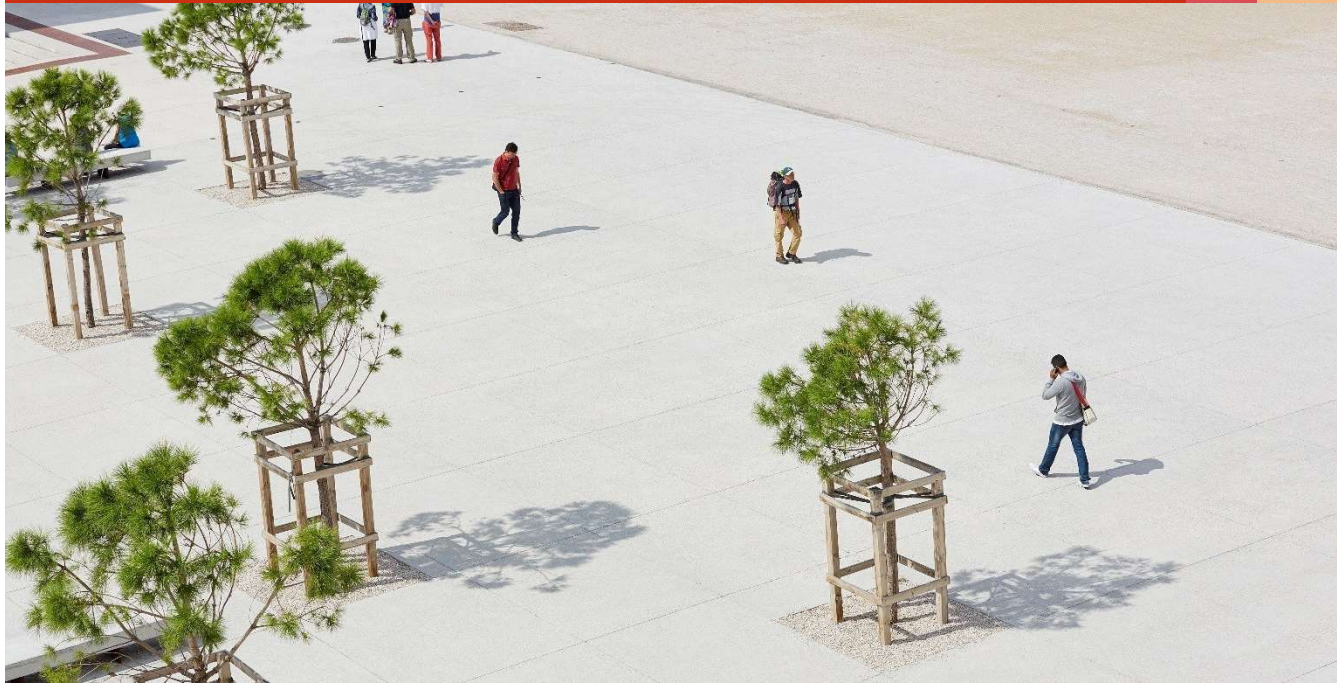


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## *Tax Insight*

### *Ship-to-ship oil transfer operations Uruguay*

October 2018



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## ***Tax Insight***

### ***Ship-to-ship oil transfer operations Uruguay***

#### ***Uruguay as a logistics hub***

Uruguay's strategic location offers easy access to major business and industrial centers in the region. Natural conditions and an extensive infrastructure network enable full and quick access to the entire territory and to the region. Indeed, the country's port facilities are strategically located along the Atlantic Ocean and the Paraguay-Parana fluvial waterway, to access both overseas locations and the center of the continent.

In virtue of that, our country has been promoted internationally as a logistics hub. In addition, within Uruguayan borders there is a set of policies regarding infrastructure (e.g. roads and railways), tax incentives (such as free zones and free ports/airports) and international Free Trade and Double Tax Treaties, that enhance the attention of investors.

In the last few years, there has been an ***exponential growth in Ship-to-Ship (STS) oil transfer operations within Uruguayan territorial waters***, and in the required related support services (prevention, cleanup and oil spill containment, insurance coverage, pilotage, towing and mooring services).

Most of the referred STS transactions take place in La Paloma Lightering Point, located within the Uruguayan Exclusive Economic Zone ("Zona Económica Exclusiva", ZEE).

#### ***Tax regime***

A key question is whether Uruguay has taxing rights on the activities developed or on the assets located within the ZEE area. Uruguayan Tax Office has stated in a Public Consultation that the ***ZEE is included in Uruguayan territory, thus, subject to taxation in this jurisdiction.***

Due to the nature of the activities performed, the determination of the ***existence of a Permanent Establishment*** (PE) is crucial. The existence of a PE in Uruguay determines whether Uruguayan source income is subject to Corporate Income Tax (CIT) or to Non-Resident Income Tax (NRIT). Other taxes such as VAT, Income Tax on Individuals and Social Security Contributions have to be addressed.

#### ***What can we do for our clients?***

PwC Uruguay has a multidisciplinary and experienced team which can assist our clients in the management of the relevant local tax aspects of their business.

We assist in the evaluation of the Uruguayan tax burden, to define the optimal business structure and prevent tax exposures. Activities, assets and resources for the development of such activities in Uruguay has to be carefully analyzed.

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## ***Contacts***

### **Patricia Marques**

patricia.marques@uy.pwc.com

### **Rafael Monzó**

rafael.monzo@uy.pwc.com

## ***Montevideo***

Cerrito 461, piso 1  
11.000 Montevideo, Uruguay  
T: +598 29160463

## ***WTC Free Zone***

Dr. Luis Bonavita 1294 , piso 1, oficina 106  
11.300 Montevideo, Uruguay  
T: +598 2626 2306

## ***Zonamerica Business & Technology Park***

Ruta 8, km 17.500  
Edificio M1, oficinas D  
91.600 Montevideo, Uruguay  
T: +598 25182828

## ***Punta del Este***

Avda. Córdoba y Tailandia  
20.000 Maldonado, Uruguay  
T: +598 42248804



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