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NZS granted major tax benefits under Uruguay investment framework

NZ Farming Systems Uruguay (NZS) has been granted tax benefits with an estimated current value of \$US20 million to \$US25 million under Uruguayan tax law.

The benefits will be available to offset the company's tax liability once it becomes profitable, anticipated to be in the 2011-12 financial year.

They are in the form of income tax concessions under the policy framework in place to encourage investment in economic growth and employment in Uruguay (the Project of National Interest framework).

The Chairman of NZS, John Parker, said approval of the tax concessions recognised the investment made by NZS in developing dairy farms, including investment in milking sheds, roading, electricity, irrigation and other infrastructure.

"We are delighted that the Government of Uruguay has recognised the beneficial impact of our operations in keeping with its established policy to promote investment," Mr Parker said.

"Our operations have already created about 400 new jobs in rural communities in Uruguay, with 31 milking sheds now in operation, plus dry stock land, quite apart from the substantial temporary impact of employment created while farms are being established. Our operations are part of the fabric of the communities in which they are based, and enjoy strong relationships with local farming and business communities."

The total value of the income tax and other ancillary tax concessions just approved is about \$US42 million. This is based on investment from early 2008 through to the anticipated completion of farm development in June 2012. The estimated current value of \$US20-25 million reflects the expected timing of the use of the concessions and the applicable tax formula.

Footnotes:

- Benefits under the Project of National Interest framework are usable over five tax years, starting no later than four years from the year in which they are granted. The benefits announced today are thus available until June 2019.
- The qualifying investment by NZS is expected to be approximately \$US70 million.
- The current Uruguayan corporate income tax rate is 25 percent.

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