

SETTING UP A CORPORATION IN ECUADOR

Most frequent used form of corporations in Ecuador are Limited Liability Companies (S.A.), and Limited Responsibility Company (Cia. Ltda). In case of foreign companies they also consider to establish local branches. Particulars are as follows:

Limited Liability Company: (S.A.)

These companies are incorporated with a minimum of 2 shareholders, and with no limit of shareholders. Minimum subscribed Capital is USD 800, which has to be paid at incorporation time with at least the 25% of said capital. Remaining capital must be paid in no more than 2 years.

Shares are freely transferable by shareholders.

Limited Responsibility Company: (C. Ltda.)

These companies are incorporated with a minimum of 2 shareholders, with a limit of 25 shareholders. Minimum subscribed Capital is USD 400, which has to be paid at incorporation time with at least the 50% of said capital. Remaining capital must be paid in no more than 1 year.

A shareholder is not able to transfer shares unless there is the approval of the other partners in the general meeting of shareholders. Once the authorization is granted, the transfer of shares is to be done in a public deed before a Notary Public, and the transfer documents should be sent to commercial register for registration.

Local branch for foreign company

In order to obtain the authorization to establish a foreign company branch, the foreign company must provide to Ecuador Companies Agency adequate support of the Board of Shareholders/Directors decision. Minimum capital assigned to a branch is USD 2,000. The company has to appoint a local representative with full powers. The POA has to be approved by the Ecuador Companies agency and duly registered.

Shareholders:

Foreign companies are able to appear as shareholders. Anyway, there are new regulations from Ecuador IRS, and also Companies Agency, when a foreign company is the shareholder of a Ecuador Company. When this happens, the local company must report to these organisms information regarding the foreign shareholder company (shareholders and Directors of said company). The regulation includes to provide necessary information in order to find at the end the natural person who is the beneficial owner of the shares. This is in order to cut the corporate veil in the ownership of an Ecuador company. Every foreign company which owns shares in Ecuadorian companies shall appoint a representative in Ecuador, with authority to appear in court. The representative must be an Ecuador citizen or a foreign citizen with a resident visa (which can be in process)

Registration of Foreign Investment:

Registration of these investments before the Central Bank of Ecuador must be done in 40 days upon the investment is registered in the company book.

Domicile and reports:

In order to obtain the tax number RUC from Ecuador IRS, the company must have a registered address previously inspected by IRS. Once incorporated, the company must file monthly VAT reports, and annual income tax report, along with specific information. The company has also to report financial statements to the Ecuador Companies Agency.

Regulations on Visa processing:

One of the options to obtain visa in Ecuador is to be a full representative via Power of Attorney of an Ecuadorian Corporation, or Ecuador branch of an foreign corporation. In either ways there are specific regulations in regard to the minimum capital of the companies and the number of representatives that are able to apply for a visa.

This is basic information and does not constitute advise. Any specific advise must be addressed to our office