

Case Study |  Microsoft

Ensuring free trade zone compliance

IT giant puts trust in TMF Group expertise to meet strict, complex FTZ regulations in Costa Rica



Industry

Information technology



Services provided by
TMF Group

Accounting and tax



Employees served
by TMF Group

1,700

Microsoft called on TMF Group to help it stay compliant with strict, complex regulations following its move into Costa Rica's Free Trade Zone.



Jurisdictions
covered

Costa Rica





About Microsoft in Costa Rica

Growth from 60 local employees in 2018 to 1,700 by the end of 2022

Located in San José, Costa Rica

Customers from the Caribbean, Central America, Peru, Ecuador and other markets in the region

Microsoft (Nasdaq 'MSFT') 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. It has grown from just 60 local employees at this time to around 1,700 by the end of 2022.



The challenge

Over recent years, Microsoft has expanded its presence in Costa Rica significantly, growing from 60 local employees in 2018 to around 1,700 by the end of 2022. It has also consolidated its operations into a single, purpose-built office in the country's capital San José.

In 2018, Microsoft 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: companies enjoy 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 prepare and maintain its financial systems to comply with the FTZ regime. As Allan Cruz Cubillo, Statutory and Tax Controller, Central Region Latam, at Microsoft explains:

“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.”



We have built a very strong relationship with the TMF Group team. They always listen and understand our needs and respond quickly with sound advice. They have consistently shown flexibility in meeting our changing needs, as well as the vision to identify areas of risk before they become real problems. We could not achieve FTZ compliance without them.

Allan Cruz Cubillo

Statutory and Tax Controller, Central Region Latam, Microsoft



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,” says 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 adds.

TMF Group is now supporting 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.

The TMF Group team works on site in the Microsoft office in San José. “I particularly value the close working relationship with our TMF Group colleagues this has enabled,” explains Allan Cruz Cubillo. “We enjoy transparent, empathetic communications, which means it's very easy for us to reach agreement on our requirements – which are occasionally difficult and complex – and what needs to be done to meet them. I have a single point of contact, and a clear escalation path should the need arise.”

One 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.

“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,” says Allan Cruz Cubillo. “They are always ready to help us achieve even better results by promoting a culture of learning and growth within our team.”

One measure of the success of TMF Group's work with Microsoft was the feedback from the PROCOMER auditor following the most recent 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.

As Allan Cruz Cubillo sums up: “What our relationship with TMF Group gives me above all is confidence that everything is running well and is compliant. I know that everything is in good hands, which is good for both our productivity and our team's quality of life.”

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

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Local knowledge

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