Doing Business in Uruguay

2022 onwards

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This guide has been prepared to provide information on doing business in Uruguay.

While the guide covers a broad range of topics, it is not intended to provide comprehensive coverage and does not constitute professional advice. For specific questions, it is necessary to refer to the laws, regulations and decisions and/or seek appropriate advice.

The materials contained in this guide were assembled in June 2022 and, unless otherwise indicated, is based on the information available at that time.

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Foreword

Uruguay stands out in the Latin American region for the quality of its democracy, transparency, rule of law, control of corruption and quality of life; and also holds an outstanding position in the world (6th place in the world on Global Freedom, Freedom House 2021). Free education from primary school to university and a sustained investment to provide a laptop to every child in public schools along with an infrastructure that grants universal connectivity through optical fiber provides the country with a strong base for growth and competitiveness.

The country experienced continued GDP growth during the last twenty years, which enabled reaching the investment grade in 2012 and achieving the largest GDP per capita in the region. However, from 2016 to 2019 the economy entered into a period of languished growth which was further exacerbated by the pandemic, resulting in a 6.1% GDP reduction in 2020. During 2020 and 2021 Uruguay was praised by the international community by its handling of the pandemic, with a rapid assessment and display of vaccines for all the population. In 2021, the country's GDP growth of 4.4% was still not strong enough to recover pre-pandemic levels. However, due to the well founded agricultural base - which results in a production of food for more than 30 million people - while having a population of only 3.5 million, the country is experiencing a strong rebound of its exports.

During these years, private companies from different countries decided to invest and seize the opportunity to establish shared service center operations, services in the software industry, agribusiness and other. The government, fully aware of the fundamental role of investment in the economy to support the continued growth that can nourish a still unsatisfied breadth of social needs, is permanently seeking to improve conditions for investors and willing to support projects which boost employment, R&D and innovation, and specially reinvigorates infrastructure for the medium and long term.

In this publication we address the factors that make our country a preferable location for those looking for opportunities to take advantage of a growing consumer population, and to establish in Uruguay for seizing regional opportunities.

In 2020 PwC Uruguay celebrated 100 years of continued provision of services in the country. Throughout these years we have earned a solid reputation for excellence and distinctive services, positioning as one of the leading firms in audit, tax and business advisory services, providing services to local and foreign companies as well as individuals established and doing business in the country.

We are confident that this edition of Doing Business in Uruguay will be of assistance for those considering investing in our country. We welcome the opportunity to assist you with any questions regarding doing business in Uruguay.

Omar Cabral
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Our vision is to be the more trusted and relevant professional service business in the world, attracting the best talent and combining the most innovative technologies, to help organizations to build trust and deliver sustained outcomes.

Maintaining and building on our position of leader depends on our ability to create and sustain real differentiation from our competitors, creating a distinctive firm.

The content of this material is also available at www.pwc.com.uy.

01

Country Overview

Country Overview

The country is divided geographically into 19 local governments (Departamentos), being Montevideo its capital. The largest cities are Montevideo, Salto and Paysandú, these last two both on the shore of Río Uruguay, the river that shares borders with Argentina.

Localization and weather

Uruguay is located in South America with coasts on the Atlantic Ocean, between Brazil and Argentina. It has a land surface area of 176,215 km2 and a total area of 318,413 km2, including rivers and territorial waters.

It is the only South American country that lies entirely in a temperate zone. In light of this, it has small variations in temperature, precipitations and other climatic factors.

There are no remarkable topographic features. Most of the country consists of gently undulating plains crossed by long rivers. The climate is mild throughout the year. In the southern region of the territory (which concentrates a large portion of its population), average temperatures vary from 62° to 82°F (17° to 28°C) in summer and 42° to 57°F (6° to 14°C) in winter. Rainfall occurs in all seasons but is generally heavier in the autumn months.

Its weather and topography are especially suitable for agriculture, forest and livestock production.

Population and language

The population of Uruguay is approximately 3.5 million. Around 95% of the population live in urban areas, about 60% in Montevideo and its surrounding areas.

There is no indigenous population; most Uruguayans are descendant from Europeans (mainly Spanish and Italian). Spanish is the official and most used language.

English is the most used foreign language by the business community. Portuguese is also widespread, as a result of having a long border with Brazil and because of trade and tourism between both countries.

Political system and government

The government is divided into three independent branches: Executive, Legislative and Judicial.

The President of the Republic presides the Executive Branch, acting together with each Minister or the Ministerial Council. The President and the Vice President (who presides over the Senate and the General Assembly, replacing the President in case of vacancy,) are elected through universal, popular, direct vote. The President designates the Ministers.

The Legislative Branch consists of the General Assembly, which includes two chambers: the Chamber of Senate with 30 senators and the Chamber of Representatives with 99 deputies. Parliamentary elections are held at the same time as Presidential elections on the last Sunday of October every five years. Uruguay has a two-round system for Presidential elections.

In case the candidate for President with more votes in the election of the last Sunday of October does not reach the 50% plus one of the valid votes, there is a runoff with the second most voted candidate, on the last Sunday of November of the same year.

The President, Vice President, Senators and Representatives serve a five-year term. The Senators and the Representatives can be consecutively re-elected, but the President and Vice President, cannot.

The Judicial Power - one of the three state powers - administers the judicial system. Its jurisdiction is national. It is organized in Courts and Tribunals. The system adopted for the judiciary is the collegiate for higher organisms (Supreme Court of Justice —the highest hierarchy Justice Body and Appeal Tribunals) and the one-man system for the lower organisms (Courts and Peace Courts).

Local governments (“Departamentos”) are elected in a separate election from the Presidential (National) ones and each Departamento chooses its own public authorities. Each Departamento has a Governor (Intendente) and a Legislative Branch of 31 members, where the majority (at minimum) belongs to the party of the Governor that won the departamental election.

Living in Uruguay

In Uruguay, people enjoy a safe and healthy environment. Public meetings take place peacefully.

Traffic in vehicles, even in urban centers, is quite fluid.

Cities have large green spaces and, because of the continuity of the wind and the absence of polluting industries, there is not substantial pollution.

The distances to access recreational areas (e.g. the countryside, beaches and river shores) are short. The most popular resort town (Punta del Este) is 140 km east of Montevideo.

All major cities are connected by routes departing from Montevideo (South-North). In addition, there are some important routes East-West across the country.

The national sport is soccer. There are many private clubs where to practice sports, including golf, tennis, soccer, rugby, squash, etc. There is also cultural activity, which results in an adequate range of theaters, cinemas and music shows.

Why Uruguay?

Its location, infrastructure and natural conditions enable complete and easy access to the largest economies in the region.

A tradition of respect for political, social and economic freedom, as well as solid institutions, ensures a stable framework.

A solid economy leveraged by a solid country

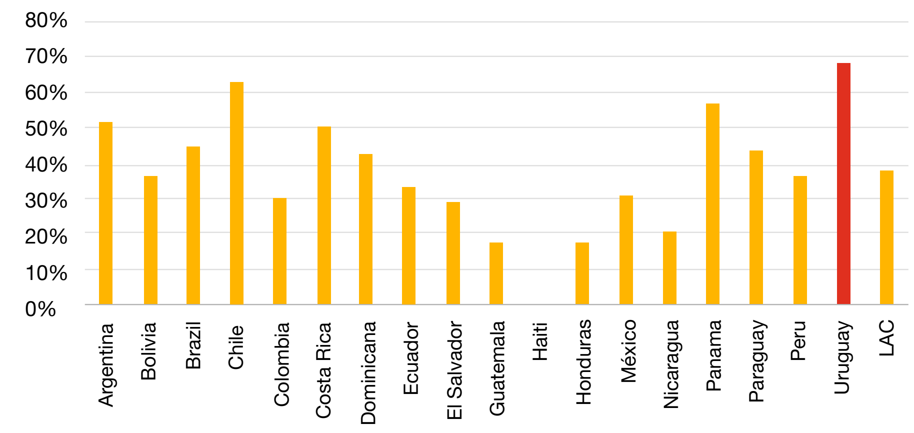
The fact of being a social consolidated country has its effect on the economy. Beyond having strong roots in the agribusiness sector (meat, grains, wool, wood, cellulose pulp), the Uruguayan economy has strategic sectors that have developed from its important human capital standards of its people.

The idea that Uruguay is a country with a high component of the middle class is well extended. Although it is difficult to measure this concept, an approximation of income per day (between 15 and 70 dollars per day) indicates that Uruguay is the country with the largest middle class (68% of total population) in Latin America and the Caribbean.

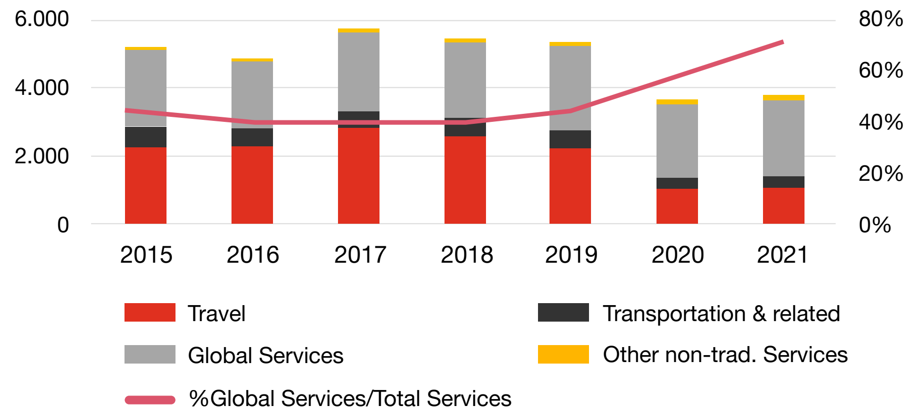
The availability of a large middle class and qualified human resources have allowed the development of businesses in strategic non-traditional services. These strategic sectors have shown significant growth in recent years and show great potential as they are services demanded by the world as a whole, not having to cross a border to carry out the transaction. In the case of information technology, finance, logistics and transportation, construction, call centers, and shared service centers their production is generally carried out within borders, but having the world as their destination.

Global service exports represent an important part of total foreign sales of services (45% in 2019). Due to the "production within borders" they have shown great resilience in the face of the pandemic, increasing their share of total exports to 72% in 2021.

Middle Class estimates as income per day between 13-70 USD (% of total population)



Export of Services (milion USD)



The solid status of the Uruguayan economy is reflected by the investment-grade quality granted by the three main risk agencies (maintaining and improving the investment-grade status during the pandemic). Credit ratings by Fitch, S&P and Moody's has not only lowered the indebtedness cost but is also an indicator to foreign investors about Uruguay as a good location for business.

Other driver of foreign investment is the institutional quality of the country. When qualifications in democracy, transparency and rules of law are considered, Uruguay ranks first in South America and in the first places in the world.

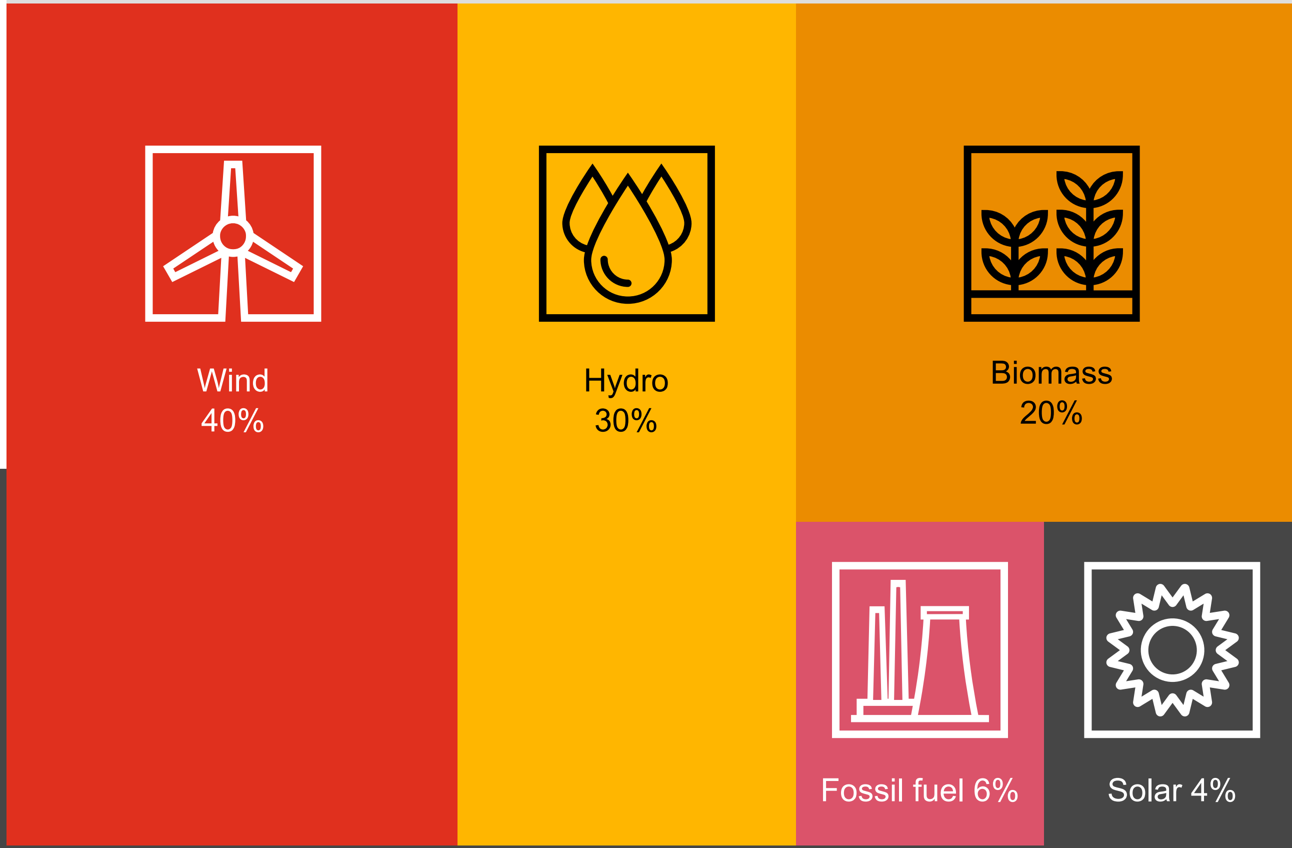
A recent challenge of public policies in Uruguay has been to incorporate the social and institutional achievements (including the environmental ones) in the line of sustainable financing.

For example, the environmental status of Uruguay is indicated by its electricity production. Only 6% of the energy has a fossil source. The rest comes from renewable sources.

	Uruguay in South America	Uruguay in the World
Political & Economic Transformation (Bertelsmann Foundation 2022)	1	5
Democracy Index (EIU 2021)	1	13
Corruption Perception Index (Transparency International 2021)	1	18
Quality of living (Mercer Quality of living city ranking, 2021)	1	78
Global Peace Index (Institute for Economics and Peace, 2021)	1	47
Prosperity Index (Legatum Institute, 2021)	1	37
Economic Freedom (Heritage Foundation, 2022)	2	34
Human Development Index (UNDP, 2020)	3	55

Electricity generation by source 2020 (% of total)

In this context, the Uruguayan authorities are preparing the first issuance of sustainability-linked debt in history, which is expected for the second half of 2022.



Promotion for investing

Foreign and domestic investors are given the same treatment.

The promotion and protection of investments has been a consistent state policy in Uruguay. Investors may access a series of tax benefits if they comply with the conditions established in the Investment Law and its regulatory decrees.

Uruguay also has free zones and industrial areas, offering an adequate framework for structuring investments with the international market as the destination for manufacturing, commercial and service activities.

Financial Markets

Uruguay's financial system consists of banks, financial houses and representative offices of foreign banks. All of the above require the authorization of the Central Bank of Uruguay to operate.

The largest bank is Banco República (BROU), which is state-owned; another important state bank is Banco Hipotecario (BHU, focused on mortgages and finance of housing). Almost ten private banks operate in the country; most of them are branches of international financial institutions.

Uruguay's banking system is characterized by lack of currency exchange controls, allowing the transfer of funds and profit remittances with no restrictions or limits, allowing the transfer of funds and profit remittances with no restrictions or limits. It has an efficient process for foreign individuals or companies to open bank accounts, complying with all the international standards.

02

Strategic location in the region

Strategic location in the region

Uruguay's strategic location offers easy access to major business and industrial centres in the region.

Approximately

70%	**60%**	**50%**
of Brazil's GDP	Argentina's GDP	of Chile's GDP

is generated in the area surrounding the Uruguayan territory.

Natural conditions and an extensive infrastructure network enable full and rapid access to the entire territory.

The country's port facilities are strategically located along the Atlantic Ocean and the Paraguay-Parana fluvial waterway, to access both oversea locations and the centre of the continent.

Natural conditions and an extensive infrastructure network enable full and rapid access to the entire territory.

03

Respect for legal clarity

Respect for legal clarity

Liberties in Uruguay

Political stability in the country is reflected in the political, civil and economic liberties of the population and in the degree of development of its institutions.

Regarding political and civil rights, individuals in Uruguay may freely associate, express themselves and participate in political activities. Moreover, satisfaction and support for democracy is higher than the regional average.

According to the report prepared by the Economist Intelligence Unit (research arm of The Economist Group for business executives), Uruguay is considered the most democratic country in Latin America (categorized as “full democracy”), with a score of 8.85, and was ranked 13th out of 167 countries worldwide.

The overall Democracy Index is based on scores for 60 indicators in five different categories: electoral process and pluralism; civil liberties; the functioning of government; political participation; and political culture. Each nation is categorized across gradient levels of regimes: full democracies, flawed democracies, hybrid regimes and authoritarian regimes.

Also, Uruguay was ranked 1st in South America in 2021 by the Press Freedom Index published by Reporters Without Borders, which reflects the attitudes and intentions of governments towards media freedom in the medium or long term.

High Institutional development

A proper institutional framework is decisive for generating business competitiveness and for stimulating growth in the economy.

In this sense, institutional strength is a differential characteristic of Uruguay. Institutional quality refers not only to the efficiency of the existing legal framework, but also to intellectual property protection and to the considerable degree of independence of the Judicial Branch.

Likewise, values such as ethical behaviour in business prevail in the private sector.

Economic Freedom

Uruguay's economic freedom score is 70, making its economy the 34th freest in the 2021 Index (out of 177), prepared by The Heritage Foundation and The Wall Street Journal, occupying the second position in Latin America after Chile.

The foundations of economic freedom are among the strongest in the region and solid in comparison to other countries in the world. The relatively independent and efficient judiciary provides strong protection of property rights and sustains the rule of law. The perceived level of corruption has declined, enhancing the prospects for long term economic development.

A high degree of identification with the values of democracy and respect for liberties has stimulated business and investments in Uruguay.

The country is known for its legal clarity and for the solid development of its institutions, both of which play a basic role in investment decisions.

Economic freedom is obtained through the average score of the following ten components: property rights, freedom from corruption, business freedom, labour freedom, monetary freedom, government spending, fiscal freedom, trade freedom, investment freedom and financial freedom.

Bribery and Corrupt Practices

Unduly influencing public officers through bribery or other corrupt practices is a crime.

High-rank officers are required to produce a statement of assets and income of any source with the Junta de Transparencia y Ética Pública and Political Parties are required to disclose information of their finances and expenses during campaign.

Money laundering and terrorism financing are penalized as a felony.

The legal framework has been consecutively updated in 2004, 2009 and 2017, including tax evasion within the scope of money laundering precedents. Uruguay has continuously improved its ranking in Transparency International's Corruption Perception Index, ranking first in Latin America and 18th at global level in the 2021´s edition.

Uruguay is considered a country with a high regard for economic liberty.

04

High human resource quality

High human resource quality

High literacy and school enrolment

The fact that public education in Uruguay is free and mandatory has led expenditures in education to be a major component of social spending by the government.

According to the statistics, the percentage of Uruguayans without any education is one of the lowest in the region.

As far as the quality and coverage of public education is concerned, these have shown progress over the last few years, which is reflected in one of the highest literacy rates in the region. School enrolment levels also compare well with regional countries.

In primary education (children from 6 to 11 years old), Uruguay has a universal scholarship in all sectors of the population, with more than 90% of the children attending school.

Regarding high school (teens from 12 to 17 years old), the percentages are a bit lower, but there are over 80% of the teens attending high school.

Plan Ceibal

Uruguay was the first country to implement the One Laptop per Child (OLPC) initiative, known locally as Plan Ceibal. It was a project developed jointly by the Ministry of Education and Culture (MEC), the Technological Laboratory of Uruguay (LATU), the State-Owned Telecommunications Company (Antel) and the National Public Education Administration (ANEP).

Plan Ceibal was born as a project of social nature, focused on the educational field. It was created to provide a laptop to every child in all public schools in the country. This initiative led Uruguay to be the first country in which 100% of its students have internet access. The project has also demonstrated a significant social impact on the schools' connection to families, promoting skills for a 21st century society, not only for students but also for the entire family.

Plan Ceibal won the award for Knowledge Fair conducted by the United Nations Development Programme (UNDP), and was awarded a bronze medal for National Quality and Commitment in Public Management from the National Institute of Quality (INACAL). The latter was due to the work in connectivity and connectivity support. It also won a Frida award in the category Access, awarded by LANIC, IDRC and ISCO in Argentina.

Plan Ceibal reached 100% of the school population.

Public education in Uruguay is free and mandatory.

Technology, communications and connectivity

Uruguay has experienced remarkable technological progress. The country has exceptional connectivity and internet penetration. 85% of the population has access to broadband (fiber optic or ADSL), with a median mobile internet connection speed of 29.76 Mbps and a fixed one of 73.65 Mbps. Uruguay is the leader for the average speed Internet access in South America and ranks high in the world.

100% of public schools are connected, and it is the only country in the world that provides free laptops to students in primary and secondary schools. It is the most developed Latin American country in Information and Communications Technologies (ICT).

Uruguay has the greatest fiber-optic internet coverage in homes and businesses and the most affordable price of internet access. It also has one of the best Data Centres in Latin America and several submarine cable systems with connection spots in Argentina, Brazil and the United States (the latter with high capacity). These qualities and its business environment make it a global centre of services for the region and the world.

A significant increase in the speed of data traffic combined with a highly favourable environment for the development of business with modern free zones, top-class technology centres and attractive benefits make Uruguay one of the most developed countries in e-services of Latin America.

Uruguay is a member of the D9 (together with Canada, South Korea, Israel, New Zealand, Portugal, Mexico and the United Kingdom), the most developed countries in the world in terms of development and e-government. D9 promotes connectivity, digital citizenship, encryption for kids, open government, standards and open source government and focused on the people.

In order to foster growth in the technology sector, Uruguay began by investing in its major resource: people. Integration in the digital world and education has been and will continue to be one of the foundations to achieve a reliable and sustainable technological development.

Because of Plan Ceibal, as well as the pioneer initiative OLPC (launched in 2007), Uruguay became the first country in the world to provide laptop computers to every one of the kids and teachers in all primary and secondary State schools. Access to technology and knowledge has been universalized and the digital divide has been significantly bridged.

From 2015, Plan Ibirapitá has provided free tablets and internet access to elder people with low income. At present, Plan Butiá is working on robotics development.

These are only some of the reasons why Uruguay is associated with quality. Nowadays, international companies choose Uruguay as the location to develop products and technological services, as well as the location from which regional operations can be launched into the rest of Latin America.

According to the figures presented by the Fiber Broadband Association, more than 1.5 million households count with optical fiber, thus becoming a market with great coverage of the region.

Energy Industry

Due to the lack of oil and natural gas, dependence on oversea imports of these energy sources has been steadily rising. Uruguay depends heavily on imports of crude oil for its basic energy supply. Offshore oil and gas exploration in Uruguayan waters is being carried out.

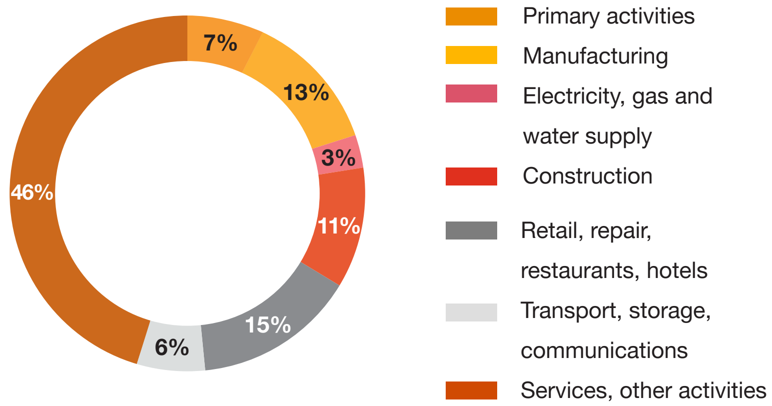
In order to enhance energy self-sufficiency, Uruguay has placed a significant emphasis on wind, solar and biomass power, and many projects have been developed.

05

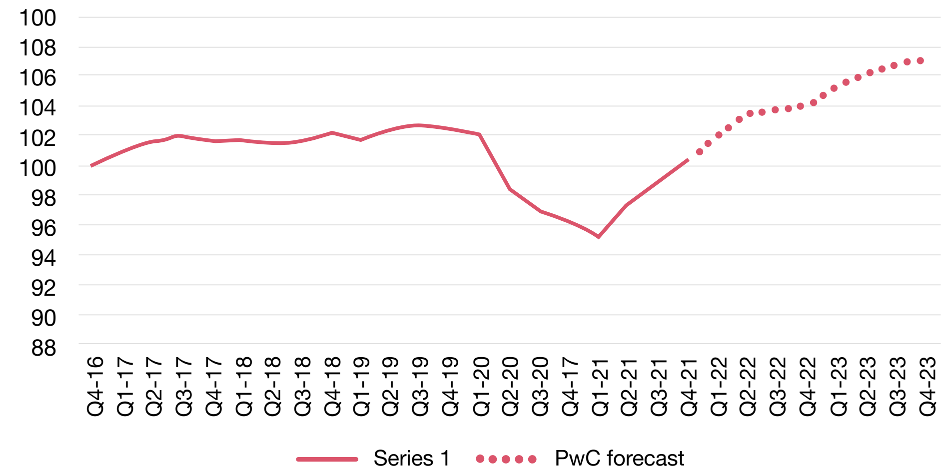
An open economy

An open economy

Composition of GDP Industry



GDP Index



Economic performance and structure

COVID 19 impacted a deep drop in activity in the second quarter of 2020, rebounding significantly and quickly in the Uruguayan economy. For the Q1 of 2022, pre-pandemic activity levels are expected to be recovered.

With this quick reaction to the pandemic, Uruguay's GDP fell 6.1% and then grew 4.4% in 2021. The economy has recovered from the boom in commodities, especially meat and some grains, and also due to the effect of the construction of the third pulp mill.

According to PwC projections, the GDP would grow 3.6% in 2022 and 2.9% in 2023, in both cases above the potential growth of the Uruguayan economy (estimated at 2.1%).

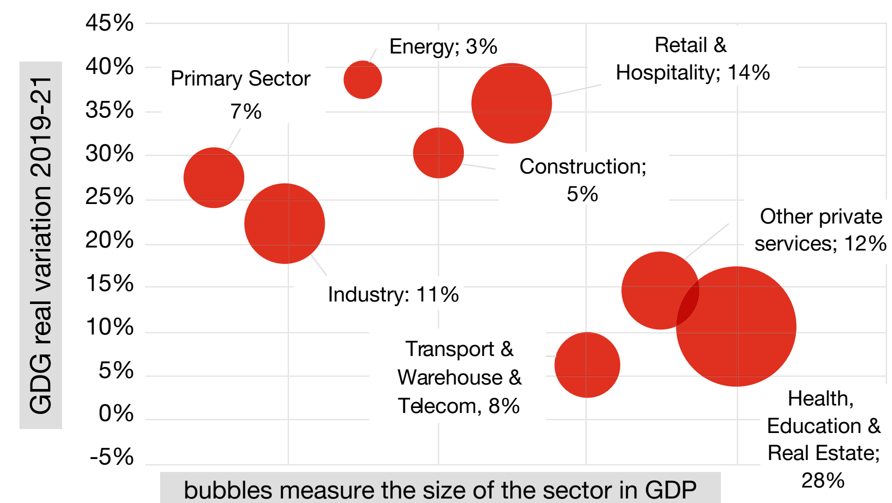
Measured in current dollars, GDP amounted to USD 59,300 million in 2021, with a GDP per capita of USD 16,735.

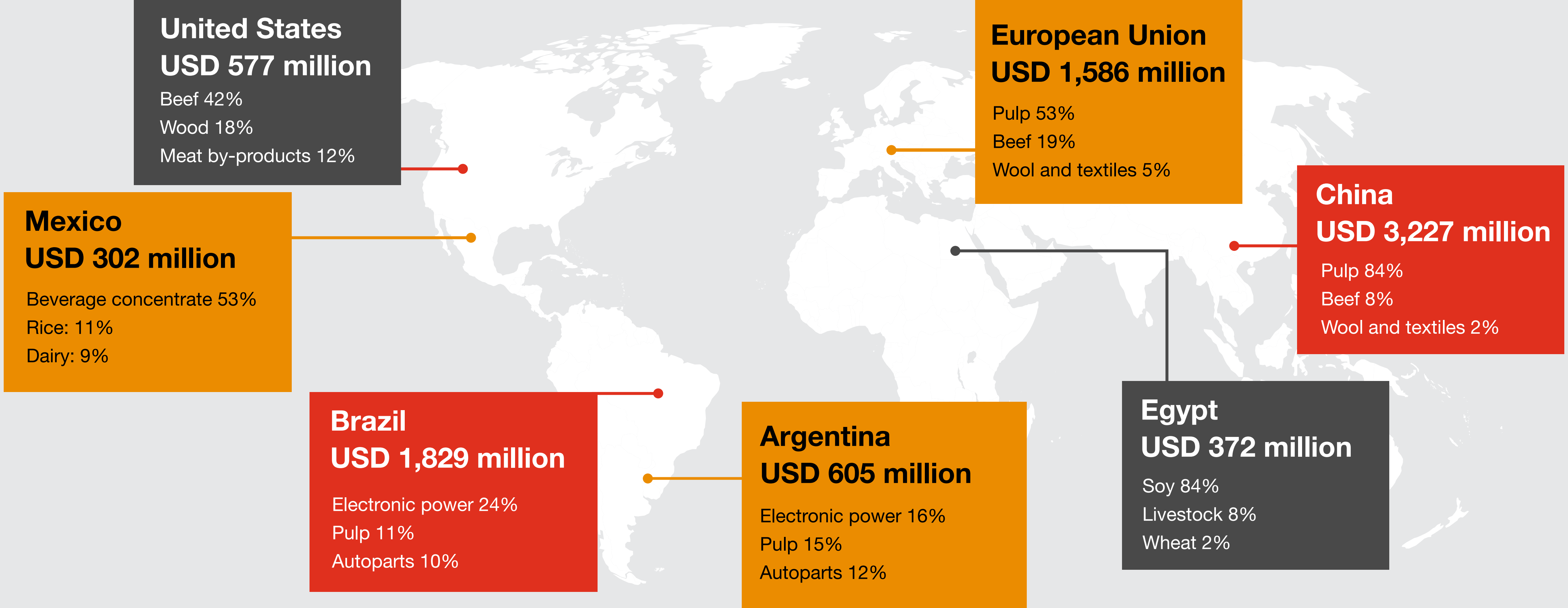
The weight of the primary sector stands at 7% of GDP in 2021.

The retail and hospitality sector (hotels and restaurants) weighs 14% of GDP and other private service sectors (professional, financial services, among others) weight 12%.

Seen in another way, the private sector explains 80% of the added value generated in 2021 and the public sector explains the remaining 20%.

GDP by Sectors





An export-based economy

The Uruguayan economy is small and open. Exports play an important role in developing local production.

Initially, its small size led the country to an export-based economy focused mainly on the agroindustry. As we mentioned earlier, over the last few years, the exporter profile of the economy has expanded to the service business. While tourism makes up a significant part of service exports, other services have gained force, including transportation and logistics, IT (particularly software) and finance.

The production of Uruguayan goods and services is highly demanded by the world, and although there are traditional markets, the Uruguayan offer has a great versatility of markets. In 2021 there were 153 countries that bought goods from Uruguay.

Nearly a quarter of the exports of goods goes to developed countries, the main destination being the European Union. China absorbs about a third of total merchandise exports.

The region, with a smaller share than in the past, continues to be an important demander of Uruguayan products, especially Brazil.

06

Foreign trade

Foreign trade

Strategic partners

Uruguay is a full member of the Mercosur (Southern Common Market) along with Argentina, Brazil and Paraguay.

Additionally, Uruguay has signed, in its capacity as both a member of the Mercosur and an independent party, different trade agreements that grant access to other markets with preferential tariffs.

Mercosur agreements

- Chile
- Bolivia
- Peru
- Colombia, Ecuador and Venezuela
- Cuba
- Colombia
- Mexico - automotive agreement
- India
- Egypt
- Southern African Customs Union (SACU)
- Israel

Uruguay agreements

- Mexico
- Venezuela
- Chile
- Brazil - automotive agreements
- Argentina - automotive agreement

Subscribed agreements, not in force yet (NIF) / Agreements under negotiation (UNe)

- Mercosur - Palestina (NIF)
- Mercosur - EFTA (UNe)
- Mercosur - European Union (UNe)
- Mercosur - Canada (UNe)
- Mercosur - Corea (UNe)
- Mercosur - Singapore (UNe)
- Mercosur - Lebanon (UNe)

Imports

There are no significant restrictions for importing goods.

Custom duties are imposed on Customs Value of the imported goods (in line with the General Agreement on Tariffs and Trade).

Imports of goods with Mercosur origin are generally free from customs duties, although certain exceptions apply. Particularly, those pertaining to the sugar and automotive industries (which are subject to the import tariffs prevailing in Uruguay).

The rest of the trade agreements also generate benefits related to customs duties.

In case that no preferential treatment is applicable, the main charges applied over the imported goods are as follows:

Duties

- Common External Tariff (or Customs Duty): varies between 0 and 35%, with exceptional levels that range from 23% to 35% corresponding mainly to certain types of shoes, sugar, and automotive goods.
- Consular duty: please see detail below.

Taxes

- VAT: 22%.
- Advanced payment of VAT: 10% or 3%, depending on the type of good.
- Advanced payment of CIT: 4% or 15%, depending on the type of good.
- Excise Tax: 0% to 115%, depending on the type of good. Goods subject to the highest rates are alcoholic beverages, tobacco, gasoline, fuel, lubricants, and other petroleum products. Please see the “Tax system” section for further detail.

Consular Duty applies as follows:

- 3% for products with Mercosur or Chile origin.
- 5% for products with origin rest of the world.
- 5% for automobiles, regardless of their origin.
- Products originated in Mexico, products introduced to Uruguay under the Temporary Admission regime, and fixed assets are exempt.

Capital goods (heavy equipment) and information technology equipment are in general subject to customs duties of up to 2%.

Exports

Exports are not subject to any taxes and there are almost no prohibitions regarding the type of goods to be exported.

In addition, several instruments are offered to promote exports, for instance:

- Zero rate for VAT.
- Reimbursement of taxes: exporter may recover internal taxes added to the cost of the product exported (3% to 6% on customs value).
- Temporary admission: supply imports for exportable products are exempt from custom tariffs, provided the final products are exported within an 18-month period.
- Draw-back: for certain products, the draw-back system allows for the reimbursement of tariffs paid on imports at the time of export.
- Stock replacement: an export manufacturer could replace imported goods under the general regime, by importing similar goods, free of taxes and customs duties, when they have been used as input for transformation, elaboration, repair or addition of value determined in the country; with effective labor occupation of exported products.
- Special financing: exporters can access credit at preferential interest rates.

These benefits enhance the competitiveness of exports manufacturers, and helps them sell to demanding international markets, since they can use unlimited amounts of the needed goods with lower costs, while ensuring an adequate quality.

Free Zones

Free Zones offer significant advantages for companies operating in foreign trade. This system has been utilized both for carrying out traditional activities in Free Zones (warehousing, logistics and distribution) and for providing services (i.e. software development, finance, call centres) and manufacturing activities (such as, cellulose pulp, pharmaceutical industry and leather production).

Free Zone users are exempt from all present or future national taxes, including those that require a specific exemption by law, with respect to the activities developed within the free zone.

Please see the “Investment promotion” section for further detail on the Free Zones regime.

Regarding logistic advantages, goods originated in Mercosur or in third countries that have previously entered into an agreement with Mercosur, shall continue to be exempt from customs tariffs in case that, during its logistics process, they enter a Free Zone. The condition is that their nature remains unchanged, before being introduced to Uruguay or to other Mercosur member country.

Payment system in local currency

Nowadays, a payment system in local currency with Brazil, Argentina and Paraguay is available. Such system allows natural and legal persons- that are in one of these countries- to make payments and/or collections in their respective currencies in transactions between them.

Transfer Pricing

Transfer Pricing (TP) rules are in force as of July 2007 and they are applicable to international transactions between related parties, as well as to those transactions carried out with parties situated in low or zero-tax regimes (either international or domestic), regardless of the relationship between them. Domestic transactions with Uruguayan Free Zones fall under this category.

The definition of "related parties" is quite broad. It is not limited to capital structures, but also includes functional relationships (such as unique supplier/client, exclusivity agreements under certain circumstances, power of decision to direct or define the taxpayer's activities, among others).

The Uruguayan legislation is, in general terms, in line with OECD Guidelines and it adheres to the arm's length principle. In order to evaluate the arm's length nature of the tested transactions, the Uruguayan legislation adopts the best-accepted international methodologies and requires the use of the most appropriate method according to the type of transaction performed.

Particular considerations are applicable for import and export transactions of goods, where prices can be determined through transparent markets, stock exchanges or similar.

TP Documentation

TP report ("local file") and the informative return must be filed with the Tax Authorities when intercompany transactions under analysis carried out by the taxpayer in the financial year, exceed a threshold of approximately USD 6,5 million. TP documentation must be filed within the ninth month after the year end. Under such threshold, taxpayers are not obliged to file the TP documentation, although in such cases a TP analysis must be prepared and kept during the statute of limitation period (minimum of five years).

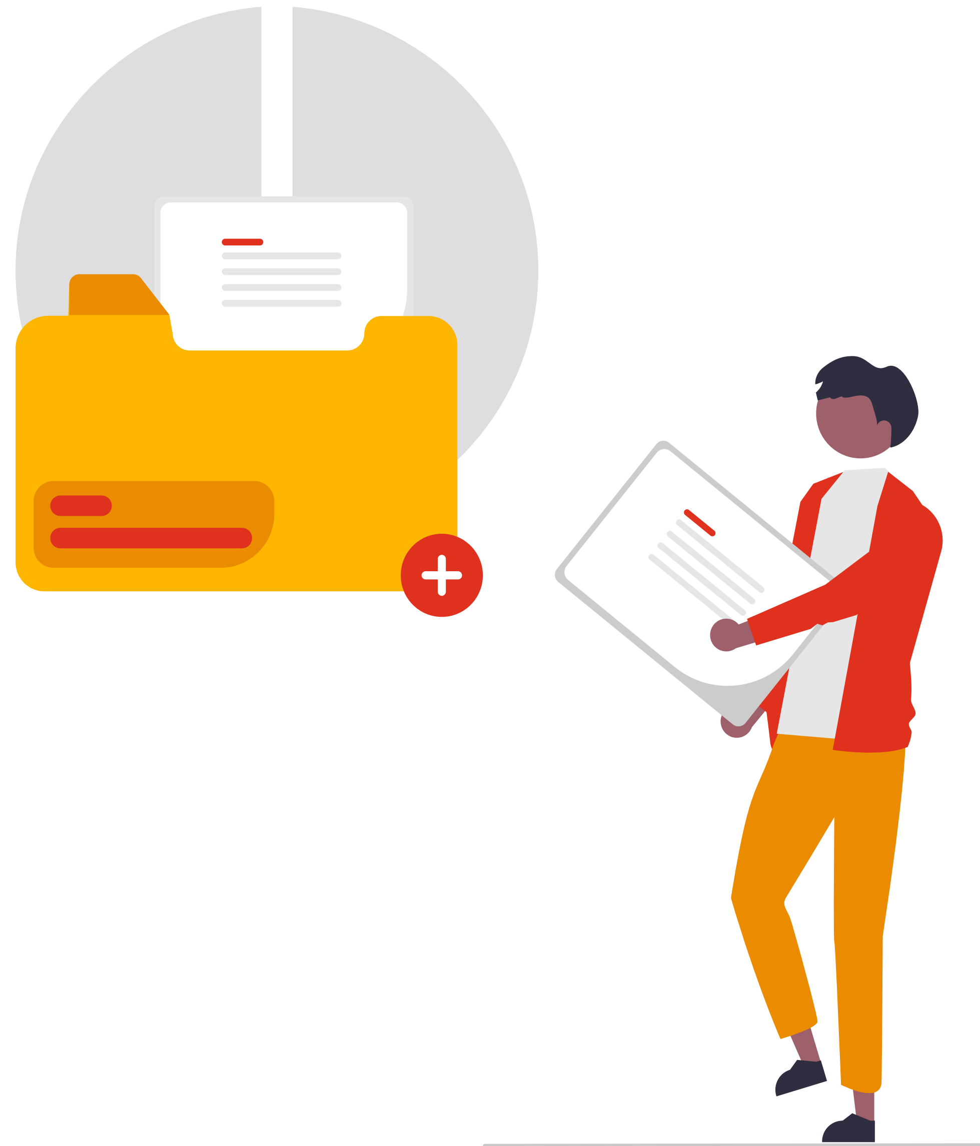
Country by country report ("CbCR") filing is an annual obligation for taxpayers that integrate a Multinational Group (MNE) of large economic dimensions (i.e. those whose consolidated income exceeds EUR 750 million -or its equivalent-) and verify the related party assumptions. Said obligation is in force for financial years initiated as of January 1, 2017. Taxpayers will be excepted from filing CbCR in Uruguay when it is submitted by a related entity to a foreign Tax Administration of a jurisdiction with whom Uruguay has an exchange of information agreement in force, and the report can be effectively exchanged with such tax authorities.

A special (complementary) return related to the CbCR must be submitted prior to the MNE financial year end. Taxpayers obliged to file the CbCR shall notify the local Tax Authority the identity and tax residence of the reporting entity, the controlling entity and all the Uruguayan entities that integrate the MNE. This complementary information should be filed annually in all cases and by all local entities (i.e. although -when applicable- the full CbCR is submitted only by one local entity on behalf of all, the complementary information must be submitted by all the local entities).

Master File: although there is a legal obligation to prepare and have the Master File, the regulations (with additional information about its practical implementation) have not yet been issued.

TP Penalties

General penalties/fines on income tax adjustments: a fine of up to 20 percent of tax underpaid and interest will be charged on the tax underpaid, calculated from the original due date. The Tax Code also addresses severe sanctions in the case of tax fraud both as an infringement (punished with a fine of between one and fifteen times the amount of the fraudulent tax omission or attempted omission) and as a criminal act (subject to an imprisonment penalty of between six months and six years). In both cases, the behavior subject to punishment is configured by deceit or deceitful concealment with the purpose of creating an undue fiscal benefit. Specific penalties apply upon failure to comply with TP provisions (including the formal ones). These are gradual according to the gravity of the fault and of its recurrence (they vary from USD 14 to USD 265,500 approximately).



Advanced Pricing Agreements

The regulations provide taxpayers with the opportunity to enter into unilateral, bilateral and multilateral Advanced Pricing Agreements (APA) with the local Tax Office and with foreign Tax Offices, when applicable. These APAs must be signed prior to performing the intercompany transactions subject to analysis and may not exceed the term of three fiscal years.

07

Investment framework

Investment framework

Equal conditions for foreign and local investors

Foreign investors are deemed to have the same rights and obligations as Uruguayans, notwithstanding certain limitations imposed by specific sector regulations.

Uruguayan Law recognizes the capacity of foreign legal entities, provided they are not in conflict with public policies, and, as such, they are allowed to conduct business and appear in Court.

Business may be carried out either through a branch office or through a local subsidiary.

Local companies and branches of foreign entities are required to identify their shareholders and ultimate beneficial owners.

Payments may be freely agreed to be made in the party's currency of choice, but restrictions on the use of cash may apply depending on the transaction and amounts involved. Inflow and outflow of funds is free, although subject to Anti-Money Laundering and Counter Terrorism Financing controls.

Banking secrecy

Uruguayan Law reflects a long-established tradition of banking secrecy. As such, financial institutions are subject to privilege and may only share information on their clients under specific and exceptional circumstances (Court resolution in criminal or alimony matters, money laundering or terrorism financing investigations, tax frauds, requests by foreign authorities and Common Reporting Standard compliance) or upon client's written authorization. Uruguay has not entered into Intergovernmental Agreements ("IGA") with the United States for FATCA purposes.

Cash repatriation

Other than complying with Anti-Money Laundering Laws, there are no restrictions nor notice requirements associated with cash repatriation.

Tax privacy rules

Tax privacy precludes authorities from revealing information related to tax procedures.

Breach of tax privacy may result in the dismissal of the public servant that committed the breach.

Anti-money laundering and terrorism financing

Uruguay has reaffirmed its commitment to fighting money laundering and terrorist financing by subscribing the Conventions of Vienna and Palermo, the International Convention for the Suppression of the Financing of Terrorism and nine of the eleven United Nations protocols related to these.

Its legal framework, which satisfies Groupe d'Action Financière's (GAFI) basic requirements, imposes due diligence and reporting obligations on professionals acting in the financial and non-financial sectors (casinos, real estate agents, brokers, notary publics, lawyers and public accountants, among others).

Suspicious operations shall be reported with the Central Bank's Information and Financial Analysis Unit (UIAF). Courts of Law are empowered to order seizure and confiscation of goods or financial instruments related to money laundering activities.

A relevant matter for the economy in Uruguay is to achieve sustained investment growth. A state policy of promotion and protection of investments was established to provide a secure environment for investors in Uruguay.

Intellectual property

Copyright, Trademarks and Industrial patents are specifically protected by the Law.

Copyright

Copyright protection applies to original works of art in the literary, scientific (including software, electronics and information systems) and artistic fields, recognizing the author - or copyright holder exclusivity rights against their unauthorized use or infringement.

Uruguay is a party to the Bern Convention for the protection of literary and artistic work, extending to foreign authors the protection to which local ones are entitled.

Trademarks

Upon registration with the Dirección Nacional de Propiedad Intelectual, the Law recognizes exclusive rights over trademarks. The use of trademarks may be assigned without the need to serve notice to public authorities, although this would be necessary to exercise exclusive rights.
Unless otherwise agreed, the transfer or sale of a business entails its trademark as well.

Patents

The law protects industrial patents, comprising inventions, useful models and industrial designs and models. Protection is granted for twenty years after making the request for protection before the Dirección Nacional de Propiedad Industrial, upon which it becomes of public domain.

Models of use (minor innovations) and industrial models or designs provide their owners the exclusive right of use for a ten-year period, renewable for five additional years only.

The Paris Convention, to which Uruguay is a party, extends the protection to citizens of Contracting states.

Fair Competition

The Law seeks to promote the wellbeing of consumers and users and stimulate economic effectiveness, freedom and equality of conditions in access to markets.
Oversight is entrusted to the Ministry of Finance through the Comisión de Promoción y Defensa de la Competencia.

Although it is not illegal for a monopoly situation to exist, the Law prohibits anti-competitive practices through monopolies and the use of power to prevent potential competition from new market players. To such extent, any abuse of predominant position and all the practices, behaviors or recommendations intended to restrict, limit, obstruct, distort or prevent present or future competition in the relevant market are also prohibited.

Legal framework for employment outsourcing

The employment law seeks to protect workers while meeting the needs of the market. Seeking to guarantee compliance, the Law provides that a contracting party may be held jointly and severally liable for labor-related debts (including social security contributions and mandatory insurance premiums) related to subcontractors employed in the event no controls are in place. To the extent controls are implemented, contractors may become subsidiary liable.

Environment Protection

The protection of the environment is a matter of general interest according to the Constitution. Besides regulations preventing degradation, companies resorting to clean technologies are eligible for tax incentives under the Investment Promotion Law.

Data Protection

The Law establishes the protection of personal data.

One of the main law principles is that the entity that is developing personal information must obtain the previous, explicit and informed consent of its owner before sharing it with any third person, except in exceptional cases specially established by law.

Failure to comply with this legal provision may lead to administrative, civil and even criminal prosecution. In addition, the law and regulations establish the obligation for those who have personal data databases, to register them with the Agencia de Gobierno Electrónico y Sociedad de la Información y del Conocimiento. Finally, international data transfer is also regulated, and the territories considered with an adequate level of data protection rules are listed by the regulator authority.

08

Foreign Investment

Foreign Investment

One shareholder may own 100% of the capital once the Sociedad Anónima is incorporated.

Choice of entity

Sociedades Anónimas, Sociedades de Responsabilidad Limitada and Sociedades por Acciones Simplificadas can carry out business while insulating shareholders against company debts. At times, foreign investors choose to conduct business through a local branch, and Fideicomisos may be implemented for a particular purpose.

Choosing the right type of entity depends on multiple factors, including the number of shareholders, the activity to be carried out, taxation and record-keeping, among others.

Company Information

In short, incorporating a Sociedad de Responsabilidad Limitada or a Sociedad por Acciones Simplificada requires choosing a name and checking its availability, making capital contributions, agreeing on the provisions of the articles of association and filing it with the Registrar of Companies and posting an extract, all of which usually takes between 45 and 60 days.

Complexity is added and timing is extended in the case of Sociedades Anónimas, due to an additional review by Auditoría Interna de la Nación (a Governmental body with corporate oversight responsibilities). For this reason, the acquisition of shelf-companies is a widespread alternative which may substantially simplify and reduce the time involved in the set up.

Sociedades Anónimas

Unless otherwise required by the Law or set forth in their articles of association, Sociedades Anónimas may carry out any sort of business. Sociedades Anónimas may be public or privately owned, in both cases all of a company's share capital may be owned by a sole shareholder.

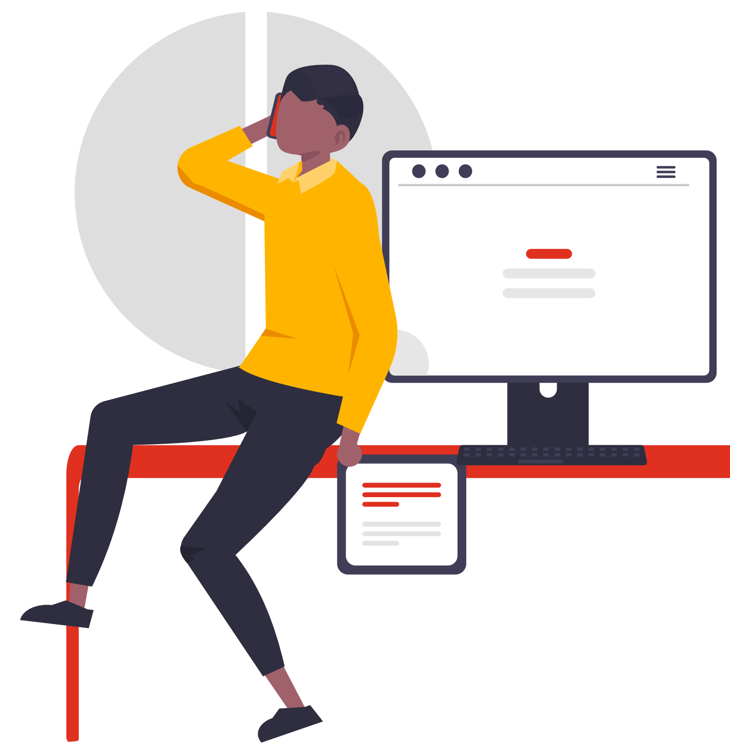
Share capital shall be expressed in local currency and represent at least 25% of a company's authorized capital at the time of incorporation. Shares may be issued in either nominative, book-entry or bearer form, but in any case they are subject to disclosure requirements. Preferred shares granting special voting and economic rights may be agreed.

Management of company affairs may be either entrusted to a Sole-Director or a Board, except for public companies in which case the latter is mandatory. Directors may be individuals or legal entities, local or foreigners.

A statutory Annual General Meeting shall be held within six months following the financial year end in order to go over the company's annual report, financial statements, dividend distribution project and Board's management of company affairs.

Extraordinary Meetings may be called whenever necessary. Meetings shall take place in Uruguay and shareholders may be represented by proxy.

Sociedades Anónimas are required to keep books and records of transactions in due course.



Sociedades de Responsabilidad Limitada

Usually considered a hybrid entity combining characteristics of Sociedades Anónimas and partnerships, it is the company type in which small and medium-sized businesses are usually organized.

They shall be formed by at least two and up to fifty partners, including legal entities. Shares are represented by nominative quotas which may be freely transferred between partners but are subject to approval in the event transferred to third parties.

This type of company may be member-managed, allowing for management by several members, depending on the circumstances.

Similarly to Sociedades Anónimas, statutory meetings shall be called within six months following the financial year end with a similar agenda. Depending on the type of resolution and the number of partners, resolutions may require a simple majority or unanimous consent.

Profits shall be distributed as provided in the articles of association and may not necessarily follow an equity criterion.

Sociedades por Acciones Simplificadas

Shares shall be issued in nominative or book-entry form, none of which may be publicly traded.

As opposed to Sociedades Anónimas and Sociedades de Responsabilidad Limitada, this company type allows for formation by a sole shareholder. Moreover, General Meetings may be held locally or overseas, personally or through remote communication means. Management may be entrusted to a sole-director or a Board.

Depending on the company ‘s profits, this type of business company may be subject to Auditoría Interna de la Nación’s oversight.

Branch of a foreign company

Foreign companies are deemed to be capable of performing isolated transactions and appearing in Court, but in the event these intended to carry out business on a regular basis through a permanent establishment, a branch administrator should be named and capital assigned, all of which shall be filed with the Registrar of Companies and accompanied by supporting documentation evidencing the existence and organization of the company in its country of origin.

Although the branch is required to keep separate accounting records in local currency and in Spanish, it is not considered a separate entity.

Fideicomisos

Similarly to Trusts, Fideicomisos imply the transfer of an individual’s (or a legal entity’s) property to one or more persons, subject to certain duties that imply using and protecting it for the benefit of others.

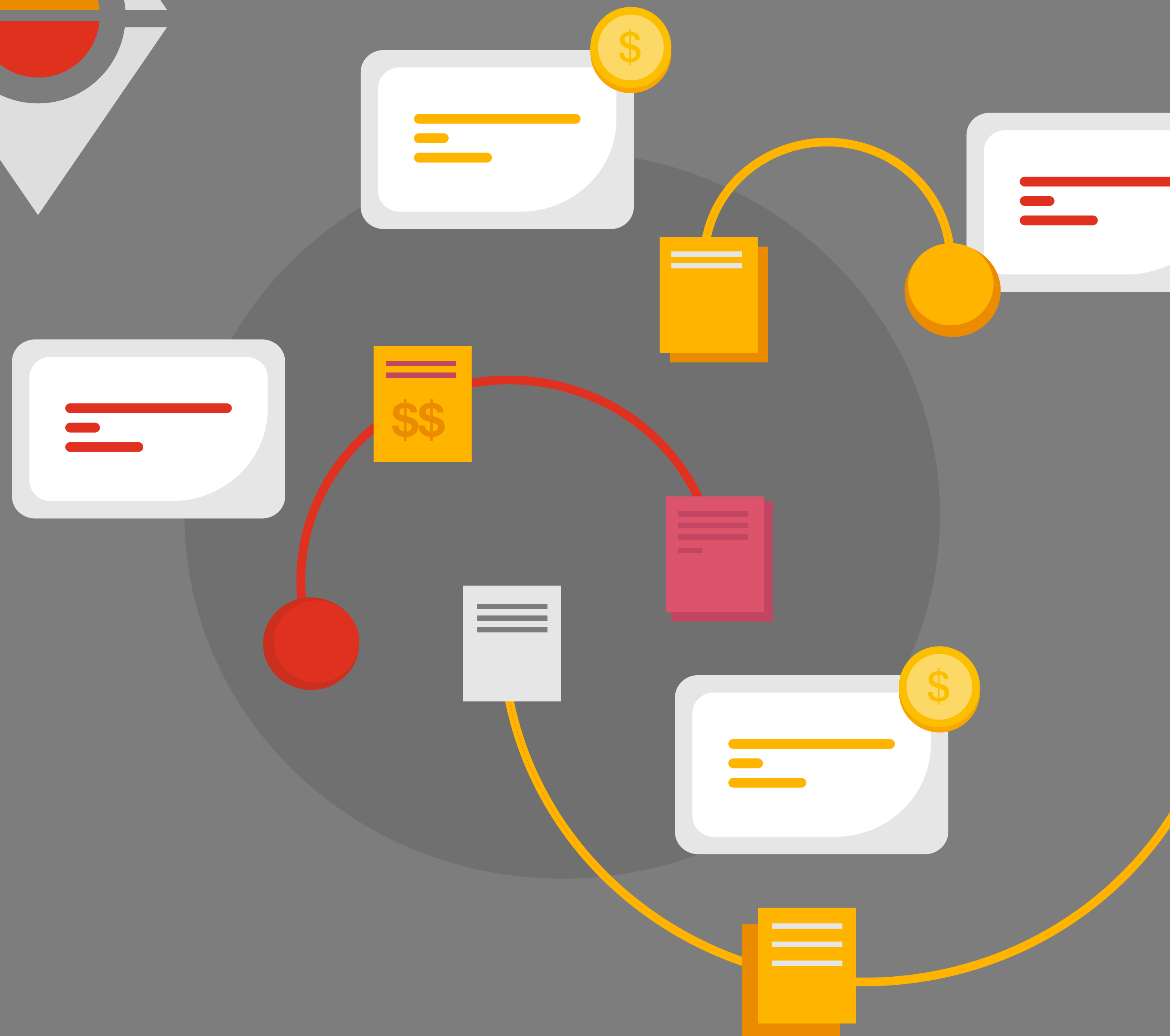
Disclosure of Ultimate Beneficial Ownership

All of the above mentioned shall disclose with the Central Bank the identity of shareholders and corporate chain of ownership up to their “Ultimate Beneficial Owners”, understood as those individuals who directly or indirectly hold at least 15% of a local company’s share capital (or equivalent) or voting rights or otherwise exercise control over the company.

Notwithstanding the above, companies whose shares are listed on stock exchanges or owned by foreign investment funds or trusts may be exempted, provided the latter are in compliance with similar provisions in their country of origin and an agreement of information exchange between both is in effect. Sociedades de Responsabilidad Limitada are not mandated to disclose the information when its capital is fully owned by natural persons, as long as they are also its beneficial owners.

09

Tax System



Overview of the tax system

Uruguay is one of the few countries in the region that applies corporate taxes according to the source principle: investments located and activities performed outside the Uruguayan territory are not subject to taxation, regardless of (i) nationality, domicile or residence of the parties participating in the transactions, and (ii) the place where the agreements are executed. The main purpose of 2007 tax reform was to restructure the taxation of resident individuals, which was again reviewed in 2011, taxing income derived from holding movable capital -regardless of its source-.

The tax system is structured on the concept of residence.

Legal entities are deemed to be resident in Uruguay when they are incorporated according to local legislation.

Individuals are deemed to be residents:

- If they remain in Uruguayan territory for a period of over 183 days during the calendar year (except when residence in another country can be justified).
- When their basis of activity (centre of economic interest) or their centre of vital interest (habitual residence of their family) is in Uruguay.

Additionally, the regulations establish that if the individual has an investment in Uruguay that complies with one of the following conditions, then he will be considered resident for tax purposes (for having its centre of economic interests in Uruguay), unless he/she proves his/her fiscal residence in other country:

- More than 15 millions of UI (USD 2,000,000 approximately) in properties located in Uruguayan territory.
- More than 45 millions of UI (USD 5,900,000 approximately) in a company with projects or activities promoted by the Investments Law, either directly or indirectly.
- More than 3,5 millions of UI (USD 460,000 approximately) in properties located in Uruguayan territory, provided that the investment is made as from July 1st, 2020, and the individual is present in Uruguay for at least 60 days.
- More than 15 millions of UI (USD 2,000,000 approximately) in a company (directly or indirectly), provided that the investment is made as from July 1st, 2020, and at least 15 new full time jobs are created during the civil year. New jobs are those generated from 1st July, 2020 and are not related to a reduction of jobs in a company of the same group.

The main direct taxes are Corporate Income Tax on Economic Activities (IRAE) and Net Wealth Tax (NWT).

The main indirect taxes are Value Added Tax (VAT) and Excise Tax (IMESI).

There is no taxation on capital contributions or stamp duties. Indirect taxation is the main source of revenue.

Uruguay has signed treaties to prevent double taxation (DTTs) following – substantially - the Model of the Organization for Economic Cooperation and Development (OECD) and that of the United Nations (UN).

Treaty countries are:

- Germany (renegotiated and in force as of December 2011)
- Hungary (in force since 1994)
- Mexico (in force as of December 2010)
- Spain (in force as of April 2011)
- Switzerland (in force as of December 2011)
- Liechtenstein (in force as of September 2012)
- Portugal (in force as of September 2012)
- Ecuador (in force as of November 2012)
- Malta (in force as of December 2012)
- Korea (in force as of January 2013)
- Finland (in force as of February 2013)
- India (in force as of June 2013)
- Romania (in force as of October 2014)
- United Arab Emirates (in force as of June 2016)
- Vietnam (in force as of July 2016)
- United Kingdom (in force as of November 2016)
- Luxembourg (in force as of January 2017)
- Singapore (in force as of March 2017)
- Belgium (in force as of August 2017)
- Chile (in force as of September 2018)
- Paraguay (in force as of March 2019)
- Italy (in force as of October 2020)
- Japan (in force as of July 2021)

Tax Information Exchange Agreements were celebrated with:

- France (in force as of December 2010)
- Iceland (in force as of November 2012)
- Denmark (in force as of January 2013)
- Greenland (in force as of January 2013)
- Argentina (in force as of February 2013)
- Norway (in force as of January 2014)
- Canada (in force as of June 2014)
- Australia (in force as of July 2014)
- Faroe Islands (in force as of February 2015)
- Sweden (in force as of April 2015)
- The Netherlands (in force as of June 2016)
- Chile (in force as of August 2016)
- United Kingdom (in force as of October 2016)
- Guernsey (in force as of October 2017)
- South Africa (in force as of October 2017)

Multilateral Convention - Double Tax Treaties

On September 11th, 2019 the Uruguayan Congress approved the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (“Multilateral Instrument” or “MLI”). The main objective of this instrument is to introduce -quickly and efficiently- the package of measures included in the minimum standard in bilateral treaties, without the need to renegotiate the treaty signed with each of the adhered States. The MLI contains mandatory provisions (minimum standard) and other optional clauses. In the case of the optional provisions, each signatory may opt in or out off, in whole or in part.

Globally, the MLI entered into force on July 1st, 2018. On February 6th, 2020 Uruguay deposited its instrument of ratification for the MLI with the OECD’s Secretary. As a result, the MLI entered into force on June 1st, 2020. The provisions of the MLI have effect with respect to a “Tax Convention included” as from the year following the one in which the instrument is in force in both contracting parties.

Income Tax

There are three categories of taxpayers:

Corporate Income Tax

Corporate Income Tax (IRAE) is levied at a 25% rate on business income from local sources obtained by Uruguayan resident entities and permanent establishments of non-residents.

The definition of permanent establishment (PE) - substantially - follows that of the OECD. A non-resident is deemed to have a taxable presence in Uruguay when carrying out all or part of activities from a fixed place of business or through a dependent agent. Provision of services (under certain conditions), including consultancy services, will also trigger a permanent establishment (hypothesis based on the United Nations model).

Income obtained in the agriculture business (including forestry) is also in the scope of this tax but depending on the nature and size, those engaged in this type of activity may elect to be subject to the Agricultural Products Sales Tax (IMEBA). However, this option is not available for corporations, *sociedades en comandita por acciones*, permanent establishments, trusts, closed investment funds and for state enterprises. There is also an option to be taxed under IRAE rules that is available for those who obtain income subject to Individuals’ Income Tax (IRPF), with the exception of salaries, dividends or profits, and income from holding movable capital derived from non-resident entities. For those who obtain income from personal services (such as independent contractors), the option depends on the level of income effectively obtained.

To determine net taxable income, duly documented accrued expenses required for the generation of Uruguayan source income are allowed as deductions.

Additionally, taxpayers are able to deduct expenses from their gross income to the extent such expenses are income subject to taxation (either foreign or local taxation) in the hands of their counterparts. A compulsory proportional deduction must be calculated when the taxation in the hands of their counterpart is lower than 25% (IRAE rate). A 12% withholding tax is imposed on Uruguayan-sourced income obtained by non-residents, except in cases where the income is obtained through the operations of a PE in Uruguay.

To determine the taxable basis in transactions with foreign related parties, transfer-pricing rules (in line with the OECD guidelines) must be applied. Transactions between companies located in Uruguay and counterparts located in low tax jurisdictions, whether related or not, must be analyzed within the scope of transfer pricing regulations.

Profits of small companies (annual income below approximately USD 40,000) are not subject to IRAE. Nevertheless, a monthly fixed tax of approximately USD 100 must be paid. In general, IRAE taxpayers must make advanced payments on account of the final tax (due date after the end of each fiscal year).

Individuals' Income Tax

Resident individuals are subject to IRPF. Income subject to tax is divided into two categories: capital and labour income. IRPF taxes income derived from activities developed in, property located in or rights economically used within the Uruguayan territory, as well as income derived from holding movable assets (regardless of its source).

Regarding labour income, this tax also applies to income derived by resident individuals because of activities developed outside the country, as long as the payer of the salary/fee is an IRAE taxpayer.

Capital income includes earnings from holding movable and immovable property and capital gains derived from their transfer. It is levied at a flat rate of 12% with some exceptions (i.e. interest on deposits in local currency, interest on debt issued by public offering, dividends or profits paid by IRAE taxpayers among others), which are taxed at lower rates.

Labour income includes earnings from rendering personal services as an employee or as an independent worker and is levied at progressive rates of up to 36%, depending on total annual gross income. Deductions are minimal and include retirement plan contributions and deductions for underage or handicapped dependent children. The annual non- taxable threshold of this tax is approximately USD 10,350.

Although originally included in the scope of IRPF, as of July 1st, 2008, Uruguayan source income derived from pensions is subject to a specific tax aimed at financing the pension fund at progressive rates of up to 30%. The annual non-taxable threshold of this tax is approximately USD 11,800.

The following rates are applicable to annual gross income for the purpose of calculating the progressive tax on labour income:

- Social security contributions and a notional amount corresponding to education, feeding, health, and housing of dependent under-age children are deductible (under certain conditions), from employee gross income when applying a flat rate of either 10% or 8%, depending on the tax payer's level of income. Those taxpayers with a monthly income lower than 15 BPC (approximately USD 1,850) will be able to deduct a 10% of the deductions, while the individuals whose income is higher than 15 BPC will only be able to deduct an 8% rate of the total deductions.

- Taxpayers must make advanced payments during the fiscal year (either themselves or through withholdings made by the employers), which are deducted to calculate the final tax payable to the DGI.

- Taxpayers have the choice to pay this tax as a family unit. Rates to be applied differ from the aforementioned rates and depend on the income of each member of the family unit.

Non-Residents Income Tax

All Uruguayan sourced income obtained by non-residents (other than those obtained through a PE in Uruguay) are taxed by Non-Resident Income Tax (IRNR) at a general flat rate of 12% on gross income. Income obtained by entities resident, domiciled, or located in low or no-tax jurisdictions (LNTJs) is taxed at 25%. Labour income, including the one from rendering personal services as an employee or as an independent worker are taxed at this flat rate. Technical service fees related to obtaining income of local source are deemed to be Uruguayan sourced, even when the service is rendered outside Uruguay.

As of January 1st, 2016, income from advertising services and income derived from the mediation, lease, use, assignment of the use, or disposal of image rights from athletes registered with Uruguayan resident federations are also deemed to be Uruguayan sourced regardless of where services are rendered or rights exercised.

As of January1st, 2017, rules aimed to discourage the use of LNTJs entities are effective:

- Income derived from the transfer of shares or interest in entities from LNTJs whose assets located in Uruguay exceed 50% of their total investments is deemed to be Uruguayan sourced (thus taxable) for IRAE purposes. Similar provisions apply to resident individuals and to non-resident taxpayers.

- Discouraging the use of intermediary entities that reside in LNTJs, when a resident individual participates in their capital, passive income and/or capital gains received by these entities will be assigned as deemed dividend, thus taxed in the hands of the individual beneficiaries.

Additionally, effective as of January 1st, 2018 new rules on the taxation of the following cross-border activities (partially in Uruguay) apply:

- Income derived from the production, distribution, or intermediation of cinematographic films and tapes, as well as income derived from direct TV broadcasting, will be considered entirely Uruguayan-sourced and fully subject to IRAE or to IRNR.

- Income derived from mediation and intermediation in the supply or demand of services provided through the Internet, technology platforms, apps, or similar means will be considered entirely sourced in Uruguay when both the supplier and user of the service are located in Uruguay, and considered 50% sourced in Uruguay if either the supplier or the user is located outside Uruguay.

The following items of income are subject to reduced tax rates or are exempt:

- Interest on loans: exempt, provided local debtors have more than 90% of their assets affected to generate income not subject to IRAE.

- Dividends or profits paid out of exempt income for IRAE purposes: exempt (otherwise 7%).

- Technical service and advertising fees paid by beneficiaries that mainly obtain exempt income for IRAE purposes: 0.6%; or 0% if they do not obtain income subject to IRAE.

IRNR is basically collected by way of withholding and IRAE taxpayers are appointed as withholding agents. When no withholding agent is appointed by the rules, the non-resident has to register with the Uruguayan Tax Authority and appoint a tax representative that will be jointly responsible for the tax liability and will pay the corresponding IRNR on behalf of the non-resident.

Other taxes

Net Wealth Tax

All types of legal entities and business enterprise owners are subject to an annual Net Wealth Tax (NWT) at a rate of 1.5% on the value of net assets. This tax also follows the source principle and is applicable on assets located or economically used in Uruguay at each fiscal year-end, at a rate of 1.5%.

Deductible liabilities are limited and include debts with suppliers of goods and services, taxes not yet due; debts with governments, international credit offices of which Uruguay is a member and debts with foreign state financial institutions, with the objective of financing long-term productive projects, among others. Taxpayers may offset from the NWT the IRAE of the same fiscal year (deduction currently capped at 1% of the NWT). In order to determine the taxable basis, exempt assets as well as assets located abroad are deducted from these liabilities.

NWT exemption for investments associated with the development of agricultural and/or farming activities was modified. In this regard, agricultural and/or farming investments will continue to be exempt from NWT to the extent the corresponding assets do not exceed approximately USD 1,550,000. If they exceed that amount, the tax will apply at different rates that would vary depending on the value of referred assets.

NWT is not only levied on corporate taxpayers but also on the net wealth of individuals at each yearend, at a progressive scale of rates from 0.1% to 0.4%. Furthermore, there is a threshold under which the local net wealth of an individual is considered exempt (currently amounts to approximately USD 125,000).

NWT is also levied by way of withholding on credits held by foreign entities or individuals against debtors located in Uruguay at each year-end, unless they were originated in imports, loans or deposits, all of which are exempt from this tax. The applicable rate is 1.5% (penalty rate applicable to LNTJs is 3%) in case of creditors that are legal entities, and the rate ranges from 0.7% to 1.5% in case of creditors that are individuals.

Value Added Tax

Uruguayan VAT is a non-cumulative tax levied at a general rate of 22% on the provision of services and on the circulation of goods within the limits of the Uruguayan territory. Imports of goods and value added in the construction of immovable assets are also within the scope of this tax.

A reduced 10% rate applies to specific goods and services, such as basic food items, medicines, hotel services, health services, initial sales of immovable assets, sale of natural fruits, flowers, vegetables, etc.

There are some goods and services which are exempt from VAT, such as foreign currency; real estate (other than the initial sale); agricultural machinery and accessories; milk; books and magazines; newspapers and educational material; interest on public and private securities and deposits, real estate rentals and certain banking operations. Exports and agricultural products are exempt under certain conditions, whereby the related tax credit is reimbursed.

Uruguayan VAT follows a debit /credit system, by which input VAT may be offset from output VAT.

Excise Tax

In general, Excise Tax (IMESI) applies on the first transaction made in the domestic market by manufacturers or importers of the goods. Exports are not taxable.

Rates vary for each item (from 10% to 133%) and are generally set by the government, within maximum parameters established by law. Goods subject to the highest rates are alcoholic beverages, tobacco, gasoline, fuel, lubricants, and other petroleum products.

Tax on Real Estate Transfer

Tax on Real Estate Transfer (ITP) applies to the transfer of immovable assets. Transfer is defined in a broad sense, including the sale, cession of the right to use, transfer of inheritance rights, etc. Both parties to the transfer contract are subject to this tax, at a rate of 2% each on the property value (generally lower than market value). When the property is transferred without payment, the beneficiary pays the tax at a rate of 4% on its tax valuation, except for direct heirs or legatees, who pay a 3% rate. The transmissions of taxable assets that take place as a result of the replacement or removal of trustees, is excluded from this tax.

10

Investment promotion

Investment promotion

Incentives for local and foreign investors

The main tax incentives for local or foreign investors in the country are:

- Investment Law.
- Free Zones Law.
- Industrial and Scientific-technological Parks.

Investment law

Uruguay has a specific legal framework for the promotion and protection of investments.

The Law grants two types of tax incentives: automatic and specific. In the frame of the rules in force, the specific ones can be requested through an “Investment Project” or by taking into consideration the regulations of specific promoted areas.

Automatic incentives

IRAE and IMEBA taxpayers who undertake manufacturing, extractive and farming activities are entitled to apply the following tax benefits automatically:

- Exemption of NWT for movable property directly affected to the productive cycle (industrial machinery, industrial premises, agricultural machinery and utility vehicles), data-processing equipment and related.
- Exemption of VAT and IMESI on the import of goods mentioned in a), and reimbursement of VAT derived from the items purchased locally.
- Exemption of NWT on bovine and ovine breeders (male and female) and dairy cattle.

Specific incentives: Investment Projects

Significant tax benefits can be granted to Investment Projects promoted by the Executive Power. To qualify for these benefits, the investor must file an application with the Bureau of Investor Assistance, who monitors the evaluation process for said projects. After filing, the Application Commission (COMAP) evaluates whether the applicant qualifies for the promotional status declaration, in accordance with objective evaluation criteria, and then submits its conclusions to the Executive Power.

If approved, the Executive Power issues a resolution declaring the status of “promoted project”, specifying the project’s objectives, the criteria followed, the maximum amounts and the validity period for the tax benefits granted.

According to the rules in force, the following tax benefits can be granted by the Executive Power:

- IRAE exemption: from 30% to 100% of the amount effectively invested. The amount and period to use the benefit – not less than 4 years - depends on the nature and size of the project. The benefit is deducted directly from the amount of IRAE, and the annual exemption shall not exceed 90% of the amount of said tax of each year.
- NWT exemption: movable fixed assets included in the investment project, civil construction works - for 8 years if located in Montevideo or 10 years if located in the rest of the country.
- VAT reimbursement on the local purchase of goods or services for civil construction work.
- VAT and custom duties exemption on the import of fixed assets considered as non-competitive with the national industry.

Companies must annually control and submit information to the COMAP in relation with the investment, and with other indicators committed by the companies in the investment project application.

It must be noted that the aforementioned tax exemptions do not depend on the legal vehicle set up by the company through which the investment is carried out, or on the investment’s funding. It is not necessary to capitalize accumulated earnings or reserves.

Specific incentives: Promoted Areas

Moreover, in the context of the Investment Law, together – or solely -with other relevant legislation, the investment and the development of certain sectors/activities has been promoted, by means of granting different tax benefits. The main promoted sectors/activities are the following:

- Call Centers
- Shared Service Centers
- Forestry
- Software
- Biotechnology
- Energy generation
- Tourism and accommodation
- Maritime and air navigation
- Vehicles and auto-parts
- Biofuels and hydrocarbons
- Communication industry
- Graphic industry
- Scientific and technological
- Agricultural machinery
- Industrial solid waste
- Housing

Free Zones

Following the approval of the Free Zones Law in 1987, this system became an important tool for attracting investments to Uruguay. It has been utilized both for carrying out traditional activities in the Free Zones (warehousing, logistics and distribution) and for providing services (i.e. software development, finance, call centers), and manufacturing activities of products of diverse nature.

The law defines Free Zones as privately or publicly owned isolated and fenced off areas of Uruguayan territory delimited by the Executive Power with the purpose of carrying out all types of manufacturing, commercial and service activities within the zone, while enjoying tax exemptions and other benefits foreseen in the law.

Those interested in carrying out activities in the Free Zones must submit to the Executive Power the request for authorization, accompanied by an investment project that demonstrates the economic and financial viability of the activities and how Uruguay is benefited from them.

Any kind of industrial, commercial or service activity can be developed in the Free Zones:

- Trading with goods, warehousing, storage, conditioning, selecting, classifying, splitting, assembling, disassembling, handling and blending of goods or raw materials of domestic or foreign origin.
- Installing and operating manufacturing facilities.
- All types of services - other than those restricted under national regulations -, within the Free Zone, to third countries and to Uruguay. Indeed, recent updates to the Free Zones law, allow Free Zone users to render services to Uruguayan non-Free Zones territory.

Free Zone users are exempt from all taxes, including those that require a specific exemption by law, with respect to the activities developed within the Free Zones.

The Uruguayan government guarantees all the exemptions and benefits afforded by law during the term of their contracts. In order to maintain status and benefits (including tax exemptions), Free Zone users must have at least 75% of Uruguayan nationals or citizens on their payrolls, in connection with the activities carried out in the Free Zones. For activities related to services this minimum decreases to 50%. In exceptional cases, the Executive Power may reduce this percentage. The exemption excludes social security contributions on employee wages. These contributions are not applicable to foreign personnel working in the Free Zones, provided they declare in writing that they do not wish to benefit from the Uruguayan social security system.

The entrance and exit of goods to and from the Free Zones is exempt from taxes. If goods are introduced to these areas from non-Free Zone Uruguayan territory, they are considered exports for tax purposes. Meanwhile, goods introduced to non-Free Zones Uruguayan territory from the Free Zones are considered imports and must pay the corresponding customs duties and comply with the legal formalities required for imports.

Industrial Parks and Scientific-technological Parks

The Industrial and Scientific-technological Parks are private or public owned areas delimited by the Executive Power with the purpose of setting up and operating productive industrial establishments and other services, training and research and innovation activities. The objective of Industrial Parks is to promote the installation and exploitation of manufacturing industries and some related services, while the Scientific-technological Parks aims to the set up of knowledge and innovation centers together with innovative companies and ventures.

Industrial and Scientific-technological Parks must comply with certain requirements, and would be subject to tax benefits based on the Investment Law and on other specific regulations. The following tax benefits will be granted to the Park developer:

- IRAE exemption of a percentage of the invested amount (up to 100%) to be used in a determined period. The amount and period to use the benefit depends on the location and features of the parks.
- NWT exemption for certain premises, facilities and data-processing equipment to be used in the parks.
- VAT and customs duties exemption on the import of fixed assets destined to the operations or civil works of the developer, when these assets are considered as non-competitive with the national industry.
- VAT reimbursement on the local purchase of goods or services for the operations or civil works.
- The Park users can file an Investment Project (under the general regime monitored by COMAP) and – in addition to the general benefits included in such regime -, the IRAE exemption and the period to use such benefit will be increased by a 15% or 5%, depending on the activities of the Parks user.

Promotion and protection of investments

The following are the countries with which Uruguay has signed treaties of promotion and protection of investments.

Treaties in force

Europe	Asia and Australia	Central America
Armenia	Australia	El Salvador
Belgium	China	Mexico
Czech Republic	Israel	Panama
Finland	Malaysia	
France	South Korea	
Germany	Vietnam	
Hungary	United Arab Emirates	
Italy	Japan	
Luzembourg		
Poland		
Portugal		
Romania		
Spain		
Sweden		
Switzerland		
The Netherlands		
United Kingdom		

North America
Canada
United States
México

South America
Chile
Venezuela
Mercosur (only in force for Argentina, Brazil and Uruguay)

11

Social security and labour regulations

Social security and labour regulations

Labour regulations

The Ministry of Labour (MTSS) ensures that employers comply with labour laws and regulations, and provides technical assistance to employers and employees to guarantee their corresponding rights. Once the labour relationship is initiated, it is possible to establish temporary contracts for three months. Under specific circumstances, it is also possible to establish labour contracts for predetermined periods. The contracts are not formally regulated.

Unions are organized by company and by industry sector. There is one national labour federation, the Plenary Inter Union Workers and Workers National Convention (PIT-CNT). Employee affiliation to unions is voluntary. As from May 2005, the government introduced the collective bargaining between employees, employers and government by industry (not by company), which is regarded as one of the most critical factors affecting the direction of labour relations. Key matters for collective bargaining are wage issues (such as mandatory wage increase rate, minimum wage for each category, wage scheme), as well as non-wage controversial hot topics (such as the security of the workplace and the discrimination of regular and non-regular workers).

Salaries can be paid in Uruguayan Pesos or in a foreign currency. Labour related accidents and professional sickness, which may affect the worker, are covered under a mandatory system that is administered by the state insurance company (Banco de Seguros del Estado). This system provides medical assistance and covers temporary and permanent disabilities stemming from work.

Remote work is regulated by Law since August 2021. Employers and employees that agree to implement the remote work must establish certain mandatory conditions of the regime in writing. Employees working under the Free Zone Regime (excluding those who directly perform production, distribution and logistics activities) are also allowed to implement remote working under certain circumstances to be determined by the Executive Power (regulations pending up to date).

Social security system

Certain foreign workers may opt out from the Uruguayan social security system, by means of international treaties signed by our country. The social security administration (BPS) is the public agency responsible for the social security system, who collects all contributions from companies and their employees and maintains an up-to-date record of the employment history of each worker. The system includes the following benefits: pensions, unemployment, sickness and maternity/paternity.

Affiliation to the social security system is mandatory except for foreign workers rendering services in the Free Zones.

Pensions

The pension system divides workers in three levels, according to their pay.

Workers in the first level are included in the so-called “intergenerational solidarity system” which is a distribution system with pensions paid by the BPS social security administration.

Workers in other levels are included in the “mandatory individual savings regime”, which is an individual capitalization system administered by Pension Savings Fund Administrators (AFAPs) through which personal accounts and the amounts to be received by the worker are related directly to the contributions paid into his or her personal account.

Workers who are included in the first level may opt to contribute up to 50% of their pay to the individual savings system (AFAP) but for the remaining 50% they must contribute to the intergenerational solidarity system (BPS). Workers with salaries that exceed approximately USD 5,100 may opt to pay or not on remunerations exceeding this amount. Total contributions are paid to BPS, which then transfers the corresponding payment to the AFAPs. The worker will receive a pension paid by the BPS, plus an annuity for life (paid by the AFAP).

Unemployment

There is an unemployment insurance system whereby an unemployed worker, either on a temporary or permanent basis, receives a subsidy paid by the BPS.

This coverage is granted for 6 months, and in case of temporary unemployment for 4 months. When the redundant worker is more than 50 years old, the coverage can be extended for another 6 months.

Health Coverage

Health coverage includes workers and their spouse and children, who have the right of being affiliated to a medical care institution without cost. In the case of a common illness, the labour contract is interrupted and the BPS pays an illness compensation. This subsidy covers 1 year of illness with the possibility to extend it for 2 years.

Maternity/Paternity

Pregnant female workers have the right and obligation to stop working 6 weeks before and eight weeks after childbirth, and to receive medical assistance and a stipend representing wages, year-end bonuses and vacation pay plus vacation bonus. These remunerations are paid by BPS and do not represent an additional cost to the employer. In the cases of multiple birth, preterm birth or when the newborn has low weight, this leave can be extended up to 18 weeks. In addition, if the newborn has any disease that due to its relevance requires the care of his mother, the maternity leave could be extended until the 6 months of the child.

Paternity leave includes 10 days. In addition, workers of the private sector have 3 additional days of leave according to Law 18,345. In the special cases related to the health of the newborn described above, this leave could be extended up to 30 days.

Newborn Care

The pension system also includes a benefit called newborn care, that allows the mother or the father (it is optional just for one of them at a time) to work part time for the first six months after the birth (or the first nine months in the special cases related to the health of the child), to take care of the child.

Contributions and benefits

Monthly employers must pay contributions and have to withhold and pay employee contributions, which are applied on all remunerations paid to the worker, regular and permanent, either in cash or kind. Contribution rates related to industry and commerce are as follows:

Concept	Employer contributions	Employee contributions (*)
Retirement contribution (*)	7.50%	15%
Health insurance	5.00%	3%,4,5%,5%,6%, 6,5% 8%(*)
Labour restructuring fund	0.10%	0.10%
Labour credit guarantee fund	0,025%	-
Total SSC	12.625%	18.125% to 23.10%

(*) Depends on the amount of wages and on the existence of children and spouse.

Wages are defined as all economic compensation received by the worker pursuant to the labour contract. There are no legal regulations, restrictions or general agreements to establish employee profit sharing systems. Except for management positions, profit sharing is not frequently used in Uruguay.

Working hours exceeding legal or conventional hours results in double time pay on normal working days and two and a half times pay on non-working days. Employees who work at night more than five consecutive hours (between 10:00 p.m. and 6:00 a.m.) have the benefit of an additional payment that consists of an increase of 20% of the value of the normal hour or the equivalent reduced working hours. These are the general benefits granted under the current labour law. However, particular collective bargains from each industry sector may determine conditions that are more favorable.

Workers have the right to an annual remunerated vacation consisting of 20 consecutive days, which is increased one day for every four years of length of service starting from the fifth year. Holidays must be remunerated at the normal wage in force by the time the vacation is taken. Workers have the right to receive a supplement known as “vacation bonus”. Year-end bonuses (also known as supplementary annual salary or 13th salary) are payable to all workers in the private sector in two halves (in June and in December). Additionally, there are some special leaves: study leave (6 to 12 days per year) and bereavement leave (3 days).

When an employee is dismissed, they are

entitled to be compensated. This compensation is not subject to social security contributions, and its calculation differs if the employee is a monthly or a journey worker. In general, the employee is entitled to a monthly wage for each year or partial year worked, with a maximum of six wages.

Foreign personnel

In order to work in Uruguay, foreigners must apply for legal residency. Residency is granted complying with the following requirements, being the most relevant: proof of good behavior in the country of previous residence, a certificate of good health and a certificate of means of subsistence. Law 19,254 simplified the administrative procedures for getting permanent legal residence for all nationals of Mercosur member countries and its associates, and for cohabitants, parents, brothers/sisters and grandchildren of Uruguayans.

International Social Security agreements

Uruguay has signed international agreements in terms of social security that, depending on the corresponding specific agreement, enable personnel to accredit in their host country the periods of service rendered in Uruguay, make temporary transfers of personnel, pay pensions and similar concepts abroad without rebates or restrictions and undertake proceedings from different locations.

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Accounting and audit requirements

Accounting and audit requirements

Uruguayan accounting rules follow IFRS.

Set of accounting standards in force

National accounting standards for non-public companies follow a convergence tendency to accept accounting principles applied internationally. Local regulations (Decrees 291/14, 372/15 and 408/16) established that the 2009 version of IFRS for Small and Medium Entities (IFRS for SME) together with some exceptions and local solutions, are the mandatory set of standards in force for non -public companies.

Decree 408/22 (issued in April 2022) states that companies have to prepare the Financial statements in its functional currency and present such financial statements along with the financial statements converted in Uruguayan Pesos (local currency) to Shareholders for their approval.

Separate financial statements of controlling entities should always be filed jointly with the consolidated financial statements. In such financial statements, subsidiaries should be recognized applying the equity method, and associates can be recognized at cost, fair value or equity method, following the same policy choice adopted for the preparation of the consolidated financial statements.

For certain small size non-public companies, a less complex set of accounting standards (also based on IFRS for SME) is in force.

Public companies are required to file their financial statements in accordance with IFRS. Banks and other financial institutions are required to apply a local set of accounting standards based on IFRS.

Registration, filing and other presentation requirements

Corporations, agriculture companies, trusts and investments funds not regulated by the Central Bank of Uruguay must register their financial statements with Auditoría Interna de la Nación accompanied by an audit, review or compilation report issued by an Uruguayan certified public accountant.

For tax purposes, financial statements of large and medium-sized companies (as per classification by the Tax Office) must be accompanied by an audit or review report. Public companies must file in the Central Bank of Uruguay their interim and year-end financial statements, together with a review and audit report, respectively.

Free Zones companies must file with the Tax Office the audited financial statements when assets book value exceed approximately USD 1 million, or if net revenues exceed approximately USD 2.7 million. Otherwise, financial statements must be accompanied by a review report.

A full audit, review or compilation report issued by a certified public accountant is required to some companies that submit their financial statements to government entities, in accordance with their specific requirements of each government entity.

Corporations showing debt with local financial institutions are required to file their financial statements together with a review report, if such debts exceed approximately USD 0.8 million, or with an audit report if financial debts exceed approximately USD 2,6 million.

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Main indicators of the economy

	2017	2018	2019	2020	2021
Gross domestic product (GDP)					
Real annual growth	*1.6%*	*0.5%*	*0.4%*	*-6.1%*	*4.4%*
USD millions	*64,293*	*64,486*	*61,238*	*53,558*	*59,292*
GDP per capita (USD)	*18,405*	*18,393*	*17,404*	*15.168*	*16,735*
Domestic demand					
Private consumption (annual real change)	*3.6%*	*2.1%*	*0.5%*	*-6.9%*	*2.3%*
Investment in real assets (annual real change)	*0.4%*	*-9.0%*	*0.8%*	*1.6%*	*15.2%*
Exports of goods & services (annual real change)	*4.9%*	*-1.7%*	*3.6%*	*-16.0%*	*14.4%*
Foreign trade					
Goods exports FOB (USD millions)	*7,888*	*7,502*	*7,674*	*6,863*	*9,537*
Goods imports CIF (USD millions)	*8,457*	*8,893*	*8,246*	*7,564*	*10,320*
Current Account Balance (% GDP)	*0.00%*	*-0.40%*	*1.60%*	*-0.80%*	*-1.80%*
Labour Market					
Average unemployment rate	7.9%	8.3%	8.9%	10.3%	9.3%
Average employment rate	57.9%	57.2%	56.7%	54.3%	56.0%
Real private wages	1.3%	0.2%	-0.3%	-1.5%	-1.6%
Prices					
Retail inflation (dec-dec)	6.6%	8.0%	8.8%	9.4%	8.0%
Exchange rate pesos per dollar (dec. average)	28.85	32.2	37.59	42.40	44.32
Exchange rate pesos per dollar (dec-dec change)	0.30%	11.61%	16.74%	12.80%	4.53%
Exchange rate pesos per dollar (annual average)	28.65	30.71	35.25	42.02	43.55
Exchange rate pesos per dollar (annual change)	-4.85%	7.19%	14.78%	19.21%	3.64%
Public finances					
Overall balance (% GDP)	*-3.30%*	*-2.70%*	*-4.20%*	*-5.80%*	*-3.90%*
Gross debt (% GDP)	*60.40%*	*59.40%*	*60.70%*	*74.50%*	*71.50%*

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Hints for the business visitor

Hints for the business visitor

Visitors Visas

Visiting businesspersons can enter the country using a valid passport. Nationals of Argentina, Bolivia, Brazil, Colombia, Chile, Ecuador, Paraguay, Peru and Venezuela can also use their identity cards. For specific countries, visas are also required.

Currency

The unit of local currency is the Uruguayan Peso. “UYU” or “$U” are the symbols that represent it. Exchange rates as of 31st December 2021 were as follows:

	UYU
USD	44.695
EUR	50.532
AR$	0.229
BRL	8.308

Business Hours

Stores are normally open from 9.00am to 7.00pm, Monday through Friday, and from 9.00am to 1.00pm on Saturday. There are several shopping centres, which open from 10.00am to 9:00pm every day. Government offices are open to the public usually between 1.00pm to 5.00pm in autumn, winter and spring and from 9.15am to 2.30pm in summer.

Bank hours are from 1.00pm to 5.00pm (certain banks open at 11.00am) but a vast ATM network is available.

Factories are usually open from 8.00am to 5.00pm and business offices from 9.00am to 6.00pm.

Legal Holidays

Public holidays for which employees are entitled to full pay are: 1st January, 1st May, 18th July, 25th August and 25th December. There are also official holidays that are paid only if they are worked: 6th January, 2 days in Carnival (during February or March), 2 days in Easter week (during March or April), 19th April, 18th May, 19th June, 12th October and 2nd November. The national holidays 19th April, 18th May and 12th October are changed to the previous or next Monday, depending of which is nearest to the corresponding day.

Wights and measures

Weights and measures are based on the metric system. There are no unusual measures or terminology, except for certain archaic terms still occasionally found in rural areas.

Business information services

Business information for foreign businesspersons visiting Uruguay can be obtained at the nearest Consulate or Diplomatic office.

Tips

Tips are usually not included in the price of services. Customary tips are 10% for restaurant meals.

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