

# Uruguay Invest

---



Doing  
Business  
in Uruguay

Uruguay Invest

**DOING BUSINESS IN URUGUAY**

---





# 1. Key Issues for Investors

---

## 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

---

# Key Issues for Investors

- **Stable Economy and Rules**

- o Macroeconomic stability
- o Investor-grade

- **Solid Legal System**

- o Strong reputation for respect of contracts and private property
- o Independent and reputable judiciary
- o Corruption is not an issue

- **Private Property rights protected**

- o Constitutional right, enforced
- o No history of expropriations

---

## **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** Rule of Law Index (World Justice Project)



## **2. Tax system for Businesses**

---

# 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



---

## Reduced Taxation for Businesses

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

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



## **3. Tax system for Individuals**

---

## 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:**
  - First ten years plus year one become a tax resident: tax holiday
  - Afterwards: two types of foreign income is 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**

---

# 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, and tax phase-out in progress.

- **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**

---

# 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 1.8M in real estate or USD 5.3M in a company that has qualified for tax breaks
- Also qualifies if he/she invests USD 450.000 in real estate and spends 60 days in-country in a calendar year

- **Legal residency is obtained:**

- Friendly system, with simple requirements
- 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**



---

# 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)

---

# 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

---

## The Purchase Process: Steps

- 1) Buyer selects a property, and agrees on the price
- 2) Buyer appoints a conveyance attorney who will draft the reservation document (“Boleto de Reserva”):
  - o Securing the purchase, by committing seller and buyer.
  - o Setting a penalty if either party breaches the commitment.
  - o 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.
- o Allowing for a 30-60 day window to verify the deeds, title search.
- o Setting the closing date: price is paid, and property is transferred.

---

## 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

---

## 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**

---

## Food commodities

- **Beef**

- 5% of global beef exports
- High quality, high sanitary status
- 100% of the country's herd has traceability

- **Grain/oilseeds**

- 6<sup>th</sup> global exporter of soybeans
- 4<sup>th</sup> global exporter of rice

- **Dairy**

- 5<sup>th</sup> global exporter

---

## 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; building second plant
  - Stora Enso (Sweden)
- **World's highest FSC certification**
  - 85% of forests are certified



---

## Logistics & Free Trade Zones

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

---

## 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

---

# 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: Fendi, Venetian, Trump Tower, Cipriani



## **8. Tips and suggestions for investors**

---

## 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.

---

## 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.



## **9. What we can do for you**

---

## 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 160 locations in over 65 countries.
- Our bilingual professionals assist foreign and local investors across all industries, with the highest standard of quality and integrity.