



Doing business in Uruguay

A comparative guide

July 2023

A guide to doing business in Uruguay

Deloitte Legal compiled this guide for Legal 500, providing an overview of the laws and regulations on doing business in a variety of jurisdictions. The following country chapter contains the relevant information on the systems of law, the legal forms through which people carry out business, capital requirements, how entities are operated and managed, expansion possibilities, corporate governance, employment law and more.



No. **Question**

A. Legal system and landscape

1 **Is the system of law in your jurisdiction based on civil law, common law or something else?**

The Uruguayan system of law is based in positive law (which involves private law (civil and commercial law) public law, among others. Our Constitution in place, has a presidential system of government. Such government is divided into three independent Powers: Executive, Legislative and Judicial. We have the Supreme Administrative Court ("TCA") which is not part of the Judicial Power but it is a Court established by our Constitution.

B. Entity establishment

2 **What are the different types of vehicle / legal forms through which people carry on business in your jurisdiction?**

Despite there are many type of vehicles available to perform business, the most commonly used are Corporations, Simplified Stock Corporations and Limited Liability Companies.

Companies may also register as a branch of a foreign company. The branch is the same foreign legal entity that is registered to act in the country complying with the required formalities. The foreign company that wishes to register as branches, must designate a branch administrator and indicate the capital assigned.

3 **Can non-domestic entities carry on business directly in your jurisdiction, i.e., without having to incorporate or register an entity?**

Non-domestic entities may develop activities in Uruguay by establishing a Permanent Establishment or may set up operations in Uruguay by adopting the structure of a local entity or a branch of a foreign enterprise, if its purpose is to perform business in Uruguayan on a regular basis. However, if its purpose is not to perform business in Uruguayan on a regular basis, non-domestic entities are recognized by law and can perform isolated acts and appear before court without need to perform any administrative procedure.

4 **Are there are any capital requirements to consider when establishing different entity types?**

Corporations (SA): There is no minimum capital required to establish a corporation. In this type of corporation capital is expressed in shares, generally bearer or nominative. At the time of incorporation of the corporation, 25% of the authorized capital must be paid in and the remaining 25% must be subscribed. The Law does not require the integration of all the capital.

Limited Liability Companies (SRL): There is no minimum capital required to establish an SRL and its paid in capital is represented by social quotas. At least 50% of the cash contribution or 100% of the in-

kind contribution must be subscribed at the time of incorporation, with a two-year term to contribute the 100% of the capital.

Simplified Stock Corporations: There is no minimum capital required to establish a Simplified Stock Corporation and its capital is represented by shares (nominative or registered shares -bearer shares are not allowed). Each shareholder must pay in 10% of its contribution in cash or 100% of the contribution in kind at the time of incorporation, with a term of 2 years to contribute the rest.

5

How are the different types of vehicle established in your jurisdiction? And which is the most common entity / branch for investors to utilize?

These are the different types of vehicles in order to establish in Uruguay and their main characteristics:

Corporations:

- (i) Shareholders: Minimum: 2 shareholders for its incorporation, Maximum: unlimited.
- (ii) Capital: Expressed in shares, generally bearer or nominative. 25% of the authorized capital must be paid in and the remaining 25% must be subscribed. The Law does not require the integration of all the capital.
- (iii) Purpose: The bylaws must establish the activities that the company may carry out.
- (iv) Liabilities: The liability of the shareholders in an S.A. is limited, in principle, to the amount of their contributions.
- (v) Transfer of shares: Restrictions on the transfer of shares may be established in the bylaws, but in principle, they are freely transferable.
- (vi) Administration: The administration will be in charge of a Board of Directors or Administrator, natural or juridical person, appointed in the bylaws or by the Shareholders' Meeting.

Simplified Stock Corporations:

- (i) Shareholders: Minimum: 1 shareholder, maximum: unlimited.
- (ii) Capital: The capital is expressed in shares (nominative or registered). Each shareholder must make 10% of its contribution in cash or 100% of the contribution in kind at the time of incorporation, with a term of 2 years to contribute the rest.
- (iii) Purpose: It may state in its bylaws that its purpose is "Any lawful activity".
- (iv) Liabilities: The liability of the shareholders of a SAS is limited, in principle, to the amount of their contributions.
- (v) Transfer of shares: In principle, they are free to circulate freely, but restrictions may be established in the bylaws that imply the prohibition to dispose of the shares for a maximum term of 10 years.
- (vi) Administration: SAS are not required to have an administrative body. It may be established in the bylaws, but in all cases it must be established that the company must have at least one legal representative.

Limited Liability Company:

- (i) Partners: Minimum: 2 partners, maximum: 50 partners.
- (ii) Capital: The capital is expressed in social quotas. At least 50% of the contribution in cash or 100% of the contribution in kind must be subscribed at the time of incorporation, with a term of two years to contribute 100% of the capital.
- (iii) Purpose: The articles of association must establish the activities that the company may carry out.
- (iv) Liabilities: The liability of the partners in an S.R.L. is limited, in principle, to the amount of their contributions, except that they are also liable for salary, tax and social security debts.

- (v) Transfer of social quotas: In principle, the social quotas are freely distributable, although the consent of 75% of the capital is required in SRLs with more than 5 partners and 100% in those companies with 5 or less partners.
- (vi) Administration: In the case of an S.R.L. with 20 or less partners, the administration and representation of the company will correspond to one or more persons, partners or not, designated in the articles of incorporation or subsequently.
In the case of an S.R.L. with more than 20 partners, its administration regime is the one applicable to S.A.'s.

Nowadays, the most common type of entities used in Uruguay are the Corporations and SAS.

6 How is the entity operated and managed, i.e., directors, officers or others? And how do they make decisions?

Corporations: The administration of corporations shall be in charge of an administrator or a board of directors.

The articles of incorporation may delegate to the shareholders' meeting (highest corporate authority) the determination of one or the other form of administration and the number of members of the board of directors.

In the case of open corporations, the administrative body shall necessarily be a board of directors.

Simplified Stock Corporations: The bylaws of the simplified stock corporation shall freely determine the organizational structure of the corporation and other rules governing its operation. In the absence of statutory stipulation, it shall be understood that all the functions provided for corporations shall be exercised by the shareholders' meeting or by the sole shareholder, and that the functions of administration and representation of the corporation shall be performed by the legal representative.

During the time the corporation has only one shareholder, the latter may exercise the powers conferred by law to the various corporate bodies.

This corporations are not obliged to have a collective administrator, board of directors or administrative body.

Limited Liability Company: The bylaws of the SRL can establish the existence of an Administrator. In that scenario, the administrators partners are also liable for the payment of the company's income tax on Economic Activities.

7 Are there general requirements or restrictions relating to the appointment of (a) authorized representatives / directors or (b) shareholders, such as a requirement for a certain number, or local residency or nationality?

Please find the answer in question 5.

Regarding the local residency or nationality there are no general restrictions.

8 Apart from the creation of an entity or establishment, what other possibilities are there for expanding business operations in your jurisdiction? Can one work with trade /commercial agents, resellers and are there any specific rules to be observed?

Yes you can work with commercial agents or resellers. The main conditions of this kind of structures shall be agreed by the implicated parties and stipulated in an agreement.

However, please take into consideration that the existence of a dependent agent with power to conclude contracts on behalf of non resident company could be trigger the existence of an agency permanent establishment for Income tax on economic activities purposes.

C. Entity operation

Please answer the following questions only for the most common entity / ies within your jurisdiction:

C1. Governance

9 **Are there any corporate governance codes or equivalent for privately owned companies or groups of companies? If so, please provide a summary of the main provisions and how they apply.**

No. However, companies in certain industries (financial industry, for example) or companies that are public companies (e.g. companies that publicly issue and trade its shares) must follow certain corporate governance standards.

C2. Capital

10 **What are the options available when looking to provide the entity with working capital? i.e., capital injection, loans etc.**

Capital injection is available and admitted by law in order to provide the entity with capital.

Every capital injection shall be adopted by Extraordinary Shareholders Meeting without need of administrative approval (as long as the bylaws do not require another procedure).

Loans can also be agreed with third parties or even with shareholders (observing certain matters).

C3. Return of proceeds

11 **What are the processes for returning proceeds from entities? i.e., dividends, returns of capital, loans etc.**

In the case of corporations, it is compulsory to distribute as dividend to the shareholders at least 20% (twenty percent) of the net proceeds of each fiscal year.

The obligation to pay dividends in accordance with the provisions of Law N° 16.060 shall not apply when so expressly resolved in a well-founded shareholders' meeting, with the concurrence of shareholders representing at least 75% of the capital stock and the favorable opinion of the auditors, if any.

The provisions of this article shall not apply when the profits of the year are to be used to reintegrate the legal reserve or to cover losses of previous years.

C4. Shareholder rights

12 Are specific voting requirements / percentages required for specific decisions?

In the case of merger, spin-off, transformation, extension or early dissolution of the corporation, transfer of the domicile to a foreign the corporate purpose and increase of the capital stock, or total or partial reintegration of the integrated capital, both on first and second call, the resolutions shall be adopted by the affirmative vote of the absolute majority of shares with voting rights, unless the articles of incorporation provide a greater majority.

13 Are shareholders authorized to issue binding instructions to the management? Are these rules the same for all entities? What are the consequences and limitations?

No binding instructions are regulated. However, the shareholders meeting is the maximum authority, and has exclusive powers to resolve certain matters (e.g. the appointment or removal of administrators).

C5. Employment

14 What are the core employment law protection rules in your country (e.g., discrimination, minimum wage, dismissal etc.)?

At the present time in Uruguay, there is no type of norms that can be described as "**principal**". Without prejudice to the above, we should mention that for the last 10 years or so, there has been a trend in our country towards legal protection for victims of labour and sexual harassment. As well as the eradication of this scourge.

The aforementioned trend was reinforced in our country, with the ratification by Law No. 19.849 of the **International Labour Convention No. 190** on Moral and Sexual Harassment

On the other hand, it is also noted that in our country there is a protective regulation against certain groups of employees such as: **i-** unionized employees (or union leaders);

- ii-** employees who have a certain disability (and have been declared as such by the respective bodies);
- iii-** older employees; **iii-** employees who are victims of domestic violence, among others

Right / Protection	<p>Regarding the regulation of the minimum wage in Uruguay, we indicate that the regulation of this institute dates back to 1943, specifically in Law No 10,449.</p> <p>In principle, the fixing of the national minimum wage is determined by the Government, by dictating a Decree (after consultation with the social actors: trade unions and business associations).</p> <p>However, this regulation (broadly speaking) does not cover almost any type of activity, since most groups of labour activity fix their minimum wages through collective bargaining agreements.</p>
National Minimum Wage	<p>Currently, the national minimum wage in Uruguay is USD 534 approximately. This figure was set by the government by Decree No. 443/022.</p>

	<p>However, this regulation (broadly speaking) does not cover almost any type of activity, since most groups of labour activity fix their minimum wages through collective bargaining agreements.</p>
Holiday	<p>The regulation of the annual leave is regulated by the following norms: Law No. 12,590, Regulatory Decree without number, dated April 26, 1962, Law No. 13.556, International Labor Convention No. 132, Ratified by Decree Law No. 14.588.</p> <p>All workers hired by individuals or private companies of any nature, are entitled to an annual paid leave of at least twenty days.</p> <p>Workers with more than five years of service in the same company, even if the company has changed its owner one or more times, shall also be entitled to one additional day of leave for every four years of seniority.</p>
Working Hours	<p>In Uruguay there is a double limitation on working time.</p> <p>In principle, no group of activity may work more than 8 hours per day, nor more than 44 (regime applicable to the commerce sector) or 48 hours per week (regime applicable to the industry sector).</p>
Rest Periods	<p>The Uruguayan legal system has different regulations, depending on the type of rest in question.</p> <p>(i) Intermediate rest: The regulation of intermediate rest is regulated (in general terms) in Decree No. 55/000.</p> <p>The rest period may be two hours or two and a half hours, and the rest period may be reduced to one hour if there is an agreement between the parties.</p> <p>(ii) Weekly rest: Uruguayan regulations establish a weekly rest period of 24 consecutive hours (1 day) for industrial activities and 36 consecutive hours for commercial activities.</p>
Pension rights	<p>The right to obtain a monthly financial benefit arises on the following grounds:</p> <p>(i) The death of a spouse</p> <p>(ii) The disappearance of a person to make up for the lack of income in the family nucleus.</p> <p>Conditions for receiving the pension: The conditions required of the pension beneficiary are:</p> <ul style="list-style-type: none"> • To be a widow/widower (legally married) or cohabiting partner with at least five years of cohabitation. • Divorced persons: they will receive a financial pension, if they were recipients of a judicially approved alimony and it can be proved that they were financially dependent on the deceased. • Unmarried children under the age of 21 with no means of support or children of full age who are physically incapable of work: they are entitled to a pension if their parents are not entitled to a pension or if they die while receiving the benefit. • Parents who are absolutely unable to work: they must prove financial dependency or lack of sufficient income and physical inability to work.

	<p>Amount of benefit:</p> <p>The amount of the pension is calculated on the basis of the pension that the deceased would have received, or would have received if he or she had not yet retired.</p>
Discrimination	<p>One of the most relevant rules on discrimination is Law No. 17.817. The law establishes that discrimination means any distinction, exclusion, restriction, preference, or exercise of physical or moral violence, based on reasons of race, skin color, religion, nationality or ethnic origin, disability, appearance, gender, sexual orientation and identity, which has the aim or effect of nullifying or impairing the recognition, enjoyment, or exercise, on an equal footing, of human rights and fundamental freedoms in the political, economic, social, cultural, or any other sphere of public life.</p> <p>In the event that the employee has been discriminated, he/she may consider himself/herself indirectly dismissed, and claim the corresponding severance payment.</p>
Maternity Leave / Pay	<p>Maternity leave is regulated by Law No. 11,577:</p> <p>This law establishes that every pregnant woman shall have the right to be absent from work for the time required by medical prescription. If the absence from work lasts less than four months, she shall be entitled to the full salary for the absence. If it exceeds that period, she shall earn half salary up to the term of six months. The employment shall be retained if he returns in normal conditions.</p> <p>On the other hand, the pregnant worker may not be dismissed. If she is dismissed, the employer must pay an amount equivalent to six months' salary plus the corresponding legal indemnity.</p> <p>The period of prohibition of dismissal determined by doctrine and jurisprudence has been set at 180 days after reinstatement</p>
Paternity Leave	<p>Our legal system provides for the receipt of an economic benefit (granted by the state agency called " Social Security Bank") which will replace the salary that protects the worker who is on leave for paternity reasons. The economic amount that the employee will receive, will be 100% of the daily or monthly average of the remunerations received in the previous 6 months, plus the part corresponding to leave of absence, Christmas bonus and vacation salary.</p>
Shared Parental Leave	<p>There is no regulation at the moment.</p>
Statutory sick pay	<p>The protection regime for workers affected by common (non-occupational) diseases is regulated by Decree Law No. 14,407 and several regulatory decrees. The employee certified for non-occupational illness will receive from the Social Security Bank an subsidy equivalent to 70% of the employee's usual salary or wage for each day of incapacity due to common illness. The certified employee will also receive an amount corresponding to the Christmas bonus proportional to the time the illness lasts.</p>
Statutory Notice Periods	<p>There is no regulation at the moment.</p>

Unfair dismissal	There is no regulation at the moment.
Statutory Redundancy Payment	<p>In principle, the severance payment system is organized on the basis of the type of remuneration received by the employee.</p> <p>There is a system for workers paid on a monthly basis, and another applicable to workers paid on a daily, hourly or piecework basis.</p> <p>Dismissal of the monthly employee: The dismissal regime for monthly employees is regulated by article 4 of Law No 10,489 and article 13 of Decree-Law No 14,188.</p> <p>The monthly employee, in case of dismissal, shall be entitled to receive an indemnity equivalent to the total remuneration corresponding to one month of work, for each year or fraction thereof, with a maximum of six monthly payments.</p> <p>Dismissal of day laborer The dismissal regime for day laborers paid by the day and piecework is regulated by Laws No. 10,542, 10,570 and 12,597.</p>
Statement of particulars	<p>At the moment we do not have a regulation on the declaration of particulars.</p> <p>However, we do have a regulation on the protection of personal data, regulated in Law 18.331.</p>

15

On what basis can an employee be dismissed in your country, what process must be followed and what are the associated costs? Does this differ for collective dismissals and if so, how?

In Uruguay we have a **free dismissal** system.

This means that no prior notice is required and in principle and except for special statutes, no cause for dismissal is required.

The employer must pay the severance payment to the employee within 10 business days following the termination. Otherwise, the severance credit will generate a 10% penalty on the amount of the dismissal, an update of the amount of the payment by the consumer price index and will also generate an interest of 05.% per month.

In the cases where a reasonable cause is required to dismiss the employee, they concern the dismissal of union delegates, dismissal while the employee is certified due to common illness, or due to work accidents or professional illness, or dismissal of disabled personnel.

Regarding costs. In the event that the employer does not pay the employee the corresponding severance payment, the employee must file a lawsuit, which has no cost for him (except for the payment of the attorney's fees).

On the other hand, we point out that at the moment there is no regulation on collective dismissals.

Unfair dismissal

There is no regulation at the moment.

16 Does your jurisdiction have a system of employee representation / participation (e.g., works councils, co-determined supervisory boards, trade unions etc.)? Are there entities which are exempt from the corresponding regulations?

The intervention of the union, in repressing a claim for reinstatement or reinstatement of the dismissed or discriminated dismissed. This is regulated in **Law No 17,940**. There are not entities which are exempt from the corresponding regulations.

C6. Anti-corruption / bribery / money laundering / supply chain

17 Is there a system governing anti-bribery or anti-corruption or similar? Does this system extend to nondomestic constellations, i.e., have extraterritorial reach?

Yes. In Uruguay, the definition of bribery is established in Article 159 of the criminal code, together with Law No. 17.060 and Decree 30/03, which establish norms referring to the misuse of public power (corruption).

These rules are applicable to public officials of all state agencies, state services or entities, as well as non-state public persons (legislative branch, executive branch, judicial branch, court of accounts, electoral court, etc.).

These rules do not have extraterritorial reach

18 What, if any, are the laws relating to economic crime? If such laws exist, is there an obligation to report economic crimes to the relevant authorities?

The Integral Anti-Money Laundering Law, No. 19,574 is one of the most important laws in this regard, there is also Law No. 14,095 on Economic Crimes of the Central Bank of Uruguay.

Under certain circumstances, there may be an obligation to report this type of crime. In general terms, the obligation applies (depending on their particularities) to persons and organizations operating in certain regulated sectors, such as banks, lawyers, accountants, casinos and real estate agents. Likewise, Article 6 of Law 14.095 establishes the obligation of public officials to report the economic crimes provided therein.

19 How is money laundering and terrorist financing regulated in your jurisdiction?

Money laundering and terrorist financing are regulated by Laws 19.574 y 19.749. Broadly, the legislation: (i) requires obliged entities to undertake appropriate customer due diligence; (ii) requires obliged entities to establish an internal money laundering reporting function; (iii) criminalizes as money laundering the action that converts or transfers goods, products or instruments that come from the criminal activities established in article 34 of this law.

20 Are there rules regulating compliance in the supply chain (for example comparable to the UK Modern Slavery Act, the Dutch wet kindenarbeid, the French loi de vigilance)?

No

C7. Compliance

21 Please describe the requirements to prepare, audit, approve and disclose annual accounts / annual financial statements in your jurisdiction.

According to applicable law, the financial statements must be prepared and presented in accordance with appropriate accounting standards, which must be submitted for approval by the partners or shareholders within a period not exceeding one hundred and eighty days from the end of the fiscal year by means of an ordinary general meeting.

The companies, whatever their form, must file their financial statements with the state control body within the terms established by the regulations if its income at the close of the annual fiscal year, exceeds 26,300,000 Indexed Units (aprox.USD 3,788,000), or 4,000,000 Indexed Units (aprox. USD (576,000) if at least 90% of such income generates income that is not of Uruguayan source. Financial statements must also be filed before the Central Bank of Uruguay in case of some financial regulated entities or public companies (e.g. companies that publicly issue and trade its shares).

The company may not distribute profits resulting from the corporate management without having previously registered the financial statements corresponding to the last fiscal year closed.

The financial statements shall remain at the registering entity for a period of three years at the disposal of any interested party.

22 Please detail any corporate / company secretarial annual compliance requirements?

The legal annual compliance shall include the celebration of an Ordinary Shareholders Meeting and the approval of the balance sheet.

23 Is there a requirement for annual meetings of shareholders, or other stakeholders, to be held? If so, what matters need to be considered and approved at the annual shareholder meeting?

The Ordinary Shareholders Meeting shall celebrated annually and it has to consider and resolve the following matters:

- 1) Balance sheet (statement of assets and liabilities and statement of income), profit and loss (statement of net worth and statement of income), profit distribution project, report and fiscal committee and any other measure relating to the management of the company that it is responsible for resolving on in accordance with the law and the contract, or that are submitted to its decision by the administrator or the board of directors, and the fiscal commission or the trustee.
 - 2) Appointment or removal of the administrator, the directors, the syndics or members of the of the fiscal commission and the fixing of their remuneration.
 - 3) Responsibilities of the administrator or the directors, the trustee or the members of the fiscal commission.
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24 Are there any reporting / notification / disclosure requirements on beneficial ownership / ultimate beneficial owners ("UBO") of entities? If yes, please briefly describe these requirements.

The corporations with bearer or nominative shares shall communicate the Central Bank of Uruguay ("CBU") their shareholders and their final beneficiaries.

Law N° 19.484 (applicable for nominative shares) and Law N° 18.930 (applicable for bearer shares) establish that the obliged entities must communicate any change that may occur in relation to the information registered, including the changes in the chain of titularity.

Moreover, the final beneficiaries of the companies shall also be communicated. According to our legislation, a beneficial owner is defined as an individual (physical person) who, directly or indirectly, holds at least 15% (fifteen percent) of the integrated capital or its equivalent, or of the voting rights, or who by other means exercises ultimate control over an entity, being considered a legal person, a trust, an investment fund or any other legal entity or structure, with or without legal personality.

Final control is understood as control exercised directly or indirectly through a chain of title or through any other means of control.

This communication shall be presented in a Form provided by the CBU and sign by the representatives of the company.

In the case of limited liability companies, they shall communicate their final beneficiaries as well to the CBU. However, they are not be obliged to file the communication as long as all of the social quotas belong to individuals, provided that they are their final beneficiaries.

C8. Tax

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What main taxes are businesses subject to in your jurisdiction, and on what are they levied (usually profits), and at what rate?

Uruguay has adopted (with some exceptions) the source principle and therefore only imposed its taxes for assets located, activities performed, and rights economically used in the country, irrespective of the nationality, domicile or residence of the parties involved, and the location where the contracts are entered into. This means that those activities or assets performed/located outside Uruguayan territory may not be subject to taxes in Uruguay (although there are some exceptions).

In the case of foreign passive income obtained by entities of a Multination Group, this income will be considered foreign-sourced as long as some substance requirements are met. Otherwise, such passive income obtained abroad will be considered Uruguayan-sourced and taxable by IRAE at the general 25% rate.

Moreover, a key element in Uruguayan taxation is the concept of residence. Corporations may be subject to tax in Uruguay when they are duly incorporated in Uruguay in compliance with its legislation. Hence, corporations that are deemed resident in Uruguay may be subject to tax by the Corporate Income Tax on Economic Activities ("IRAE"), with a nominal tax rate of 25%.

Those that are considered non-residents (both corporations and individuals) are subject to Non-resident Income Tax at a flat rate of 12 % only for the Uruguayan source profits.

However, if a non-resident configured a Permanent Establishment ("PE"), may be subject to tax with IRAE for their Uruguayan source income, at the same rate of 25%. PE definition adopted in Uruguay has its origin in Article 5° of the OECD Model Tax Convention to avoid double taxation, with some changes that are the background of the UN Model Convention.

In this sense, the definition of PE includes the place where non-resident carries on all or part of its business through a fixed place of business in Uruguay (including, place of management, branches,

offices, factories, workshops, and any other place of extraction of natural resources). Additionally, Uruguayan PE is also comprehensive of construction works/ installation projects that last more than three months and some hypothesis of rendering of services.

Capital gains and holding income of Uruguayan source are subject to IRAE at the 25% rate. Dividends and profits distributed by a local company are not subject to IRAE, but are subject to IRNR or IRPF at a 7% rate (IRNR for non-resident shareholders and IRPF for resident individual shareholders). Non-resident entities pay IRNR on this kind of income provided it is of Uruguayan source, the general rate is 12%, but entities located in a low or nil tax jurisdiction are subject to a 25% rate.

Also, from an indirect taxation perspective, Uruguay has VAT with a standard rate of 22% and a basic rate of 10%, and an Excise Tax ("IMESI"), with differential rates for a wide range of products such as cigarettes, alcohol beverages, oil, cars, perfumes, etc.

Finally, legal entities may be subject to tax with a Net Wealth Tax. This tax is imposed on residents and non-residents at the end of the fiscal year. The tax is levied on the assets held in Uruguay at fiscal year-end valued according to tax regulations (only specific liabilities are deductible in the calculation).

The general rate is 1,5%. In the case of financial entities, the rate is 2,8%. The rate applicable to entities located in BONT jurisdictions is 3%.

In the case of individuals, the rates are progressive and there is a non-taxable threshold.

26

Are there any particular incentive regimes that make your jurisdiction attractive to businesses from a tax perspective (e.g. tax holidays, incentive regimes, employee schemes, or other?)

Uruguay presents some strengths (democratic stability, source-principle income, proximity with Brazil and Argentina), that traditionally attracted foreign investors. In this sense, the main incentive regimes in Uruguay for legal entities are:

1. Investment Law N° 16.906.

General Regime

There are automatic exemptions in the Net Wealth Tax and in the Excise Tax (IMESI) for both IRAE and IMEBA (Tax on the Transfer of Agricultural Assets) taxpayers, for those movable assets directly associated within the productive cycle (i.e. industrial machines, industrial installments, agricultural machines, vehicles, etc).

Moreover, the Executive Branch may grant certain tax benefits for intangible assets such as: trademarks, patents, industrial models, privileges, copyrights, key values, trade names and concessions) granted for several process related with the exploitation natural resources.

Specific Regime

Under the specific regime, any enterprise (national or foreign) of any sector may present an investment project to the Investment Commission ("COMAP") to obtain certain tax benefits, prior approval of the Executive Branch.

In this sense, investments can obtain a wide range of benefits, from IRAE exemption for a percentage of the amount invested, exemption from Wealth Net Tax, exemption from taxes on the import of the investment and VAT refund related to civil works to be carried out in Uruguay.

To obtain these benefits, the entity shall submit an application for tax benefits and commit to one of the objectives set forth in the Investment Law (i.e. generating employment, increasing exports, investing in cleaner production goods, among others).

Industrial Parks

Under the frame of the Investment Law, was sanctioned Law N° 19.784 which promotes extra tax benefits for the promotion of Industrial Parks and Scientific-Technologic Parks.

In this sense, users of such parks may apply for an additional tax exemption of 15 % in IRAE. Also, the Law gives the Executive Branch the power to grant a total exemption of IRAE, VAT credits, and custom taxes in fixed assets under certain requisites.

Trading regime

The trading regime sets an alternative method to calculate the net taxable income for IRAE purposes on certain transactions:

- Intermediation of goods: buying and selling goods that do not have Uruguay as its origin or destination, nor do the goods pass-through national territory during the transaction.
- Intermediation in the provision of a service, where the service is provided and economically used abroad.

For this kind of intermediation, regulations establish that only 3% of

the difference between the sale and purchase price of the goods is considered of Uruguayan source. The 25% rate is then applied to this tax base with no further deductions

2. Free Trade Zones (FTZs).

Free Trade Zones Law N° 15.921 declared of national interest the promotion and development of Free Zones in Uruguay, while establishing the guidelines for their exploitation under the protection of important tax benefits.

FTZs users are subject to subjective exemptions. According to these exemptions, they are exempted from all national taxes, created or to be created, even those whose legal exemption requires a specific authorization.

There are also objective benefits. In this sense, goods and raw materials introduced to the FTZs from foreign territory, are exempt of all customs import taxes and of all taxes that are generated in occasion of the introduction to the territory. On the other hand, goods leaving FTZs to other countries are not subject to any tax.

Likewise, the entry of goods and raw materials to FTZs from non-free zone Uruguayan territory is considered an export of goods for tax purposes. Hence, the contracting of services to be rendered necessarily and exclusively within the free zone territory is considered an export of services and are taxed with VAT at "0% rate".

Additionally, dividends or profits, paid to individuals or legal entities domiciled abroad are exempt from withholding taxes. Moreover, if shareholders are local individuals or entities, dividends payments are also exempt from Income Tax of Individuals (IRPF) and IRAE.

3. Investment Promotion Treaties.

Nowadays, Uruguay has 32 Investment Treaties in force, celebrated with 34 countries.

27 **Are there any impediments / tax charges that typically apply to the inflow or outflow of capital to and from your jurisdiction (e.g., withholding taxes, exchange controls, capital controls, etc.)?**

There are no foreign exchange or capital controls in Uruguay. Also, there is no branch remittance tax.

Moreover, those individuals or legal entities that are considered non-residents and do not configured Permanent Establishment shall be taxed with IRNR at a flat rate of 12 %. This tax is generally collected by withholding through IRAE taxpayers as withholding agents (unless there is not a IRAE taxpayer appointed, in which case a representative of the IRNR taxpayer may be registered at the Tax Office).

Additionally, there is a 7% IRNR rate over dividends or earnings paid or credited by taxpayers of IRAE).

Dividends and profits connected to income non-taxed by IRAE shall be exempted from IRNR.

The abovementioned withholdings may vary if a Double Tax Treaty applies. Currently Uruguay has celebrated 38 Double Tax Treaties with 36 countries.

28 **Are there any significant transfer taxes, stamp duties, etc. to be taken into consideration?**

There are no stamp duties in Uruguay. However, transfer of real estate triggered a Transfer Tax, ("*Impuesto a las Transmisiones Patrimoniales*") that is paid -for the relevant in this guide- with a rate of 2% for the seller and 2% for the buyer.

C9. M&A

29 **Are there any public takeover rules?**

There are no public takeover rules in Uruguay, save por public corporations by shares (*oferta pública de adquisición*).

30 **Is there a merger control regime and is it mandatory / how does it broadly work?**

Pursuant Law N° 18.159 ("*Competition Law*") there are certain transactions that are under approval of the Competition Office (Comision de Promoción y Defensa de la Competencia).

Under this frame, if the participants of the transaction (individually considered) have a gross income in national territory of approximately USD 86.400.000 milllion or higher in any of the last three fiscal years, must be subject to the prior approval of the Competition Office (save for some exeptions).

31 **Is there an obligation to negotiate in good faith?**

Yes, there are certain standards provided under Uruguayan Civil Code and general law principles that obliges parties to negotiate and act in good faith.

32 **What protections do employees benefit from when their employer is being acquired, for example, are there employee and / or employee representatives' information and consultation or co-determination obligations, and what process must be followed? Do these obligations differ depending on whether an asset or share deal is undertaken?**

M&A transactions are not subject to specific rules regarding employment rights, rather than the ordinary employment legislation.

C10. Foreign direct investment

33 **Please detail any foreign direct investment restrictions, controls or requirements? For example, please detail any limitations, notifications and / or approvals required for corporate acquisitions.**

There is no restriction for foreign investment in Uruguay. However, there is some control under Competition Law.

In such frame, and in case the gross income requirements of the participants are met (see answer to question 30), such transaction may not be subject to approval by the Competition Office only, if it is a single foreign entity acquiring shares of a single Uruguayan entity, and if such foreign entity does not have assets or shares in Uruguay yet. Otherwise, for that transaction it will be necessary to obtain a prior approval of the Competition Office.

34 **Does your jurisdiction have any exchange control requirements?**

There are not exchange control requirements.

D. Entity closure

35 **What are the most common ways to wind up / liquidate / dissolve an entity in your jurisdiction? Please provide a brief explanation of the process.**

The most common way for winding up a corporation is to liquidate and dissolve such legal entity. Although dissolution and liquidation are two separately legal acts, it is a common standard to celebrate them jointly with a General Extraordinary Meeting of Shareholders. The process could be broadly described as follows:

1. Celebration of a General Extraordinary Meeting to resolve the liquidation and dissolution of the legal entity.

For such General Extraordinary Meeting, the entity may draft a provisory balance sheet and a Project of Asset Distribution. Jointly with these documents, the entity shall designate a representative/liquidator, while also state that for the future, the company shall be referred with the phrase "*en liquidación*" (in liquidation).

Moreover, in the liquidation act, the General Extraordinary Meeting: (i) approves a definitive balance sheet and the Project of Asset Distribution, (ii) approve the Liquidator's appointment, and (iii) cancel the shares of the company.

2. Filing to public authorities.

The entity may request to the Tax Authority ("DGI"), the Social Security Bank ("BPS") and State Insurance Bank ("BSE") some special certificate for the closure of the legal entity.

3. Approval of the Internal Audit Office ("AIN").

In the next 30 days of the celebration of the General Extraordinary Meeting, the legal entity shall communicate the liquidation process to AIN.

Once the special certificates issued by DGI, BPS and BSE are obtained, AIN may approve the liquidation process.

4. Inscription in the National Registry of Commerce (RNC).

After the approval of AIN, the dissolution and liquidation shall be presented before the RNC for its approval.

5. Publications.

Lastly, and following the RNC registration, the legal entity shall make two publications, one in the Official Gazette and other in a private gazette of the city of the corporation.

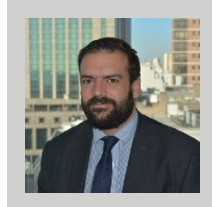
The process has a duration of approximately of 2-3 years since the celebration of the meeting, mainly because of the time involved in the issuing the relevant special certificates.

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