



LEGAL LANDMARKS AND TAXES IN URUGUAY

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Uruguay's Legal Landmarks

- **Uruguay is an Investor Friendly Country:**
 - Foreign investors and local ones are treated equally
 - There are no limitations to ownership of property by foreigners *
 - There are no restrictions to enter/exit the country
- **Uruguay's Business-Financial rules are Investor Friendly:**
 - No currency exchange controls or forced conversion issues
 - Foreign Currency can be used freely: US Dollars, Euros, etc.
 - No restrictions or taxes when transferring money into the country
 - No restrictions or taxes when transferring money out of the country
- **Uruguay Protects the Investor's Confidentiality:**
 - Strict banking secrecy and tax secrecy laws

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Uruguay's Legal Landmarks (cont.)

- Uruguay's Legal System is Investor Friendly:
 - Strong reputation for respect of contracts and private property
 - Independent and reputable Judiciary
 - Clear regulation of rights and judicial procedures: Laws, Codes, etc.
 - Admission of alternative dispute resolution methods
 - Corruption is not an issue in the country
 - Investment protection treaties with several countries
- Private Property rights are strongly protected:
 - Constitutional right, enforced
 - No history of expropriations
 - Title Insurance available
 - Example of respect for private property rights: Botnia paper mill



Taxes: Key Aspects of Uruguay's Tax System

- Uruguay only taxes assets located in Uruguay and income generated in Uruguay (“source” system)
 - A foreign citizen's income generated abroad (pensions, mutual fund, retirement fund, stocks, etc) is never taxed, regardless of whether the person is a Uruguayan resident or not
 - Uruguay's tax authority does not even require that a foreign citizen (resident or not) disclose what income is generated abroad or what assets are owned abroad
- Income tax does not add up all types of income. It taxes two types of income, considered separately, differently:
 - Work - generated
 - Capital- generated
- Strict system of tax secrecy



Types of Taxes in Uruguay

- Personal Income Tax (“IRPF”): 10 - 25%
- Corporate Income Tax (“IRAE”): 25%
- Asset Tax (“Impuesto al Patrimonio”):
 - 0.7% - 2.75% for individuals
 - 1.5% for local corporations / 1.5% for foreign corporations
- Capital gains tax:
 - 12% for individuals
 - 25% for local corporations / 12% for foreign corporations (*)
- Value Added Tax (“IVA”): 22% for most products
- Municipal / Other Taxes on Properties



Taxes from an Individual's Perspective

- Income tax, paid only for income generated in Uruguay
 - Rate segmented from 10% to 25% (certain expenses deductible).
 - Foreign non-residents' rate (less than 183 days per year in Uruguay): 12% of Uruguayan income.
 - And 0% for foreign income (pension, dividends, mutual fund, etc.)
- Asset Tax (“Impuesto al Patrimonio”)
 - Rate segmented from 0.75% to 2.75% of assets' fiscal value
 - The first USD 65,000 for individuals / USD 130,000 for couples are untaxed
 - This tax is being gradually eliminated: virtually 0% by 2017
- Capital gains tax
 - Rate for individuals is 12%: Example: when selling a property



Taxes from a Corporate Vehicle's Perspective

- ✓ An asset, such as a property, can be owned by an individual, or through a corporate vehicle (local or foreign), which have different rates than individuals.
- **Income tax**
 - Local company (SA): 25% (for example on rental income)
 - Foreign company (Delaware LLC, etc.): 12% of Uruguayan income
- **Asset Tax (“Impuesto al Patrimonio”)**
 - Local company: 1.5%
 - Foreign company: 1.5%
- **Capital Gains Tax**
 - Local company (SA): 25% (for example on rental income)
 - Foreign company (Delaware LLC, etc.): 12% of Uruguayan income



Taxes from a Property's Perspective

- Upon acquisition, there are two taxes to consider:
 - Property Transfer Tax (2% of the fiscal value, usually lower than the market value)
 - On newly built properties: 10% VAT (usually absorbed by seller)

- During Ownership:
 - Asset Tax paid by the owner if applicable according to value
 - Municipal Tax: approximately 0.25% - 1.2% of market value
 - Schooling Tax: approximately 0.1 - 0.3% of market value
 - Income Tax if the property is rented out:
 - * If owned by an individual: 12% minus deductions = 10%
 - * If owned by a local corporation: 25%, by a foreign one: 12%



How do taxes affect me? A Typical Example

- A foreign couple buy a USD 300,000 property in Montevideo and rent it out for USD 20,000 for the whole year.

1) Asset Tax:

- The fiscal value is lower than the market value: USD 150,000
- And the first USD 130,000 are untaxed for a couple
- So the tax applies only to the USD 20,000 above USD 130,000
- And the rate is 0.7% for the first taxable 130,000. Tax is USD 140

2) Property Taxes:

- Municipal Tax: USD 1,300 ?
- Schooling Tax: USD 300 ?

3) Rental Income Tax:

- 12% minus allowable deductions: USD 2,000 minus 1,300 and 300



LVM Attorneys at Law: Who We Are

- **Leading Full-Service Law Firm:**
 - Clients: mostly foreign companies and individuals
 - Specializing in Real Estate issues for foreign buyers
- **Staff:**
 - Bilingual
 - Notaries Public, Attorneys, Tax Advisors
- **Services (covering all of Uruguay):**
 - Notary / Legal Assistance in the Purchase Process
 - Tax and Banking Advice
 - Company Formation
 - Title Insurance Advice
 - Immigration / Residency issues

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 - World Bank (www.doingbusiness.org), U.S. Embassy
 - Global law firms: Mayer, Brown, Rowe & Maw; White & Case;
 - Member of Transatlantic Law International
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