

FOREIGN INVESTMENTS IN URUGUAY

MAIN INFORMATION ON INTERNATIONAL TAXATION

- *Income Tax Rate (Uruguayan source):*

- Individuals From 0% to 25% (progressive rates)
- Corporations and Permanent Establishments 25%

- *Capital Gain Tax (Uruguayan source):*

- Bearer shares Exempt
- Other Participations 12%. The taxable income is determined as a 20% on the sale price of the participations regarding the corresponding Tax Decree.
- Others 12%

- *Net Wealth Tax Rate (Uruguayan source):*

- Individuals From 0% to 2,75% (progressive rates)
- Corporations 1,5% (general rate) (*)

(*) Shares or participations on companies incorporated abroad are considered foreign assets and, thus, not taxed for Net Wealth Tax purposes.

- *Withholding Income Tax on payments to foreign tax residents (Uruguayan source):*

- Dividends 7% if derive from Income Taxed by Corporate Income Tax in Uruguay at a 25% rate. Not taxed if associated with non taxable income for domestic Income Tax.
- Royalties 12% on royalties from Uruguayan Source.
- Interests 12% general rate; 3% for Uruguayan currency or Indexation Units deposits on Financial Institutions during more than one year; 3% for certain financial instruments representing national debt, 5% for deposits in Uruguayan currency for less than one year. Finally, if a Uruguayan company holds more than 90% of its assets located abroad, the interests paid abroad are exempt from withholding tax.
- Services Fees 12% if rendered within Uruguayan territory. There is a minimum 0,6% withholding tax rate applicable to Uruguayan companies with more that 90% of its Income obtained abroad.

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- *Real State tax:* 2% on the value of the property taxes the buyer and another 2% is applicable to the seller. An additional Real State Tax is applicable for the buyer of rural land at a 5% rate. The referred tax is in addition to the corresponding Income Tax that taxes margin of the operation.
- *Capital Duty:* Not Applicable in Uruguay
- *Stamp Tax:* Not Applicable in Uruguay
- *Thin Capitalization rules:* Not Applicable in Uruguay
- *Beneficial Regimes:*
 - Free Zones Regime – Free Zone (FZ) users are exempt from Uruguayan taxes. The following main restriction must be considered;
 - To obtain the FZ status, entities shall present their business plan and general information before the National Commerce Agency and receive an authorization to operate in the Uruguayan Free Zone
 - The FZ company cannot perform activities in Uruguayan non Free Zone territory (except for those specially authorized by the Executive Power like, under certain conditions, software and call centers)
 - In case the FZ entity hires employees for its activities developed in the FZ, 75% percent of them must be Uruguayan citizens.
 - Trading Regime – Uruguayan entities subject to the general tax regime could develop trading off shore activities under a beneficial regime. In fact, only 3% of the gross margin of the operations would be considered as taxable income for Uruguayan Income Tax purposes. Considering the Income Tax rate of 25%, the effective tax rate for trading off shore operations would be 0,75% (25% * 3%) on the gross margin.
 - General On shore Investments Regime: Certain Investments could be benefited with reductions on the taxable income, exemption for customs duties and exemption from Net Wealth Tax, among others. To achieve such benefit, a business plan needs to be presented before the Executive Power and the corresponding authorization should be received. In general, workforce employed, investment's amount and business area are considered by the Executive Power to decide the benefit approval.
- *Tax Treaties:* In force: Germany and Hungary. Treaties with Spain and The Netherlands are under negotiation.

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