

Setting up a Business in Ecuador

This document provides an overview of the essential steps involved in establishing a business in Ecuador as a foreign investor. It highlights key requirements under the investment laws of each country, focusing on sectors where foreign participation is unrestricted, limited, or requires government authorization. By understanding these legal frameworks, investors can navigate potential challenges and leverage unique opportunities in each market.

Please note that this guide is intended as a general reference. For advice tailored to your specific circumstances, it is strongly recommended that you consult a qualified legal or financial advisor.

I. Legal Framework for International Investments: Key Considerations

Ecuador's investment landscape is governed by the Organic Law for Productive Development, Investment Attraction, Employment Generation, Stability, and Fiscal Balance (*Ley Orgánica para el Fomento Productivo, Atracción de Inversiones, Generación de Empleo y Estabilidad y Equilibrio Fiscal*). This legislation seeks to enhance foreign investment by offering significant tax incentives and robust regulatory protections. Tax exemptions of up to 20 years are available in priority sectors such as renewable energy, agribusiness, and tourism, while investments in less developed regions may also qualify for similar exemptions for up to 15 years. Stability contracts further strengthen investor confidence by ensuring that tax and regulatory conditions remain unchanged for a specified period, providing an added layer of security.⁹

However, Ecuador imposes restrictions on foreign investment in sectors deemed vital to national interests. Foreign involvement in oil extraction depends on specific government contracts, and the telecommunications and mining sectors have additional regulatory requirements and limitations.¹⁰ Accordingly, it is crucial for investors to familiarize themselves with Ecuador's regulatory landscape and seek guidance from local experts to ensure compliance with national laws and requirements, thereby reducing potential risks.

II. Starting a Company: A Foreigner's Guide

Setting up a business in Ecuador as a foreign investor requires navigating the local legal and regulatory frameworks. This process involves several key steps, including selecting the appropriate legal structure, preparing the necessary documentation, and registering with the relevant governmental authorities. Below is a summarized overview of the process for:

a. Business Registration Process

KPMG. (n.d.). *Investment in Central America: Panama*. Available at: <https://assets.kpmg.com/content/dam/kpmg/pa/investment-in-central-america/EN-Panama-Investment.pdf>⁸

United Nations Conference on Trade and Development (UNCTAD). (2020). *Investment Policy Review: Ecuador*. UNCTAD.⁹ Available at: <https://investmentpolicy.unctad.org/investment-policy-review/62/ecuador>

Id.¹⁰

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In Ecuador, the business registration process begins with the registration of the business name at the National Service of Registration and Control of Companies (*Superintendencia de Compañías*). After securing the name, entrepreneurs must gather and submit various documents to obtain a tax identification number (*RUC*) and comply with sector-specific requirements before being granted the operating license. The government has established a framework that aims to simplify the registration process for foreign investors while ensuring compliance with national regulations.¹¹

b. Selecting the Right Legal Structure

Ecuadorian business law offers the *Compañía Anónima* (S.A.) and *Compañía de Responsabilidad Limitada* (Cía. Ltda.) for new ventures. An S.A. structure, with its share-issuing capability, suits companies aiming for larger investment opportunities and potential public offerings, while the Cía. Ltda. is tailored to smaller enterprises, with simpler management and fewer compliance demands. This structure provides liability protection without the extensive governance of an S.A., making it popular among small business owners in Ecuador.¹²

c. Required Documentation

To establish a business in Ecuador, entrepreneurs need similar foundational documentation. The Articles of Incorporation remain central for legally creating the business entity, complemented by identification documents for all partners. Depending on the industry, sector-specific permits or licenses may also be required. Preparing these documents thoroughly helps prevent delays in the registration.¹³

d. Registration with Relevant Authorities

In Ecuador, completing the registration process involves enrolling with the Superintendency of Companies (*Superintendencia de Compañías, Valores y Seguros*) as well as local government authorities. This ensures that the business is officially recognized and adheres to Ecuadorian regulatory standards.¹⁴

e. Additional Considerations for Foreign Investors

Ecuador's investment landscape includes special economic zones with incentives for foreign investors. Familiarity with specific requirements and potential benefits for investors can support efficient and effective investment strategies.¹⁵

III. Taxation and Banking Compliance for Foreign Investors

Deloitte. (2023). *Doing business in Ecuador*. Available at: <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Legal/dttl-legal-doing-business-in-ecuador.pdf>¹¹

Biz Latin Hub. (2024). *Different types of companies / legal entities in Ecuador*. Biz Latin Hub. Available at: <https://www.bizlatinhub.com/main-company-types-ecuador/>¹²

Id.¹³

Id.¹⁴

Id.¹⁵

Ecuador's corporate tax rates range from 22% to 25%, depending on taxable income, with a 12% VAT on most goods and services, affecting profitability and urging foreign businesses to plan ahead. Additional taxes, such as the Foreign Capital Tax and Special Tax on Certain Financial Transactions, may further impact foreign companies' investment choices and operating expenses.¹⁶