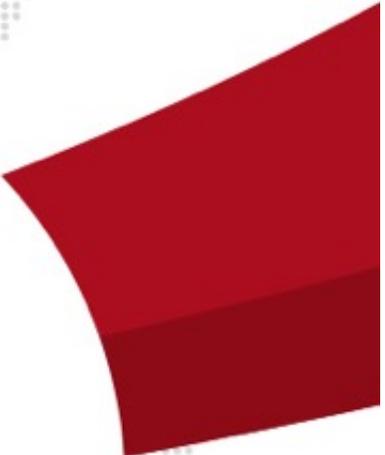




ANDERSEN TAX  
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Doing Business  
In Uruguay



# Doing Business In Uruguay





# 1. Key Issues for Investors

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# Key Issues for Investors

- Investor Friendly Country:
  - Foreign investors and local ones: equal treatment
  - No limitations to ownership of property by foreigners
  - No restrictions to enter/exit the country
- Business rules are Investor Friendly:
  - No currency exchange controls or forced conversion
  - Foreign Currency can be used freely: Dollars, Euros, etc.
  - Free flow of capital
  - No capital/dividend repatriation issues

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# Key Issues for Investors

- **Stable Economy and Rules:**
  - Macroeconomic stability
  - Investor-grade
- **Solid Legal System:**
  - Strong reputation for respect of contracts & private property
  - Independent and reputable judiciary
  - Corruption is not an issue
- **Private Property rights protected:**
  - Constitutional right, enforced
  - No history of expropriations

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## Indexes (Latin America)

# 1 in Educational Index (Latin Business Chronicle)

# 2 in Economic Freedom (The Heritage Foundation)

# 1 in Democracy Index (The Economist Intelligence Unit)

# 1 in Quality of Life (Mercer)

# 1 in Corruption Perception (Transparency International)

# 1 in Rule of Law Index (World Justice Project)



## 2. Tax System for Businesses

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# Tax System for Businesses

- Applicable taxes:
  - Corporate Income Tax: 25% of net income (plus Dividend Distribution Tax: 5.25%) or:
    - 12% of gross income, available for small businesses, or
    - 0-2% of gross sales: available for small farms
  - Corporate Asset Tax: 1.5% (or less)
    - Farmland: applicable only after 2,000 hectares, scaled \*
- Sale of goods and services: VAT of 22%
- Import duties: variable

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## Reduced Taxation for Businesses

Companies operating in Uruguay have two reduced taxation systems available. Both are widely used:

- Widespread tax exemption system available for new investments of any size: reduction in Income Tax, Asset Tax, VAT and import duties.
- Set up in a Free Trade Zone (FTZ), where there is no taxation.
  - FTZs are an option for companies selling products or services outside of Uruguay



## 3. Tax System for Individuals

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# Tax System for Individuals

- Individuals working in Uruguay pay:
  - Personal income tax on salary: 0 to 36%.
  - Tax on capital: dividends, capital gains, etc.: 12%
- Foreign individuals who relocate and become tax residents (183 days in country in calendar year):
  - First five years plus year one became a tax resident: tax holiday.
  - Afterwards: two types of foreign income are taxed: dividends and interest. At 12%.
  - But there is no double taxation: Uruguay credits tax paid overseas on those dividends and interest.
- No death / inheritance / estate tax



## 4. Tax System for Property Owners

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# Tax System for Property Owners

- Property Tax: 0.3 to 0.5% of market value (avg., urban properties). Farmland usually has lower rates.
  - In addition, a corporate asset tax of 1.5% is levied if owned by a corporate vehicle. Personal asset tax exists but seldom applies, due to non-taxable minimums.
- Rental income tax: 10.5% of gross rental
- Capital gains tax:
  - 12% of the gain if owned by individual(s)
  - 12% of the gain if owned by a foreign corporate vehicle
  - 25% of the gain if owned by a local corporate vehicle



# 5. Tax Residency and Legal Residency

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# Tax and Legal Residency

- Tax Residency is obtained:
  - If a person spends 183 days in-country in a calendar year
  - Or he/she has main business interest or family in the country
  - One also qualifies if he/she invests USD 2 M in real estate or USD 6 M in a company that has qualified for tax breaks
- Legal Residency:
  - Friendly system, with simple requirements:
    - Birth certificate
    - Clean police record
    - Proof of income
  - Ability to work in the country with temporary/permanent permit
  - Fast-track automatic residency for South American nationals
  - Citizenship granted after three years (five years if single)



## 6. The Property Purchase Process

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# The Property Purchase Process

- The three key questions to get started:
  - Who can purchase property?
  - How can property be purchased?
  - What can one purchase?
- Answers: 3 A's
  - Anyone: There is no differential treatment, nor restrictions or impediments for foreign buyers of property.
  - Any way: individual(s), corporate vehicle (local/foreign).
  - Anything: No limitations (such as restrictions on borderline or beachfront property)

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# Structuring the Property Purchase

- The purchase process requires the assistance by an “Escribano” (a conveyance attorney), appointed by the buyer.
- The conveyance attorney’s role:
  - Analyzes the ownership history and other details to ensure the buyer obtains a clean title
  - Drafts the reservation and the purchase document
  - Escrow agent for the deposit on the property
  - Records the purchase at the Property Registry
- Proof of Ownership: Public Registry recording

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# The Purchase Process: Steps

- 1) Buyer selects a property, and agrees on the price.
- 2) Buyer appoints a conveyance attorney who will draft the the reservation document (“Boleto de Reserva”):
  - Securing the purchase, by committing seller and buyer.
  - Setting a penalty if either party breaches the commitment.
  - Setting the amount that is deposited when signing the reservation (usually 10% of the price). The deposit stays with the buyer’s appointed conveyance attorney, not with seller or realtor.
  - Allowing for a 30-60 day window to verify the deeds, title search.
  - Setting the closing date: price is paid and property is transferred.

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## The Purchase Process: Steps

- 3) Title search and deed study is undertaken by the conveyance attorney.
- 4) The conveyance attorney drafts the purchase document (“Escritura de Compraventa”).
- 5) The purchase document is signed, the property is transferred, and the price is paid (\*or the first installment, if it has more than one).
- 6) The deed is recorded in the Public Registry.

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# Property Transaction Costs

- **Buyer: 5% to 8.5%:**
  - Real Estate Agent Fee (optional): 3% plus VAT (22%) = 3.66%
  - Conveyance Attorney Fee: 3% plus VAT (22%) = 3.66%
  - Deed Registration Stamp Duties (“Montepios”): 0.55%
  - Registry and Tax Certificates Stamp Duties: USD 700 avg.
  - Property Transfer Tax: of market value: 0.5% (avg.)
- **Seller: 0.5% to 4.1%**
  - Real Estate Agent Fee (optional): 3% plus VAT (22%) = 3.66%
  - Property Transfer Tax: of market value: 0.5% (avg.)



## 7. Main Industries for Investors

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# Food commodities

- Beef:
  - 5% of global beef exports
  - High quality, high sanitary status
  - 100% of the country's herd has traceability
- Grain/oilseeds:
  - 6th global exporter of soybeans
  - 4th global exporter of rice
- Dairy:
  - 5th global exporter

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## Forestry / Timber

- Unique conditions for growth of eucalyptus:
  - Growth cycles of 8-10 years
  - Widespread water availability
  - Stable soils
- World's largest pulp mills are in Uruguay
  - UPM (Finland), one plant operating, one planned for 2019
  - Stora Enso (Sweden)
- World's highest FSC certification
  - 85% of forests are certified

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# Logistics & Free Trade Zones

- Logistics and services hub for the region
  - Competitive ports
  - Adequate infrastructure
  - Favorable tax treatment
- Free Trade Zones
  - 12 Free Trade Zones throughout the country
  - Qualified workforce
  - Business parks, office towers, storage facilities
  - No taxation within Free Trade Zones
  - Hub for hundreds of multinationals

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# Tourism

- Uruguay receives 4 M tourists per year
  - Tourism industry: 7.5% of GDP
  - Main attractions: coastal cities, especially Punta del Este
  - Cruise ships: 275,000 visitors per year
- Tourism-related investment
  - Real estate development in Punta del Este and other coastal cities is widespread
  - Hotel industry in permanent growth, with investments receiving significant tax breaks

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# Real Estate Development

- Main markets for commercial development:
  - Montevideo
  - Punta del Este
- Main markets for residential development:
  - Punta del Este
  - Montevideo
  - Colonia
  - Widespread development of condominiums, single homes, gated communities
  - High-end projects: Cipriani, Fendi, Venetian, Trump Tower



## 8. Key Economic Indicators

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## Key Economic Indicators (2018)

- GDP: USD 59.2 Bn
- GDP growth: 2.7%
- GDP per capita: USD 16,954
- Exports: USD 7.9 Bn
- Imports: USD 8.4 Bn
- Unemployment: 7.9%
- Inflation: 6.6%
- Sovereign Debt Rating: Baa2 (Moody's)
- Country Risk Indicator: 194 bp
- Budget deficit (of GDP): 3.5%
- Public debt (of GDP): 65.3%



## 9. Tips and Suggestions for Investors

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# Tips and Suggestions for Investors

- Tax breaks are widely available for investments of any size: determine the way to optimize exemptions.
- Companies may set up operations in Free Trade Zones, plus other convenient alternatives with favorable tax treatment are also available: evaluate the options.
- Location, facilities and services vary across the 12 Free Trade Zones: determine which one fits your needs.
- Determine which type of corporate vehicle is most convenient and tax efficient, both in Uruguay and for the parent company's jurisdiction.

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# Tips and Suggestions for Investors

- When purchasing property, rely on advisors with global scope, who understand estate and tax rules in the buyer's country of origin.
- When purchasing property, consider the different ownership options, and their different tax treatment.
- Consider the reduced taxation system for small farmland investments, and adopt the type of ownership structure that qualifies.
- Evaluate obtaining tax and legal residency, and understand the benefits of each.



# 10. What We Can Do For You

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## What We Can Do For You

- Our firm is a full-service Law and Tax firm, providing all the required services for investors under a one-stop-shop concept.
- We are the only firm in Uruguay that is a fully integrated member of a leading global law firm.
- Our partners are partners of one global firm, and we provide the support and scope of our worldwide partners in 130 locations in 45 countries.
- Our bilingual professionals assist foreign and local investors across all industries, with the highest standard of quality and integrity.



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