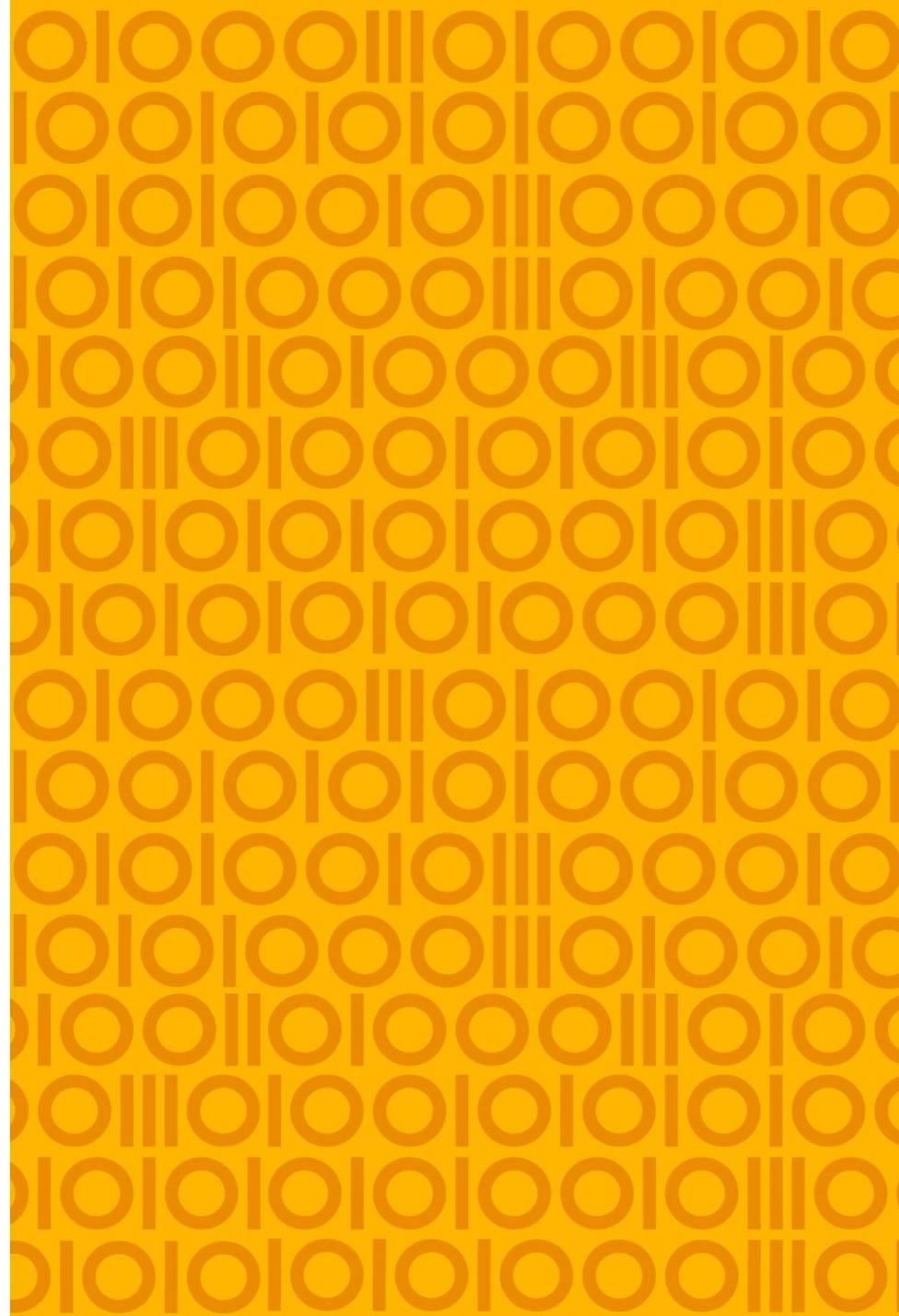


Tax Insight

Origin of goods MERCOSUR and Free Zones

September 2019



Summary

In line with unnumbered Decree issued by the Executive Power on September 2, 2019, the National Customs Office has been appointed as the entity authorized to issue a Secondary Certificate for the totality or some of the goods stored in the warehouses located in Free Zones.

The Decree also provides certain guidelines on how customs brokers and Free Zone users should proceed in order to request such Certificate.

Next we will summarize the main regulations arising from the above Decree.



Resolution CMC 33/15

As we mentioned in the Tax Insight from last June, Resolution 33/15 issued by Mercosur establishes that those goods originating in the countries of the bloc or in third countries (having previously entered into an agreement with Mercosur) shall continue to be regarded as originated in Mercosur whenever they enter a Free Zone (FZ), provided their tariff classification and origin attested by the accompanying certificate remain unchanged.

The enforcement of the provisions in relation to the members of the bloc has been effective since last July, once the process of subscription to internal legal systems and official notifications was completed.

At a local level, as far as the regulation of the above provisions is concerned, the Executive Power (EP) issued a Decree (yet to be numbered) so as to regulate the certification of goods originated in Mercosur and stored in warehouses located in FZ.

Next we will go through the main provisions of said Decree.

Decree September 2, 2019

For the purpose of certifying the goods originating in Mercosur that enter the FZ, the National Customs Office (NCO), Executive Unit of the Ministry of Economy and Finances, has been appointed as the entity authorized to issue Secondary Certificates (SC).

SC are documents which certify that for each of the goods therein there exists a certificate attesting their origin from Mercosur or from a third country with which the latter maintains a trade agreement. SC can only be issued when the goods are accompanied by a valid certificate of origin.

Among other provisions, the Decree establishes that:

- i) The data to be submitted by users to the NCO about goods for which the SC must be requested.
- ii) The monitoring duty to be performed by FZ users with regard to the goods that have been stored in FZ warehouses for which the SC must be requested.

Decree September 2, 2019

- iii) The monitoring duty to be performed by the NCO so as to report on the number, balances and destination of the goods under scope of the regime.
- iv) The documentation that is necessary for requesting the SC before de NCO, which is to be provided by the FZ user or the customs broker.
- v) The cost of each SC to be issued by the NCO (2 IU).
- vi) The information that will be included in each SC to be issued by the NCO.

Moreover, the Decree establishes a term of 45 days in order for the NCO to implement their provisions. In so doing, the customs authority will be in charge of setting the guidelines for the practical implementation of the regime in question.

Having a team that specializes in Foreign Trade and Customs Matters enables us to assist our clients in the monitoring and procedures necessary for requesting the SC, as well as in the practical implementation of the other newly introduced regulations.

Opportunities for Uruguay

The FZ regime stands out as one of the most powerful tools to attract investors in our country as it can guarantee their users, subject to certain conditions of substance and economic reality, they will be exempted from existing or future taxes.

It takes advantage of another key element to assess potential investments: the benefits that may arise from the trade agreements signed by Uruguay in its capacity as member State of the Mercosur. Among these is the application of reduced tariffs or no tariffs over the trade of goods with said trade partners.

Both benefits have turned out to be incompatible until now, given that as soon as they “touched” the FZ, they would lose their origin and, hence, the benefits under the trade agreement would not apply.

Pursuant to what has been established in the referred Decree, both tools are now compatible, which means they grant more benefits to both settled companies and potential investors who take Uruguay into consideration for the purpose of international business.

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