



SETTING UP BUSINESS IN **URUGUAY**

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General Aspects

Uruguay is located in South America, bordered to the North with Brazil and to the East with Argentina. Its currency is the Uruguayan Peso (1 USD = \$ 43 approx.). This country has a surface area of 176,250 Km² and a population of 3.5 million people. The official language is Spanish.

Legal Forms of Business Entities

Legal form	Feature	Remarks
Branch	It is not a Uruguayan corporation, but part of a foreign entity. However, it must comply with the corporate and accounting formalities required for local corporations, with some exceptions. The main office is liable without limitation for the obligations undertaken by the branch.	This form may be adopted by firms that wish to set up their businesses in Uruguay to carry out specific or recurrent activities, which must be related to those carried out by the main office.
Sole Corporation	It is a partnership composed by only one member. The owner is liable without limitations for the obligations undertaken by the corporation.	It is convenient for small business.
Associations (Unlimited responsibility Corporations)	A minimum of two partners is required in order to incorporate this association. The partners in this type of corporations are jointly and severally liable for the company's obligations, even with their personal property	

Associations under Uruguayan law:

Partnership	This association must be registered in the Uruguayan Public Registry of Commerce, and must comply with the legal formalities established by law.	Adequate for medium-sized companies.
Limited Partnership	A legal form related to the "partnership" but providing the option of limiting the liabilities of some of its partners. The named partners are personally liable for the obligations of the association, without limitation, and respond even with their personal property. The limited partners' responsibility is limited to their contribution to the association.	This form is adequate for medium-size companies that require additional capitals from partners who prefer to have limited liability. Partners with limited liability cannot be directors or legal representatives of the Limited Partnership.

Corporations (Limited responsabiliy Corporations)	These are independent legal entities. The rights and obligations are not entitled to the owner of the corporation individually (being a partner or shareholder, as it corresponds) but to the corporation itself.	
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Corporations under Uruguayan law:

Limited Liability Company (SRL)	This association must be registered in the Uruguayan Public Registry of Commerce, and must comply with the legal formalities established by law. The capital is split up in shares. There is no minimum capital requirement.	Convenient for medium-sized and large-sized companies. These associations may have two or more partners, with a limit of 50.
Corporation (SA)	<p>This association must be registered in the Uruguayan Public Registry of Commerce. There is no minimum share capital requirement. The capital is split up in shares. The corporation may issue nomiantive or bearer shares.</p> <p>The Free Trade Zone Public Corporations are public corporations with the sole objective of carrying out operations as users of a Free Trade Zone.</p>	<p>Convenient for medium-sized and large-sized companies. These companies may have one or more shareholders.</p> <p>Holders of shares must be registered in the Central Bank of Uruguay and all the registered data must be updated in case of any modification.</p>
Simplified stock corporation (SAS)	This association must be registered in the Uruguayan Public Registry of Commerce, and must comply with the legal formalities established by law. The capital is split up in shares. There is no minimum capital requirement.	<p>These companies may have one or more shareholders.</p> <p>Holders of shares must be registered in the Central Bank of Uruguay and all the registered data must be updated in case of any modification. The regulation of the company is more flexible than in Corporation (SA) and with less controls from governmental authorities.</p>

Administrative Matters

Matter	Features	Observations
Public Registry of Commerce	All Companies, irrespective of their legal forms, must be registered in the Public Registry of Commerce.	If a company has the legal obligation of being registered, but carries out business transactions before being registered in the Public Registry of Commerce, the partners will be personally responsible for the losses until the registration date.
Bank Account	In order to open a bank account, individuals as well as companies must present different types of documents (passport, company's by-laws, powers of attorney, among others).	For an account deposit of more than USD 10,000 banks are obligated to verify the identity of the applicant with the objective of preventing money laundering.
Visa and Residence	Foreign citizens can carry out business in Uruguay. To be able to work in Uruguay, foreign citizens need a visa. To check the requirements to obtain a visa, visit: https://www.gub.uy/tramites/residencia-legal	The procedure to obtain the Residence takes approximately 6 months.

Taxes

Uruguay's tax system is mainly based on the application of indirect taxes, in particular the Value Added Tax (VAT), which accounts for more than 50% of the total tax collection.

Within the direct taxes we identify the Economic Activities Income Tax (IRAE, from its Spanish initials) and the Wealth Tax (IP), among others.

With certain exceptions and in general terms, the source principle applies, being source defined as all income resulting from activities carried out in, or goods located in, or rights used with economic purposes in Uruguayan territory. According to constitutional regulations, the economic reality prevails over legal forms.

It is worth mentioning the existence of a Free Trade Zone regime, with important tax exemptions for users operating in such geographic territory.

The tax system is based on a self-settlement of the taxes by the tax payer through affidavits which may be audited by the Administration.

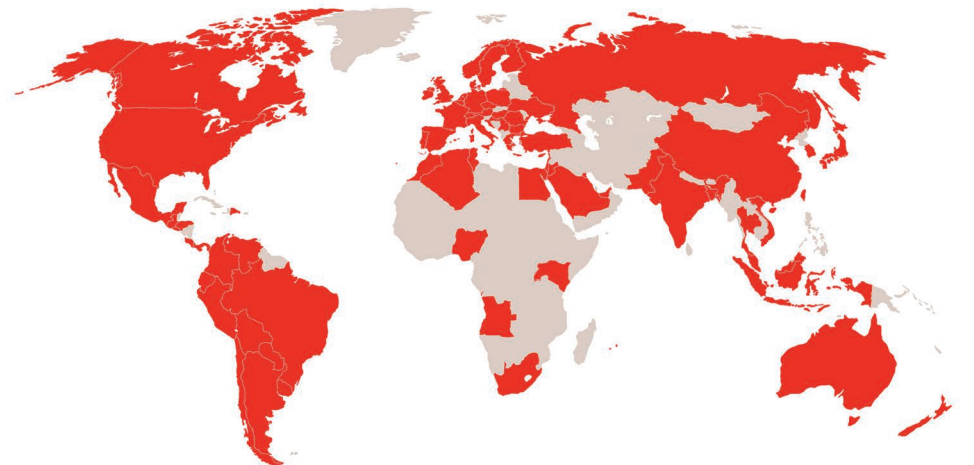
National taxes are collected and administered by the Internal Tax Revenue Office of Uruguay (Dirección General Impositiva – DGI), while the municipal tributes are administered and collected by the departmental governments.

Tax	Features	Remarks
Economic Activities Income Tax (IRAE)	<p>The tax is payable by business associations, agricultural groups or associations, permanent establishments of non-residents, trusts, investment funds and in general, any entity carrying out business activities.</p> <p>The general tax rate of IRAE amounts to 25% annually over the net fiscal income of Uruguayan source. Nonetheless, once the dividends have been distributed, the shareholders shall pay taxes through retention corresponding to the Income Tax (IRPF) or non-resident income Tax (IRNR), a 7% of the distributed utilities or the net fiscal income, whichever value is the lowest. The effective rate of the distributed income shall amount to 30.25% (25%+75%*7%).</p> <p>In order to determine the net rent it is possible to deduce the necessary expenses incurred to obtain it and preserve it, as long as it constitutes income taxed by IRAE, IRPF, IRNR, or by an effective taxation of income abroad. In the case of capital gains (for example interests and rent money), it is stipulated that if this expenses are taxed at a rate inferior to 25%, the deduction of such expenses will be proportional.</p> <p>Also subject to this tax are technical services rendered from abroad to taxpayers of IRAE outside a dependant relationship. In this case, provisions are made for taking into account reduced percentages of the income based on the non-taxed revenues of the provider of the mentioned services.</p> <p>There is a beneficial regime for operations entailing trade of goods and services, by means of which it is stipulated that in those cases the IRAE of the operation amounts to 0.75% of the gross margin ((sales price – purchase price)*3%*25%).</p>	<p>The stipulated taxation system bases settlements in a presumptive income, with rates reduced according to the legal nature of the entity (for example, partnerships) as well as the income level. This system is not applicable to corporate, among others, which in all cases shall settle taxes based on an adequate bookkeeping system.</p> <p>For those cases where it is possible to settle taxes through the regime based on a presumptive income, there are exemptions of the rate of taxation of 7% over the distribution of utilities, based on the revenue obtained throughout the fiscal year.</p> <p>All of IRAE taxpayers, regardless of the nature of their business, are able to present an Investment Project, by means of which it is possible to obtain meaningful tax exemptions, determined on the basis of the investments made on certain fixed assets and the level of commitment (increased employment, export growth, raise of the national added value, etc).</p>

Agriculture – Live-stock Goods Sales Tax (IMEBA)	<p>The tax levies the first transfer or use of the agricultural goods in their natural state carried out by an agricultural producer and destined to an IRAE taxpayer which is not an agricultural producer.</p> <p>The maximum rates go from 1.5% to 2.5%, and shall be applicable over the price of the levied goods excluding the tax. This tax shall be paid by those who obtain annual agricultural incomes inferior to 243.000 dollars approximately, with an exploited surface of less than 1.250 hectares CONEAT index 100, as long as they are not to pay IRAE mandatorily in accordance with their legal nature adopted (for example, limited companies). In case the mentioned ceilings are exceeded, it will be mandatory to pay IRAE.</p>
Income Tax – Category I (IRPF)	<p>IRPF – Category I levies personal income of Uruguayan origin obtained by resident individuals for return on capital (for instance, rent money or interests) and capital increases (for example, by transfer of moveable and immovable property).</p> <p>The general tax rate is 12% with reduced rates for certain interests (7%) and dividends received from local companies (7%). Subject to the general tax rate is income from movable property (interests and dividends among others) originated by non-resident entities.</p> <p>The net tax income taxed by IRAE that, at the close of a fiscal year, has a seniority greater than or equal to 4 years, will be considered as a dividend or profit and will be taxed accordingly (7%). Not subject to this tax is income resulting from the renting of properties situated outside of Uruguay.</p> <p>IRPF is a personal and direct tax applied under a dual system, dividing rent into two categories.</p> <p>It is an annual tribute to be settled on December 31st of each year, being necessary to make advanced payments throughout the fiscal year.</p> <p>Both categories, I and II, need to be settled independently.</p> <p>In the case of income from Category II, it is possible to settle the tax as a family unit.</p> <p>Individuals that are considered residents (Categories I and II) are those who remain more than 183 days in Uruguayan territory throughout the civil year, or that keep the core of their vital interests or economic activities in the country.</p>
Income Tax – Category II (IRPF)	<p>IRPF Category II levies personal income obtained by resident individuals for the rendering of personal services, whether being self-employed or in a dependant relationship, within the national territory.</p> <p>The tax rate is determined on the basis of progressive rates that go from 10% to 36%, with a non-taxable minimum that amounts to 84 BPC (benefits and contributions thresholds), approximately USD 10.088 annually, at this moment.</p> <p>Also subject to this tax is income resulting from the rendering of the mentioned services abroad, as long as there is a dependant relationship and the services are provided to taxpayers of IRAE or IRPF.</p> <p>Similarly, subject to the tax are technical services rendered from abroad to taxpayers of IRAE, outside a dependant relationship. In this case, provisions are made for taking into account reduced percentages of the income based on the non-taxed revenues of the provider of the mentioned services.</p> <p>However, individuals who become tax resident in Uruguay, may choose to pay Non-Resident Income Tax (IRNR) in relation to capital gains from non-resident entities for the fiscal year in which the change of residence to national territory is verified and during the following 5 fiscal years. As IRNR does not tax the income from foreign-sourced movable capital, this implies not taxing such income.</p> <p>Law No. 19.904 (September 2020), enables two options:</p> <ul style="list-style-type: none"> • Extending the so-called “window period”, from 5 to 10 years. • Being subject to IRPF a 7% rate on yields of foreign capital forever.

Non Resident Income Tax (IRNR)	<p>IRNR levies income of Uruguayan origin of any nature (entrepreneurial activities, work related income, yield from capital, net worth increases) obtained by non-resident individuals and legal entities not operating in the country by means of a permanent establishment.</p> <p>The general tax rate is 12%, with reduced rates for certain interests (7%) and dividends received from local companies (7%).</p> <p>The net tax income taxed by IRAE that, at the close of a fiscal year, has a seniority greater than or equal to 4 years, will be considered as a dividend or profit and will be taxed accordingly (7%).</p> <p>In the case of companies, residents, domiciled, constituted or located in countries or jurisdictions with low or no taxation, the tax rate is 25% to 30.25%.</p> <p>No taxes apply to interests on loans granted by non-residents to taxpayers of IRAE, whose assets affected by the obtaining of income non taxed by IRAE exceed 90% of their total assets (for example, interests on loans granted to Free Trade Zone users).</p> <p>Subject to the general tax rate is income obtained through technical services rendered from abroad by self employed individuals, in the fields of management, technical, administrative or consulting services of any kind, to taxpayers of IRAE. In this case, provisions are made for taking into account reduced percentages of the income based on the non-taxed revenues of the provider of the mentioned services.</p>	<p>In case an IRAE taxpayer participates in the operation, the IRNR is given to the Administration through the retention carried out by such entity.</p> <p>In case there is no tax deduction agent assigned, it will be necessary to appoint a representative in Uruguay.</p> <p>Double taxation is avoided pursuant to the various International Treaties.</p> <p>At the moment, agreements have been signed and are effective with Japan, India, Germany, Argentina, Ecuador, Hungary, Liechtenstein, Malta, Portugal, Mexico, Spain, Switzerland, Korea, Finland, United Arab Emirates, Kingdom of Belgium, Singapore, Vietnam, United Kingdom, Chile, Romania, Italy, Luxembourg and Paraguay. The agreement with Canadá, Faroe Islands, Sweden, Greenland, Norway, Australia, Iceland, States of Guernsey, Kingdom of the Netherlands, South Africa, France and Denmark are just information exchange.</p>
Value Added Tax (VAT)	<p>Tax that levies the internal movement of goods, rendering of services, import of goods and added value in the construction of real estate.</p> <p>The basic rate of the tax amounts to 22% with a minimum rate of 10% that levies certain basic goods and services which are specifically established: for instance, the sale of milk, bread, medications, and health services, among others.</p> <p>Exempted from the tax are money exchanges, newspapers, as well as interests from bank deposits and renting of premises.</p> <p>The VAT is not applicable under any circumstances to the export of goods and certain services which are restrictively listed in the existing legislation.</p>	<p>In the case of the import of goods, it is not only necessary to pay VAT, but also a down payment of VAT Imports at a rate of 10% (goods levied at the basic rate) and 3% (applicable to goods levied at the minimum rate) over the normal customs value plus customs tariff, respectively.</p> <p>The import of goods included in an Investment Project, as well as goods acquired by agricultural and industrial companies are exempt from this tax, after the proper steps have been taken.</p>

Property Transfer Tax (ITP)	In the event of property transfer, it will be necessary to make a onetime payment of this tax, which amounts to 4% over the value determined by the Land Registry Office for that property (2% buyer and 2% seller).
Wealth Tax (IP)	<p>The Wealth Tax levies company assets located in Uruguayan territory at a rate of 1.5% over the tax value of such assets.</p> <p>In terms of liability deduction, only those included in an exhaustive list are admitted. In the case of Banks, Finance Houses or taxpayers whose usual and main occupation consists in administering credit, participating in the sale of goods and rendering of services carried out by third parties, or loaning out of money, whatever modality may be used for that end, the liability deduction list will be extended, with an increase of 2.8% in the applicable rate.</p> <p>Entities, excluding individuals, residents, domiciled, constituted or located in countries or jurisdictions with low or no taxation, or that benefit from a special regime of low or zero taxation, that do not act in the country through establishment permanent - 3%</p> <p>The Patrimony affected to farming exploitation it is exonerate when simultaneously satisfies that:</p> <p>The catastral (land register) value of own property updated and increased by 40%. Plus the 40% of the properties exploited owned by a third person, not exceeding approximately USD 1.460.000 at this moment.</p> <p>The above mentioned Patrimony belongs to a Natural Person, Personal Societies, or it belongs to entities that their patrimony is represented by nominatives shares on behalf of natural person.</p> <p>In case of not fulfill all the mentioned conditions, the whole farming exploitation (in this case there is not a non taxable minimum) is valued according to special regulations which will be taxed by rates ranging from 0.75% to 1.5%.</p> <p>It is predicted also the existence of a surtax, that in certain cases will tax the patrimony with an additional rate. This rate goes from 0.7% to 1.5% depending on the value of the assets.</p> <p>Assets included in an Investment Project are exempt from this tax, or appearing in a particular exhaustive list, and acquired by IRAE taxpayers with the purpose of undertaking industrial or agricultural activities.</p>
Individual's Wealth Tax (IPPF)	<p>Assets of individuals are subject to taxation at progressive rates that go from 0,1% to 0,4%, with a non-taxable minimum that, at the moment, amounts to USD 123.326 approximately.</p> <p>Under certain circumstances it would be possible to settle the tax as a family unit, in which case the non-taxable amount will double.</p> <p>Reductions to the rates are stipulated for the forthcoming years, taking it to 0.10%.</p>
Corporation's Control Tax (ICOSA)	<p>ICOSA levies corporations at the moment of their incorporation and after the closing of each fiscal period.</p> <p>At the present time, the tax amounts to USD 1.041 and USD 521 approximately.</p> <p>The amount corresponding to the closing of each fiscal period may be deducted from the IP payment, so in practice it works as a minimum IP.</p> <p>Exempt from this tax are corporations with more than 50% of their assets used for agricultural activities, and assets belonging to corporations operating in the free trade zones.</p>
Specific Internal Tax (IMESI)	<p>"Excise tax" applicable on certain goods (specifically mentioned in the law) as alcoholic drinks, tobacco, perfume, among others.</p> <p>This tax levies the first transfer of any manner (including operations free of charge) carried out by manufacturers or importers in the Uruguayan market.</p> <p>The applicable rate varies depending on the characteristics of each good, being generally established by the government within the limits set by the law.</p>



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