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Tax Insight

Bill of Law for the Accountability of National Budget

July 2018



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On June 30, 2018 it was submitted to Congress consideration the Bill of Law for the Accountability of National Budget for 2017 yearend.

Below we include a summary of the most relevant tax provisions that the bill contains, as well as those related to the free zones regime.

It is important to note that these provisions may be modified in the course of the parliamentary discussion.

Free Zones

The bill excludes from the concept of export (in the framework of the Free Zones Law), the introduction of goods and raw materials destined to the final consumption by personnel who work at the free zones.

CIT

Interests generated by the public debt securities, and any other capital gain or capital increase, derived from the holding or transfer of said instruments, are exempt.

The current legal provisions exempt only the transfer or sale of public securities that quote in a Uruguayan stock market. However, the mentioned regulations establish that such exemption is subjected to the conditions set by the

Executive Branch, which have not issued any Decree in this reference until now. Therefore, this exemption is not being applied in practice.

The current modification result in an important change, widening the spectrum of income on which it applies (including interests) and resolving the problem of the current wording, which conditions the tax exemption to the existence of a Decree issued by the Executive Branch.

IRPF/IRNR

The bill of law modifies the determination of the accounting retained earnings that operate as a limit for the calculation of the deemed dividend distribution.

In this sense, it eliminates a current anti-elusive regulation, which establishes that in order to calculate the mentioned limit, the capitalizations of the retained earnings, as well as any other decrease in those results that does not imply a change in the accounting equity, made from January 1, 2016, will be considered as accounting retained earnings.

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Financial Statements Registration

The Executive Branch is empowered to include within the list of entities that are obligated to register their Financial Statements before the Internal Audit of the Nation, entities of a similar nature to that of the civil societies, foundations, cooperatives, agricultural societies and associations, certain trusts and investment funds.

Tax transparency

The bill includes within the non residents financial entities obliged to provide financial information on bank accounts, the trusts that comply with the following:

- ✓ Are considered financial entities by the country of their residence, and
- ✓ One or more of its fiduciaries are fiscal residents in Uruguay.

This obligation is not applicable in case these entities have provided the referred information in their country of residence.

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