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International Tax
Uruguay Highlights 2020

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Recent developments:

For the latest tax developments relating to Uruguay, see Deloitte tax@hand.

Investment basics:

Currency – Uruguayan Peso (UYU)

Foreign exchange control – There is no foreign exchange control.

Accounting principles/financial statements – IAS and IFRS. Financial statements must be prepared annually.

Principal business entities – These are the corporation, limited liability company, sole proprietorship, and branch of a foreign entity.

Corporate taxation:

Rates	
Corporate income tax rate	25%
Branch tax rate	Subject to corporate income tax rate
Capital gains tax rate	Subject to corporate income tax rate

Residence – A company is considered resident if it is established according to Uruguayan law.

Basis – Uruguay operates a territorial system, under which Uruguay businesses and foreign entities carrying out business activities in Uruguay through a permanent establishment (PE) are taxed only on income sourced in Uruguay. Foreign-source income is exempt. Nonresidents without a branch or PE in Uruguay that receive certain types of Uruguay-source income are taxed via withholding. Branches are taxed in the same way as subsidiaries (except that financial accounts with the head office are considered capital accounts and, consequently, profits/losses arising from those accounts are not taxable/deductible).

Taxable income – Taxable income comprises all income derived from activities carried out in Uruguay. Expenses that are necessary to produce taxable income may be deducted if certain requirements are met.

Rate – The corporate income tax rate is 25%.

Surtax – There is no surtax.

Alternative minimum tax – There is no alternative minimum tax.

Taxation of dividends – Dividends received by a resident corporation are exempt from corporation tax. A deemed dividend tax may apply to deemed distributions (see below under "Deemed dividend tax").

Capital gains – Capital gains derived by a company, including a PE of a foreign company, are taxed as ordinary income at the standard corporate income tax rate.

Losses – Tax losses may be carried forward for five years, but the offset is limited to 50% of the net taxable income of the year in which the loss is offset. The carryback of losses is not permitted.

Foreign tax relief – Uruguay does not grant a credit for foreign tax paid, unless so provided under an applicable tax treaty.

Participation exemption – No, but see under "Taxation of dividends," above.

Holding company regime – There is no holding company regime.

Incentives – Exemptions or other benefits are available to companies engaged in certain types of activities and other activities promoted by the government, including shared services centers and software development. Companies located in free trade zones also are entitled to beneficial measures.

Compliance for corporations:

Tax year – The taxpayer's fiscal year (which may or may not be the calendar year)

Consolidated returns – Consolidated returns are not permitted; each entity must file a separate return.

Filing and payment – An entity must make monthly advance payments of tax based on the tax liability of the previous year or on estimates of the current year's liability. A self-assessment tax return must be submitted within four months of the end of the accounting period, and final tax is payable by that date.

Penalties – A penalty of 5%, 10%, or 20% of the tax due is imposed for late payment. Surcharges apply at a monthly rate of 1%.

Rulings – A taxpayer may request a ruling on the tax consequences of a proposed transaction.

Individual taxation:

Rates

Individual income tax rate	Taxable income	Rate
	Up to UYU 379,596	0%
	UYU 379,597 – 542,280	10%
	UYU 542,281– 813,420	15%
	UYU 813,421– 1,626,840	24%
	UYU 1,626,841– 2,711,400	25%
	UYU 2,711,401– 4,067,100	27%
	UYU 4,067,101– 6,236,220	31%
	Over UYU 6,236,220	36%

Capital gains tax rate	12%

Residence – Individuals are considered resident if they are in Uruguay for more than 183 days in the calendar year or if their economic or center of vital interests is in Uruguay.

Basis – Both resident and nonresident individuals are taxed on their Uruguay-source income. In the case of tax residents, employment income derived from work carried out on behalf of a resident employer is taxed regardless of whether the activity is carried out in Uruguay. Tax residents also are taxed on certain foreign-source income, i.e., income from certain movable assets, such as loans, deposits, and any kind of capital investment in a nonresident entity (but not capital gains derived from assets located abroad). However, disposals of shares of entities situated in tax haven jurisdictions whose assets comprise more than 50% of assets located in Uruguay are considered Uruguayan-source for these purposes.

Taxable income – Personal income tax is imposed on income from employment, income from capital, and capital gains. Uruguay resident individuals also are taxed on passive income from foreign investments (e.g., dividends and interest).

Rates – Income from employment is taxed at progressive rates ranging from 0% to 36%.

A 7% rate applies to dividends and certain interest. Capital gains derived from the sale of an asset are taxed at a rate of 12% (the taxable base for capital gains may vary depending on the asset being sold). Passive income from foreign investments also is subject to the 12% tax, but a tax credit is available for tax paid abroad.

Capital gains – Capital gains are considered taxable income.

Deductions and allowances – Deductions are allowed for contributions to social security, a small fixed amount per minor child, and certain payments on mortgage loans. Six percent of the annual rent (corresponding to permanent housing) paid during the fiscal period may be credited against the annual tax liability.

Foreign tax relief – Uruguay only grants credit for foreign taxed paid in the case of passive income from foreign investments subject to taxation in Uruguay. Uruguay does not grant a credit for foreign tax paid in any other case, unless so provided under an applicable tax treaty.

Compliance for individuals:

Tax year – Calendar year

Filing status – Joint assessment for married couples is permitted. A different rate scale applies to individuals opting for this regime.

Filing and payment – If an individual had only one employer during the year and is on the payroll in December, the employer must make an annual tax adjustment and the employee does not have a filing obligation. Otherwise, the employee must file a return and make a tax payment, as applicable. Individuals carrying out independent services are required to make advance payments every two months. Tax returns are filed between June and August of the year following the tax year.

Penalties – A penalty of 5%, 10%, or 20% of tax due is imposed for late payment. Surcharges also apply at a monthly rate of 1%.

Rulings – A taxpayer may request a ruling on the tax consequences of a proposed transaction.

Withholding tax:

Rates

Type of payment	Residents		Nonresidents	
	Company	Individual	Company	Individual
Dividends	0%	7%	7%	7%
Interest	0%	7%/12%	7%/12%/25%	7%/12%/25%
Royalties	0%	12%	12%/25%	12%/25%
Fees for technical services	0%	7%	12%	12%

Dividends – Dividends paid to a nonresident are subject to a 7% withholding tax, unless the rate is reduced under a tax treaty.

Interest – The withholding tax on interest paid to a nonresident company or individual or to a resident individual is 7% or 12%, depending on the term and currency of the loan, unless the rate is reduced under a tax treaty. The rate is increased to 25% if the payment is made to a resident of a tax haven.

Royalties – The withholding tax on royalties paid to a nonresident company or individual or to a resident individual is 12%, unless the rate is reduced under a tax treaty. The rate is increased to 25% if the payment is made to a resident of a tax haven.

Fees for technical services – A 12% withholding tax is levied on payments made for all services provided in Uruguay by nonresidents and technical services (including advertising services) provided from abroad to corporate income taxpayers in Uruguay.

Branch remittance tax – Profits remitted by a branch to its head office are subject to the same tax treatment as dividends.

Other – Payments made for digital services supplied by nonresidents to customers located in Uruguay when related to the production, distribution, or intermediation of films or tape recordings via online streaming, technological platforms, apps, or similar means are subject to a 12% tax. Withholding agents may be appointed in certain cases. Income arising from digital mediation and intermediation activities also are subject to a 12% tax (100% of this income will be taxable if both the buyer and the seller are located in Uruguay, or 50% if only one of them is located in Uruguay). There is no withholding mechanism in the case of intermediation.

Payments related to real estate are subject to a tax rate of 30.25% where the recipient is resident in a jurisdiction included on a list of jurisdictions considered to be tax havens issued by the tax authorities. In all other cases, the applicable withholding tax is 10.5% in the case of rent, and 12% in the case of capital gains.

Anti-avoidance rules:

Transfer pricing – Transfer pricing rules are based on the OECD guidelines. The following transfer pricing methodologies are permitted: comparable uncontrolled price, resale price, cost plus, profit split, and transactional net margin methods. Taxpayers are required to prepare transfer pricing documentation that includes the total amount of transactions with related parties. Entities with related party transactions exceeding 50 million Indexed Units (1 Indexed Unit was equivalent to UYU 4.3653 as at December 2019) are required to file a transfer pricing return and a transfer pricing report nine months after the entity's tax year-end.

Interest deduction limitations – Interest deductions are subject to the general rule for deducting expenses, i.e., the recipient must be subject to a tax of at least 25% (including any withholding tax in Uruguay and the tax in the recipient country). Otherwise, deductions are prorated. In addition, interest may be deducted only based on the ratio of assets that generate taxable income to total assets.

Controlled foreign companies – CFC rules apply where Uruguay residents hold shares of companies located in a tax haven jurisdiction.

Hybrids – There are no specific rules for hybrid entities.

Economic substance requirements – Entities set up as free trade zone users have specific substance requirements that include a business plan, headcount requirements based on the activity carried out, and follow-up information to be filed before the corresponding authorities. Other specific activities may also have particular substance requirements (e.g., software development).

Disclosure requirements – Uruguay has introduced country-by-country and master file reporting requirements for corporate taxpayers that are part of a large multinational group. However, to date, no specific master file requirements have been issued such that none apply in practice.

Exit tax – Uruguay does not have a formal exit tax, but an exit tax may be charged as part of a transfer pricing adjustment in transactions between related entities.

General anti-avoidance rule – No

Value added tax:

Rates	
Standard rate	22%
Reduced rate	0%/10%

Taxable transactions – VAT is imposed on the sale of goods, the provision of services, and imports.

Rates – The standard VAT rate is 22%. A reduced rate of 10% also applies in certain cases, and some transactions are exempt.

Registration – Registration is mandatory for businesses. Services rendered by nonresidents in Uruguay are subject to VAT and the tax is withheld by the contractor.

Filing and payment – Corporate VAT taxpayers must file monthly VAT returns. Individuals carrying out independent services must file on a bimonthly basis.

Other taxes on corporations and individuals:

Unless otherwise stated, the taxes in this section apply both to companies and individuals.

Social security contributions – An employer must withhold social security contributions on behalf of its employees (at rates ranging from 18.1% to 23.1%, depending on the salary and whether the employee has minor children and/or a nonworking spouse) and contribute a percentage of the monthly payroll to the social security fund (12.625%). Employed and self-employed individuals are required to make social security contributions based on their salary.

Payroll tax – There is no payroll tax.

Capital duty – See below under "Net wealth/worth tax."

Real property tax – The municipal authorities levy tax on real estate. The tax is deductible in calculating corporation tax liability.

Transfer tax –The "real value" (determined by the municipal government) of the property is subject to tax at the time of transfer at a rate of 4% (2% payable by each of the buyer and seller).

Stamp duty – There is no stamp duty.

Net wealth/worth tax – A net worth tax is imposed on residents and nonresidents on the difference between assets and certain liabilities as of 31 December each year. In the case of individuals, there is an exemption threshold.

Inheritance/estate tax – There is no inheritance/estate tax.

Other – The amount of net taxable income of a company that remains undistributed after three fiscal years is treated as a deemed distribution and is subject to a 7% deemed dividend tax. Some limitations and deductions apply.

Tax treaties: Uruguay signed the OECD multilateral instrument (MLI) on 7 June 2017. For information on Uruguay's tax treaty network, visit Deloitte International Tax Source.

Tax authorities: Dirección General Impositiva (DGI)

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