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International Tax

Uruguay Highlights 2023

Updated January 2023

Recent developments

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

Investment basics

Currency: Uruguayan Peso (UYU)

Foreign exchange control: There are no foreign exchange controls.

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

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

Corporate taxation

Rates	
Corporate income tax rate	25%
Branch tax rate	25%, plus 7% branch remittance tax
Capital gains tax rate	Gains taxed as income at 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) generally are taxed only on Uruguay-source income. 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).

As from 1 January 2023, passive income derived from assets located or rights used economically outside of Uruguay, and income obtained from the sale and use of patents and registered software outside of Uruguay, is considered Uruguay-source income when derived by entities operating in Uruguay that are part of a multinational group and that do not meet specified substance requirements. Foreign-source income obtained from the sale and use of brands always is taxable.

Taxable income: Taxable income comprises all income derived from activities carried out in Uruguay and certain income derived from abroad (see "Basis," above). Expenses that are necessary to produce taxable income may be deducted if certain requirements are met.

Rate: The corporate income tax rate is 25%. 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 (see "Taxation of dividends," below).

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 corporate income tax. A deemed dividend tax may apply to deemed distributions (see "Rate," above).

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. The carryback of losses is not permitted.

Foreign tax relief: Relief is granted for foreign tax paid on income derived from abroad that is taxed in Uruguay owing to specified substance requirements not being met (see "Basis," above); otherwise, relief for foreign tax paid is available only where provided under an applicable tax treaty.

Participation exemption: There is no participation exemption, but see "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 activity and other business sectors 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 tax year is 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 any final tax payable also is due 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 approximately 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 (UYU)**	**Rate**
	Up to 475,440	0%
	475,441–679,200	10%
	679,201–1,018,800	15%

	1,018,801–2,037,600	24%
	2,037,601–3,396,000	25%
	3,396,001–5,094,000	27%
	5,094,001–7,810,800	31%
	Over 7,810,800	36%
Capital gains tax rate		12%

Residence: Individuals are considered resident if they are present in Uruguay for more than 183 days in the calendar year or if their center of vital interests, base of activities, or significant economic investments are 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, e.g., 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).

Capital gains from the disposal of shares of entities situated in tax haven jurisdictions are considered Uruguay-source capital gains if greater than 50% of the entities' assets are located in Uruguay.

Individuals who became tax resident before 2020 could opt for a six-year tax holiday on foreign-source income, which could be extended to 10 years if some conditions of investment in real estate and physical presence in the country were met.

Individuals who become tax resident as from 2020 may opt for an 11-year tax holiday on foreign-source income or a permanent reduced tax rate of 7% on that income.

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. Passive income from foreign investments is subject to a 12% tax, but a tax credit is available for tax paid abroad.

Capital gains: Capital gains are considered taxable income. 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).

Deductions and allowances: Deductions are allowed for contributions to social security, a small lump sum amount per minor child, and certain payments on mortgage loans. Subject to certain conditions, 6% of the annual rent (corresponding to permanent housing) paid during the fiscal period may be credited against the annual tax liability.

Foreign tax relief: Credit is granted for foreign tax paid on passive income from foreign investments subject to taxation in Uruguay; otherwise, credit for foreign tax paid is available only if provided under an applicable tax treaty.

Compliance for individuals

Tax year: The tax year is the calendar year.

Filing status: Joint assessment for married couples is permitted. A different rate scale applies to individuals opting for the joint assessment 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 the tax due is imposed for late payment. Surcharges also apply at a monthly rate of approximately 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%	0.5%-10%/12%	0.5%-10%/12%/25%	0.5%-10%/12%/25%
Royalties	0%	12%	12%/25%	12%/25%
Fees for technical services	0%	7%	12%/25%	12%/25%

Dividends: Dividends paid to a nonresident company or individual or to a resident individual are subject to withholding tax at 7% unless the rate is reduced under an applicable tax treaty in the case of nonresidents. Dividends paid to a resident company are not subject to withholding tax.

Interest: Interest paid to a nonresident generally is subject to withholding tax at 12% unless the rate is reduced under an applicable tax treaty. The rate is increased to 25% if the payment is made to a resident of a tax haven jurisdiction included on a list of jurisdictions considered to be tax havens issued by the tax authorities. Interest paid to a resident company is not subject to withholding tax.

Reduced rates ranging between 0.5% and 10% apply to interest on certain local deposits and debentures in local and foreign currency paid to resident individuals or nonresidents, depending on the term and currency of the loan.

Royalties: Royalties paid to a nonresident company or individual or to a resident individual are subject to withholding tax at 12% unless the rate is reduced under an applicable tax treaty in the case of nonresidents. The rate is increased to 25% if the payment is made to a resident of a tax haven jurisdiction. Royalties paid to a resident company are not subject to withholding tax.

Fees for technical services: Payments made for all services provided in Uruguay by nonresidents and technical services (including advertising services) provided by nonresidents from outside Uruguay to corporate income taxpayers in Uruguay are subject to withholding tax at 12%. The rate is increased to 25% if the payment is made to a resident of a tax haven jurisdiction. Services provided by resident companies are not subject to withholding tax. Services provided by resident individuals generally are subject to a 7% withholding tax.

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 is subject to a 12% tax (100% of such income is taxable if both the buyer and the seller are located in Uruguay; 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 withholding tax rate of 30.25% where the recipient is an entity resident in a tax haven jurisdiction. In all other cases, the applicable withholding tax rate is 10.5% in the case of rent, and 12% in the case of capital gains. Capital gains from the disposal of shares of entities situated in tax haven jurisdictions are considered Uruguay-source income subject to withholding tax if greater than 50% of the entities' assets are located in Uruguay, although there may not be a withholding agent appointed in this case.

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 (one indexed unit was equivalent to UYU 5.6023 as at December 2022) are required to file a transfer pricing return and a transfer pricing report within 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 jurisdiction). 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: Controlled foreign company rules apply where Uruguay residents hold shares of companies located in a tax haven jurisdiction.

Hybrids: There are no anti-hybrid rules.

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 also may have specific 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, 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: There is no general anti-avoidance rule.

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.

Payments related to digital services (see "Other" under "Withholding tax," above) also are subject to VAT. The tax base for the calculation of VAT on digital services is the same tax base used for the calculation of income tax.

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 local recipient of the services. Specific registration procedures apply to nonresident entities that render digital services in Uruguay.

Filing and payment: Corporate VAT taxpayers must file monthly VAT returns. Individuals carrying out independent services must file on a bimonthly basis. Specific filing procedures apply to nonresident entities that render digital services in Uruguay.

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 "Net wealth/worth tax," below.

Real property tax: The municipal authorities levy tax on real estate. The tax is deductible in calculating the corporate 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 at 31 December each year. In the case of individuals, there is an exemption threshold.

Inheritance/estate tax: There is no inheritance tax or estate tax.

Tax treaties: The Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting entered into force for Uruguay on 1 June 2020. For information on Uruguay's tax treaty network, visit Deloitte International Tax Source.

Tax authorities: Dirección General Impositiva (DGI)

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