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Case study |



**Microsoft**

# Ensuring Free Trade Zone compliance



**Industry**

Information technology



**Services provided by TMF Group**

Accounting & tax



**Employees served by TMF Group**

1,700

Microsoft called on TMF Group to assist in meeting complex Free Trade Zone regulations in Costa Rica.



**Jurisdictions covered**

Costa Rica





## About Microsoft in Costa Rica

Microsoft (Nasdaq 'MSFT', @microsoft) enables digital transformation for the era of an intelligent cloud and an intelligent edge. Its mission is to empower every person and every organisation on the planet to achieve more.

Located in the heart of a prominent tech and business hub in San José, Microsoft Costa Rica serves customers from the Caribbean, Central America, Peru, Ecuador and other markets in the region with customer services and support, as well as handling internal sales globally. In 2018, Microsoft decided to enter the Costa Rica Free Trade Zone, while also consolidating its Costa Rican presence into a single, purpose-built modern office.





## The challenge

Microsoft has significantly expanded its presence in Costa Rica over recent years, and in 2018, consolidated its operations into a single, purpose-built office in the country's capital, San José.

In the same year, Microsoft also took the decision to move the bulk of its Costa Rican operations into the [country's Free Trade Zone \(FTZ\)](#). The FTZ regime offers significant tax incentives, with companies enjoying 100% exemption from import and export duties, excise taxes and remittance repatriation tax. Manufacturing companies that export more than 75% of their production are granted 100% exemption on corporate income tax for a period of eight years, and 50% exemption during the following four.

However, to enjoy these benefits, companies like Microsoft must demonstrate compliance with strict, and often complex, accounting, legal and tax requirements – in areas such as fixed asset investment and reporting. They must also undergo an annual audit from PROCOMER (the Costa Rican foreign trade promoter) to ensure they are operating within the rules. Non-compliance can result in heavy fines and, ultimately, loss of FTZ status.

Microsoft knew it needed specialist accounting and tax support to both validate reports and controls, as well as to ensure FTZ compliance. As Allan Cruz Cubillo, Statutory and Tax Controller, Central Region Latam, at Microsoft explained: "At the time we decided to move into the FTZ, we were using several temporary contractors to handle our accounting and tax. This involved a lot of management effort when it came to onboarding, knowledge transfer and training. We took the decision to outsource this work to a specialist provider who could meet our needs on a more permanent basis."



## The solution

Microsoft invited TMF Group to bid for its Costa Rican FTZ compliance work. "What impressed me from the start about the TMF Group team is its combination of deep subject matter expertise and willingness to provide a tailor-made solution for our particular needs," said Allan Cruz Cubillo.

"TMF Group demonstrated that it has the right expertise and resources to cover all our accounting and tax needs – and support business continuity and succession planning – with a single team." Allan Cruz Cubillo added.

From 2018 to 2023, TMF Group supported Microsoft Costa Rica's statutory and tax operations in the following areas:

- Tax – indirect tax, direct tax, transfer pricing and new/changes to local regulations, Costa Rican FTZ regime
- Balance sheet and financial statement analysis
- Accounting support services (in partnership with purchase-to-pay (P2P) and record teams)
- Treasury and banking support
- Statutory (external) audit, internal audit and Sarbanes–Oxley compliance
- Statutory management and guidance
- Payroll – statutory review and guidance
- Mailroom and document management
- Purchase order desk support.

Another significant area of compliance TMF Group has helped Microsoft with is in fixed asset tracking. It is important for assets included in the FTZ to stay on location and be used for their stated purpose in order to comply with the regime rules. TMF Group designed a standardised process for Microsoft's asset tracking solution, which helps the company keep tabs on more than 10,000 individual assets across its Costa Rican operations.

One measure of the success of TMF Group's work with Microsoft was the feedback from the PROCOMER auditor following the 2022 annual audit, who commented that the preparation work was one of the best examples of accounting and operational order they had seen in their career.



*The TMF Group team has demonstrated great leadership, acting as a trusted advisor that is always one step ahead in terms of ensuring business continuity, process improvement and knowledge transfer for Microsoft in Costa Rica.*

**Allan Cruz Cubillo**

Statutory and Tax Controller, Central Region Latam, Microsoft (2018)

We make a **complex**  
world **simple**



## About TMF Group

TMF Group is a leading provider of critical administrative services, helping clients invest and operate safely around the world.

With more than 10,000 colleagues across 125 offices in 86 jurisdictions, all working to the same high standards of service and security, we provide our clients with local expertise where it is needed most. Our locations cover 92% of world GDP and 95% of FDI inflow.

We are a key part of our clients' governance, providing the accounting, tax, payroll, fund administration and legal entity management services essential to their success. We make sure rules are followed, reputations protected and operational compliance maintained.

Our global service model and technology platform put our clients in control of their portfolio of entities and global locations. The data insights we deliver keep them on top of emerging regulation, the status of their own activity and any points of risk.

We serve corporates, financial institutions, asset managers, private equity and real estate investors, and family offices. Our clients include the majority of the Fortune Global 500, FTSE 100 and top 300 private equity firms.

[www.tmf-group.com](http://www.tmf-group.com)

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