



ISSUES RELATING TO FOREIGN INVESTMENT

ECUADOR

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1. Is state governmental permission required for foreign investors to acquire real estate? If so, please identify.

In general, foreign investors have the same rights as local investors regarding acquisition and ownership of real estate in our country.

Limitations in this regard are imposed by the Constitution and the Law on Defence and Public Security. The Constitution establishes that foreign individuals or companies may not acquire real estate in national security areas or protected areas, in accordance with the law. Protected areas are determined by various laws.

The Law on Defence and Public Security determines that foreign individuals or corporations, and local companies with foreign shareholders cannot acquire or hold real estate in security zones. This law considers security zones those located in the border area - the border area encompasses a land area twenty (20) miles from the boundary lines into the country, a maritime space of ten (10) nautical miles and the airspace above- and other restricted areas established by the President of the Republic.

Therefore, there is no governmental permission available for acquisition of real estate in security zones or protected areas.

Additionally, it should be noted that nationals as well as foreign individuals and companies that do not have the status of residents in the Galapagos Islands may invest in that province only if they are associated with a permanent resident. This limitation includes acquisition of real estate.

In this case, foreigners can obtain permanent resident status after living or staying in the Islands for five years, or they may invest in association with a permanent resident, provided that the latter holds at least 51% of the investment.

2. Are there other state restrictions imposed on ownership of real estate by foreign investors? To acquire interests in entities which own real estate? If so, please identify.

There are no other restrictions imposed on ownership of real estate by foreign investors or other restrictions to acquire interests in entities which own real estate under local law different from the ones mentioned above.

3. Are foreign investors required to invest with a local partner? If not, is investment with a local partner advisable?

As mentioned above, the law requires a non-resident of Galapagos to have a permanent resident partner if he wants to invest in the Galapagos Islands. This limitation includes acquisition of real estate.

This limitation is only applicable to investments in the Galapagos Islands and it is neither applicable nor necessary regarding investments made by foreigners in continental real estate.

4. What state taxes are levied solely on foreign individuals or entities acquiring or transferring real estate or interests in entities which acquire real estate?

There are no state taxes levied solely on foreign individuals or entities acquiring or transferring real estate or interests in entities which acquire real estate under local law.

5. Describe reporting requirements for reporting the acquisition, ownership or disposition of real estate which relate solely to foreign direct or indirect owners of real estate.

There are no reporting requirements for the acquisition, ownership or disposition of real estate which relate solely to foreign direct or indirect owners of real estate.