

DOING BUSINESS in URUGUAY





FOREWORD

This guide has been prepared with the purpose of providing basic information to people interested in investing and doing business in Uruguay. It does not cover in detail all the requirements and subjects to be considered, but instead it is intended to provide an overall idea of the benefits of doing business in Uruguay and the basic taxation requirements.

The guide is intended to be used for informational purposes only and therefore, you should consult a professional tax and business advisor to acquire more information.

The material contained in this guide is based on information and regulations in effect as of May 2020.



ABOUT BLITA INTERNATIONAL

BLITA International is a global association of independent tax accountants, tax attorneys and business consultants dedicated to providing personalized professional services for all your international tax planning and business management needs.

Our member firms are committed to provide the highest quality professional services to help meet your business and financial goals across international borders. The local expertise of our members regarding tax regulations, culture and knowledge of doing business in their home countries, allows them to provide the best solution and advice to maximize your profit and reduce your tax implications.



COUNTRY ESSENTIALS

Capital city	Montevideo
Area and population	176,215 km ² and a population of 3,387,605 people (July 2020 est.)
Language	Spanish
Currency	Uruguayan Peso (UYU)
International calling code	+598
GDP	\$59.9 billion USD (2018 est.)
GDP per capita	\$17,074 USD (2018 est.)
Exports	\$11.5 billion USD (2018 est.)
Imports	\$9.1 billion USD (2018 est.)
Inflation rate	8% (2018 est.)
Government structure	Uruguay is organized as a simple democratic republic. The current constitution, approved in 1966, establishes a presidential system of government, with three independent branches: the Executive, the Legislative and the Judiciary. The country is divided administratively into 19 departments, each with its own Municipal Government.

BUSINESS AND TAX ADVISORS IN URUGUAY



WHY YOU SHOULD DO BUSINESS IN URUGUAY



STRATEGIC GEOGRAPHIC LOCATION

Uruguay is located in South America on the Atlantic coast, between two of the largest countries of the region, Argentina to its West and Brazil to its Northeast.

Uruguay's strategic location offers easy access to major business and industrial centers in the area, as well as other Mercosur countries. The ports and waterways facilities are strategically located along the Atlantic Ocean and the Paraguay-Paraná waterway, giving access to strategic economic points both on the seacoast and inland.

AN OPEN ECONOMY

Uruguay presents one of the most open business environments in Latin America, offering foreign investors the same treatment as domestic corporations, without requiring prior permits or authorizations, and allowing companies to be 100% foreign owned. In addition, financial markets are completely free, there are no restrictions or taxes on repatriation of profits, capital, dividends, and interests, nor are there limits on foreign currency trading or strict regulations on the currency exchange market. Additionally, investments can be made in any currency.

Residency permits are issued within three months. Any individual can obtain a residence permit and start working, even while waiting for its issuance. Citizens from most western nations do not need a visa to enter the country.



EXCELLENT POINT OF ENTRANCE TO THE MERCOSUR ECONOMIES

Along with Argentina, Brazil, and Paraguay, Uruguay is a full member of Mercosur, and serves as an excellent entry point to these economies. Firms interested in distributing their products to the region benefit from its strategic location, a free-trade zone regime, and an effective infrastructure for storing goods for later distribution. In addition, Uruguay's highway network is one of the most developed in Latin America: the main cities throughout the country are accessible by truck in just 72 to 96 hours.

TAX-FREE ZONES

Uruguay offers several tax-free zones in different parts of the country, which apply to all types of businesses, industries, or services. Companies and business entities operating in these tax-free zones are completely exempt from taxes except for Social Security contributions, as long as at least 75% of the workers are Uruguayans.

STABLE, TRANSPARENT AND FREE ECONOMIC FRAMEWORK

Uruguay's progressive economic growth, along with its economic transparency and freedom, offers foreign investors a reliable business framework for ventures in the region.

Uruguay has positioned itself as a trustworthy business destination for doing business not only for the virtues of its macroeconomic performance, but also due to its adherence to a free economic framework. In fact, Uruguay ranks in the first and second places as one of the best countries in Latin America (with an excellent position compared to other economies in the world) according to the main rankings made by prestigious international institutions such as the Democracy Index of the Economist Intelligence Unit 2019, Legatum Institute Prosperity Index 2019 and Economic Freedom of Heritage Foundation 2019.

AGILE AND SECRETIVE BANKING SYSTEM

Due to a favorable and attractive legal environment for the main international banks, Uruguay boasts an agile and competent banking system, and has established itself as one of the most important financial centers for conducting business in Latin America. The country has a long-established tradition of bank secrecy. Information protected by bank privacy laws can only be disclosed upon authorization of the interested party, by resolution of a court, or at the request of the Central Bank of Uruguay.



POLITICAL FREEDOM AND STABILITY

Established under a clear legal and economic framework aimed at advancing international inclusion, Uruguay has become one of the safest destinations for foreign investment. Not only is there not any historical precedent of foreign asset expropriation in Uruguay, but, in such an event, the Uruguayan Constitution demands the prompt payment of fair compensation.

Additionally, the Political Instability Index Report issued by The Economist Intelligence Unit, which assesses indicators of economic difficulty and underlying vulnerability due to political instability, ranks Uruguay as the 50th "Least Vulnerable" country in the world, and the least vulnerable country in South America.

According to the Corruption Perceptions Index 2019, Uruguay ranks second on the American continent after Canada and is the first among Latin American countries in terms of transparency among 180 countries. The country's high levels of transparency and low levels of corruption make it a leader among Latin American countries, with transparency standards similar to those of developed countries.



HIGH HUMAN RESOURCE QUALITY

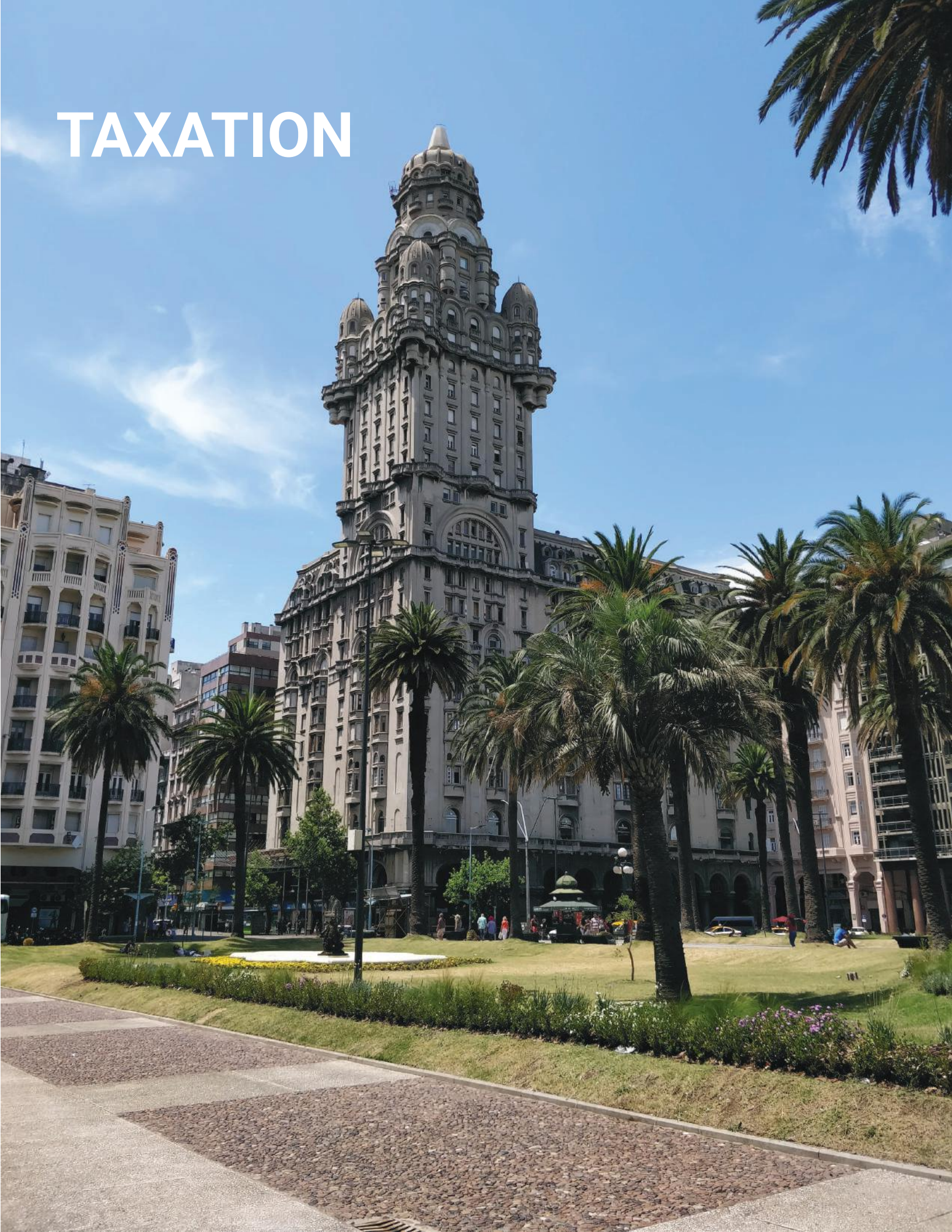
Uruguay has a population of 3,387,605 people. Approximately 37% live in the capital city of Montevideo and about 92.5% of the entire population lives in urban areas. Nearly all the population has access to water, telephone communication, healthcare and electricity.

The Uruguayan labor force is highly competitive due to a combination of high-quality basic, technical and university training, and the flexibility with which locals adapt to new technologies and rapidly changing business and production environments.

With a literacy rate of 98.1%, Uruguay is one of the two highest-rated countries in the region, and 1 out of 3 workers has a technical or university degree.

According to the Human Development Report 2019 issued by the United Nations, Uruguay maintains a high level of human development, ranking 55th worldwide and third in Latin America in overall quality of life. In the region, Chile and Argentina are the only countries that qualify with a very high level, while Uruguay leads the high-level group.

TAXATION



CORPORATE TAXES

Uruguayan companies are taxed only on their Uruguayan income at a rate of 25%.

Taxable income includes all income from activities carried out in the country and applies to income derived exclusively from capital sources, labor sources, as well as income derived from a combination of these two factors.

Income tax declarations must be filed within nine months after the closing date of the fiscal year. In Uruguay, the fiscal year runs from January 1 to December 31.

TAXES ON CAPITAL GAINS AND DIVIDENDS

Capital gains derived by a company are taxed as ordinary income at the corporate tax rate (currently 25%).

Dividends paid or accrued for more than 4 years to non-residents are subject to a withholding tax of 7% unless this rate is reduced under a tax treaty.

ESTATE AND GIFT TAXES

Uruguay does not levy estate or gift taxes.

VAT TAXES

VAT is levied at a general rate of 22% on the sale of goods, the provision of services within the national territory, the introduction of goods into the country and the value added resulting from the construction carried out on real estate.

A reduced rate of 10% applies to certain basic food products and pharmaceutical items.





EMPLOYMENT TAXES

An employer must withhold social security contributions on behalf of its employees at rates between 18.12% and 23.12%, depending on the salary and whether the employee has dependents. The employer must also contribute 12.65% of the monthly payroll to the social security fund.

Additionally, any worker who has personnel must buy insurance from the State Insurance Bank (Banco de Seguros del Estado). The cost of this insurance depends on the activity of the company and the total amount of wages.

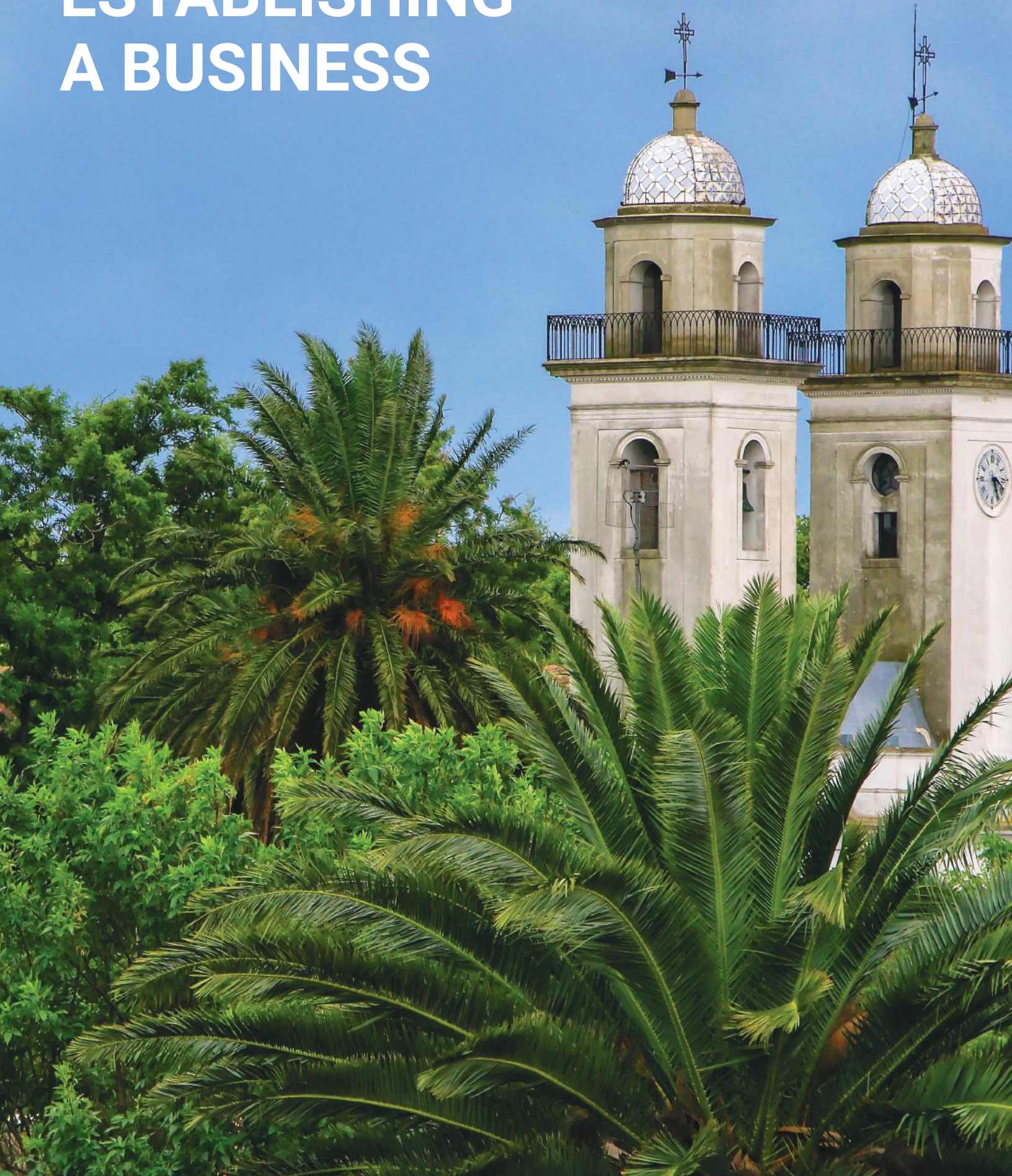
PERSONAL TAXES

Both Uruguayan residents and non-residents are taxed on their Uruguayan-source income. Tax residents are also liable for income taxes from certain foreign-source income, such as personal property, loan income, deposits and any capital investment in a non-resident entity.

An individual is considered a resident of Uruguay if he or she remains in the country for more than 183 calendar days, or if his or her center of economic interest is in Uruguay.

Uruguayan-source income earned by resident natural individuals is levied with progressive scale rates ranging from 0% to 36%.

ESTABLISHING A BUSINESS

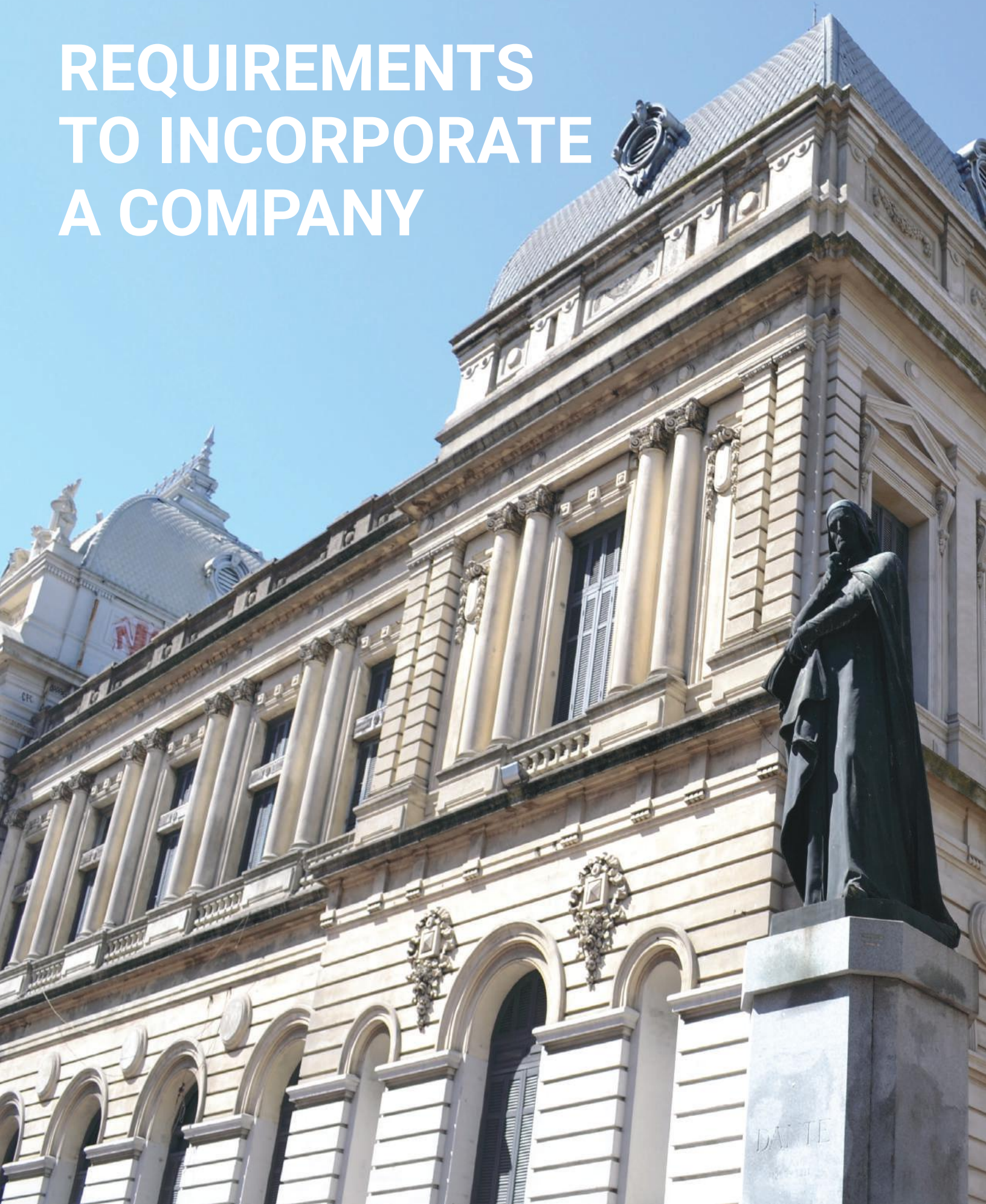


PROCESS TO INCORPORATE A COMPANY

An investor aiming to establish a business entity in Uruguay requires complying with 5 procedures over an average of 6.5 days, making Uruguay the 3rd country in the region and 60th worldwide in terms of regulatory favorability to start a business.

PROCEDURES	TIME TO COMPLETE
Select and reserve the name of the company from a list of names provided by the one-stop shop online portal	Less than 1 day (online procedure)
Open a bank account and deposit the initial capital	1 day
Notarize company's bylaws and signatures	1 day
Incorporation and registration of the company at the One-Stop Shop (<i>Empresa en el Día</i>)	3 days
Pay fees and taxes in any local Payment Agency	1 day
Total number of days	6.5 days

REQUIREMENTS TO INCORPORATE A COMPANY





The *Sociedad de Responsabilidad Limitada* (S.R.L.), similar to a Limited Liability Company, is the most common form of incorporation in Uruguay. Shareholders in a S.R.L. are liable only to the value of their shareholding.

COMPANY NAME

Uruguayan regulations require company names to be unique and approved by the registrar. These can be in any language that uses the Latin alphabet, but the registrar may request a Spanish translation.

REGISTERED OFFICE

Under Uruguayan regulations, all companies are required to have a registered office and a registered agent within the country.

DIRECTORS

A Limited Liability Company registered in Uruguay may have one or more directors, and there are no restrictions on the nationality, domicile or residence. Director changes must be registered and communicated to government offices, but do not appear in public records.

SHAREHOLDERS

A Limited Liability Company registered in Uruguay may have one or more shareholders, whose details do not need to appear in public records. There are no restrictions regarding their nationality or residence.

MARKET OPPORTUNITIES AND COMMERCIAL SECTORS





CORPORATE SERVICES

In recent years, Uruguay has become a strategic location for Regional Corporate Centers, where the main operations (sometimes combined) are logistics, commercial, services and innovation.

Many international companies choose Uruguay to provide services to other Spanish-speaking Latin American countries, Brazil and the world, as the country is positioned as a particularly strategic site for the development of logistics and commercial activities, both as a result of its geographical location and an advantageous legal and tax framework.

The most developed commercial schemes include the location of regional headquarters, auxiliary F&A services, human resources services, coordination of the supply chain, as well as the centralization of intercompany trade or acquisition for all its regional operations.

In turn, Uruguay is a privileged destination for outsourced centers focused on high-value tasks (BPO and KPO CENTERS). These offshoring services represent 18% of the total Uruguayan exports of goods and services.



AGRIBUSINESS

Agribusinesses represent three quarters of goods exports and 25% of Uruguay's GDP, being an innovative sector that is constantly improving. The country is the second largest supplier of combed wool in the world, as well as the fifth in rice and milk powder, and sixth in frozen soybeans and beef.

In Uruguay, there are no limitations or restrictions on exports of agro-industrial goods.



INFORMATION AND COMMUNICATION TECHNOLOGIES

Tax benefits in the ICT area are exceptional. For example, the Investment Promotion Law, provides companies the possibility of deducting, under certain conditions, up to 100% of the amount invested from the Corporate Income Tax. The Temporary Admission regime for equipment allows the importation of machinery and supplies that are incorporated into the exported goods without paying taxes (customs and others).

BUSINESS AND TAX ADVISORS IN URUGUAY



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