

Doing Real Estate business in Uruguay

Real Estate Services

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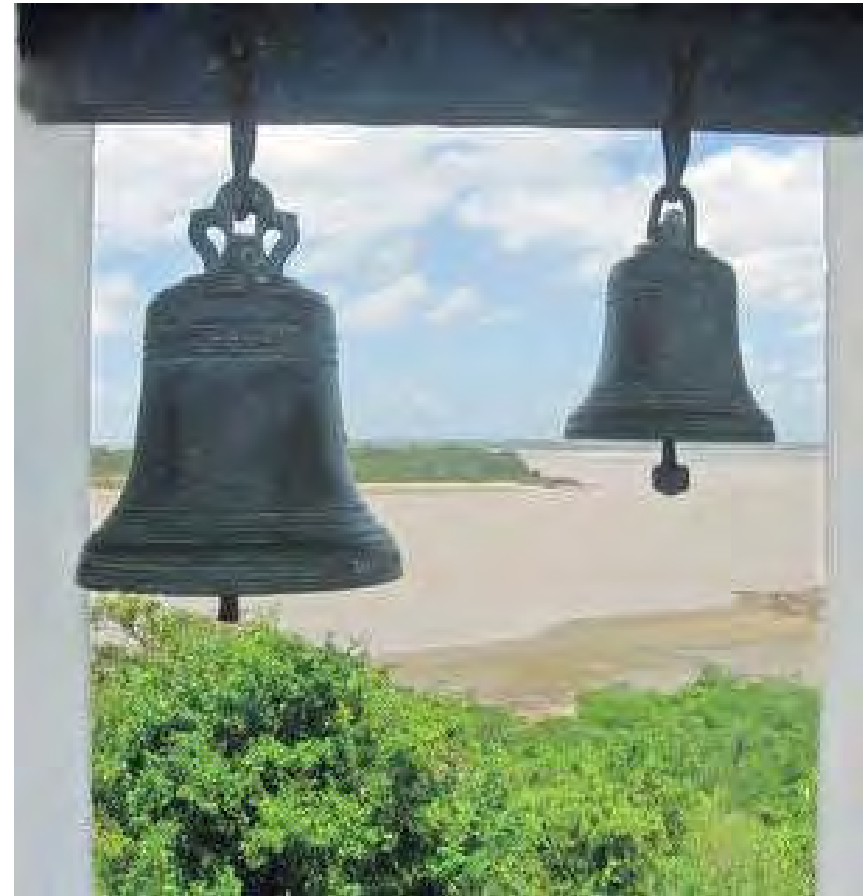
General

Any individual or business, whether local or foreign, is able to purchase, hold and operate real estate property in Uruguay.

Uruguay guarantees the free flow of currency both for investment in the country as well as at the time of repatriation of profits and equity from local investments.

Real estate investments by foreigners may be channelled into Uruguay by means of the three following structures:

- Individuals owning the investment (IRNR)
- Foreign corporations (IRNR)
- Local corporations or fixed places of business of foreign legal entities (IRAE)



Taxation of real estate rentals



Non Resident Income Tax (IRNR)

Any natural person investing in real estate in Uruguay considered a non-resident is subject to the IRNR.

Concept of residency

Natural person: remains more than 183 days in the country or core operations are located in Uruguay, or in the case of individuals, if the spouse and minor children reside in Uruguay.

Legal entities: when are created in Uruguay.

Taxation in Uruguay

Taxation of real estate rentals

Withholding rate for foreign persons or entities declaring income under “Real Estate Returns” (or leaseings) is **10.5%** on accrued rent, plus the corresponding withholding.

The rent taxed by the IRNR is determined on **31 December** of each year.



Taxation of real estate rentals



Corporate Income Tax (IRAE)

IRAE applies, among others, to local corporations and to permanent establishments of business of foreign legal entities.

The IRAE rate is **25%** and it applies on net income.

Value Added Tax (IVA)

IVA applies, among other income, to services rendered locally by IRAE payers. However, rental revenue from rural and urban properties is exempt from IVA.

Taxation of real estate rentals

Net Wealth Tax (IP)

Payers of the IP tax include, among others, natural persons, foreign legal entities without a fixed place of business, and those subject to IRAE.

The IP rate is **1.5%** for taxpayers subject to IRAE and fixed places of business of foreign legal entities, and a progressive rate of **0.7% to 2.75%** for individuals (residents and non-residents).



Taxation on the sale of real estate property



Non Resident Income Tax (IRNR)

Under the “Asset Transfer” category.

The rate is **12%**, applicable on the difference between the sale price and the property’s purchase price.

The sale of bearer shares of corporations owners of real estate properties is exempt of this tax.

Taxation on the sale of real estate property

Corporate Income Tax (IRAE)

The sale of real estate assets owned by local corporations is taxed by Corporate Income Tax.

The above mentioned income pay IRAE at the 25% rate applied on the difference between the sale price and the property's cost.



Taxation on the sale of real estate property



Dividends or profits distributed by local corporations that own property (urban or rural) to foreign individuals or legal entities shall be taxed by the IRNR at a 7% rate.

Value Added Tax (IVA)

Under the “Asset Transfer” category.
The rate is **12%**, applicable only in case of the first sale of the property.

Taxation on the sale of real estate property

Net Wealth Tax (IP)

The value of properties unsold as of 31 December of each year for natural persons, or at the close of the fiscal year for IRAE paying legal entities, is subject to this tax, at the rates and in the manner previously described.

Asset Transfer Tax (ITP)

It applies to the real-estate asset transfer. The tax applies to both the seller and the buyer. In both cases the rate is **2%** of the real value of the property transferred.



Introduction



PRET's **principal activity** is that of conforming specific affectation portfolios composed of different kind of real estate assets (different in their nature, operation or running object) or with various real estate assets but with the same destiny.

The **principal object** of a PRET must be conveniently defined by the operation's structurer, considering market opportunities and the profile of the investment group that brought the investment fund alive.

Investors can be local, foreign, medium, big, expert in real estate investments or not. They can also be other trusts, if they are willing to transfer assets to the new one and be beneficiaries of a diversified real estate asset portfolio for it.

Equity and risks

Fund **equity's conformation** must be done by real estate experts capable of adapting risk characteristics, return and investment period to the investor's profile and to the economic real estate cycle stage at the moment of fund's foundation. PRET results derive from rental income, cash and property values interests and from property appreciation.

So as to concentrate **investment risk** on real estate market aspects only, PRETs don't focus on real estate promotion (building new properties).



Equity and risks



PRETs function basically with its **own recourses** and they're not allowed to receive money from the public in any way (deposits, loans, temporal assignment of receivables, or any similar modality).

PRET's **number of participants** is limited. Profitability is changing with time, financial liquid assets for this kind of investments are generally procyclic and administration of funds with a variable number of members is complex.

Effective Operation

An **effective operation**, so as to build quality, diversified and, above all, very well managed equities is the base of the collective inversion proposed. A well managed equity means a multidisciplinary team of professionals that are solvent in different areas.

PRETs can be conformed throughout **ordinary or financial trusts**. If administrated by the first type, the beneficiaries have personal rights over the trust which aren't represented by executable and autonomous Value Titles as in financial trusts.



Investment



The **modality used for instrumenting** the investment is the direct purchase of real estate assets, and not such as real estate company's shares. Real estate assets must be possessed in whole property; acquiring them free of any kind of usufruct, use or inhabitation.

It's compulsory for this kind of fund to maintain certain **liquidity ratio** equivalent to a certain percentage of total assets which will depend on the specific financial model of each fund.

Introduction



Construction Trusts are a product that specially supports **developers and architects** in their development of residential real estate projects.

In the actual juncture of cost, prices and exchange rate evolution, this product intends to provide the developer with all the **possible certainty** of project's required profitability and buyers with a certain price he will pay for his unit.

Construction Trusts

Concepts

It's about **Administration Trusts** with the purpose of residential properties construction for investors or definitive occupants (the “Group of Interested”).

It means the **transfer of a plot of land** to the Trustee with the objective of developing a certain real estate project so that, when the construction is complete, the units are delivered to the “Interest Group” (beneficiary) in acquiring them.

Each Trust's **equity** is composed of the land, the money contributed and of goods of any nature acquired by the Trustee in the fulfillment of its object.



Construction Trusts

Relevant participants in the development of the product



The Developer

The Architects Firm

The Real Estate Consultant

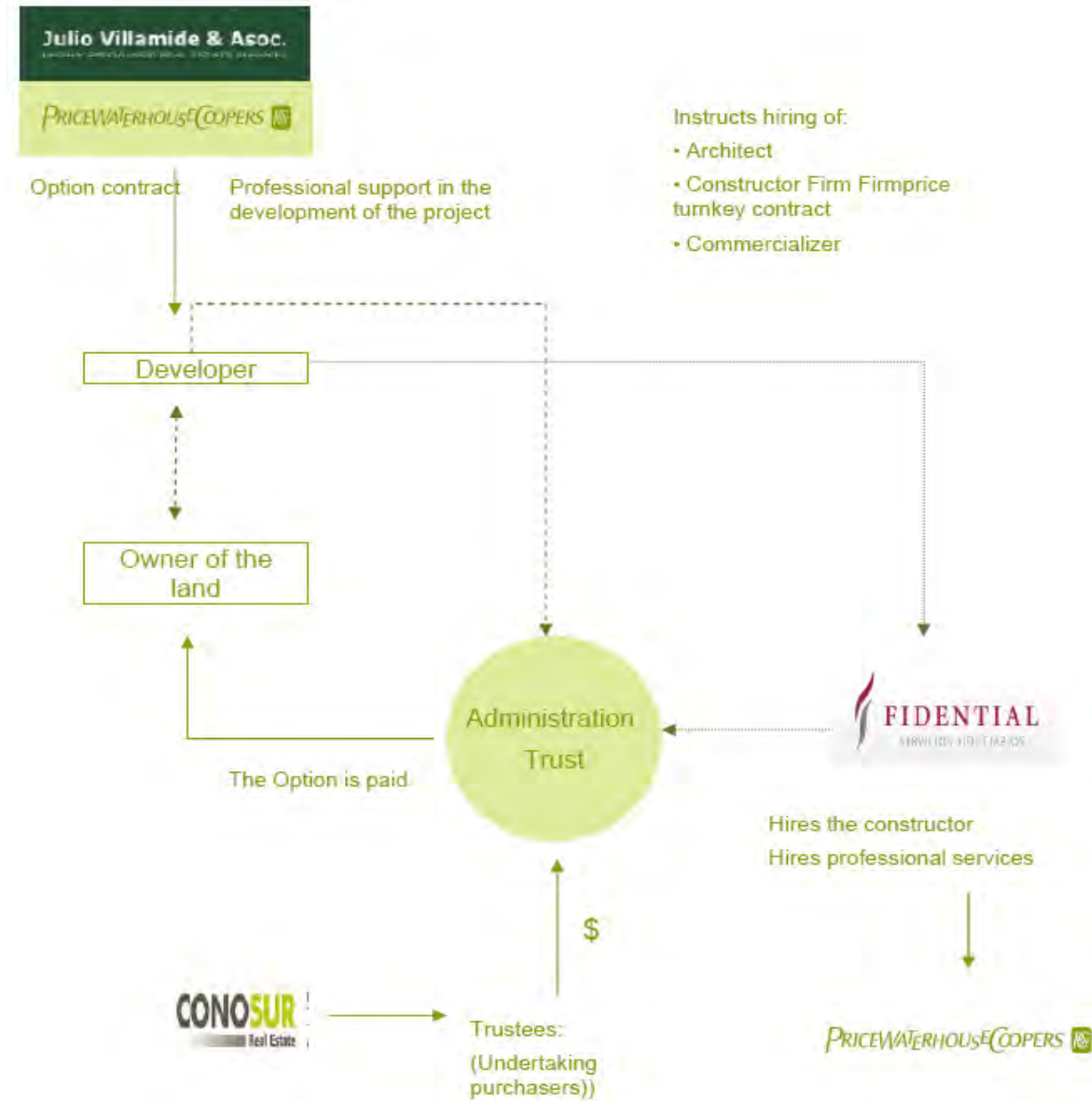
The Fiduciary

The Control Agent

The Constructor

Construction Trusts

Operative scheme



Our Vision

To be the leading firm in
professional services,
and the reference firm in the market.

www.pwc.com.uy/realestate

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