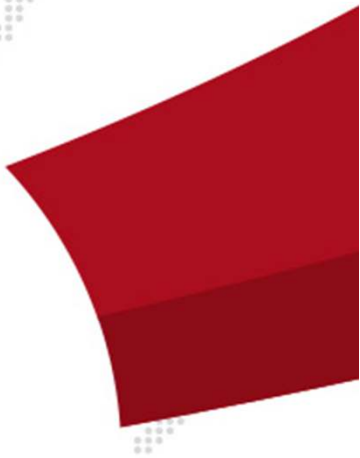





ANDERSEN®



Doing
Business
in Uruguay



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 :**
 - 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

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 :

- 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

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

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 1.8 M in real estate or
 - USD 5.3 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

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”):
 - 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.

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:
 - 6th global exporter of soybeans
 - 4th global exporter of rice
- Dairy:
 - 5th 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 Trade 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: Cipriani, Fendi, Venetian, Trump Tower



8. TIPS AND SUGESSTIONS 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.



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