



Business in Uruguay

Uruguay is located in the southern cone of South America. Nestled between the continent's two largest countries, Brazil and Argentina, Uruguay is a logistics and services hub in the region. The country's population is 3.5 million people, half of which live in the country's capital of Montevideo and its main port. Uruguay has the continent's highest GDP per capita, and is renowned for its stability, transparency and rule of law. The economy's key sectors are agricultural commodities (one of the globe's top exporters of paper pulp, beef and soybeans), services and logistics and tourism.



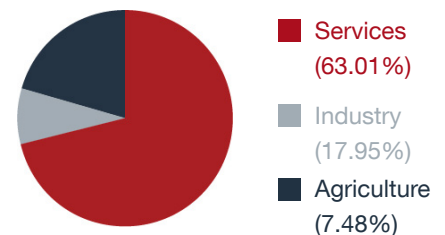
Population

3.5 million

 = 1 million



GDP Breakdown by Sector



Currency

Uruguayan
Peso (\$U)

Foreign Direct Investment

USD \$1.7 billion

GDP Growth (est. 2021)

4%

Business Climate

Intellectual Property

Uruguay's intellectual property laws are harmonized with the main international guidelines in protection of copyrights, trademarks and patents. IP protection applies to original works of art in the literary, scientific and artistic fields for a legal term. Uruguay has ratified the Bern Convention for the protection of literary and artistic work.

Registration with the National Industrial Property Bureau (DNPI) is necessary to acquire the exclusive right to a trademark and afford the registrant protection for a ten-year period, with subsequent ten-year extensions, renewable indefinitely. In industrial patents, protection is granted to inventions, industrial designs and models. Industrial patents granted in Uruguay give holders the exclusive right of use for a period of 20 years.

Uruguay ratified the Paris Convention for the protection of industrial property by which parties belonging to the signatory countries hold a priority right on an invention, model of use or industrial model registered in one of those countries.

Banking System

Uruguay's banking system is composed of ten commercial banks – one state-owned and most of the others are branches of large global banks. In addition, there are two offshore banks and ten representative offices of global private banking institutions.

The sector is overseen by Uruguay's Central Bank, which is governed by a three-member board, appointed every five years.

Bank deposits in Uruguay are mostly held in US Dollars (58%), followed by the Uruguayan peso (42%). A fifth of deposits in Uruguay's banks are held by non-residents.

International Trade

Trade Regulations, Customs and Standards

Uruguay has been a World Trade Organization (WTO) member since 1995 and a General Agreement on Tariffs and Trade (GATT) member since 1953.

Trade Agreements

The country's main trade agreement is in the MERCOSUR trade agreement, formed by Argentina, Brazil, Paraguay and Uruguay. In 2019, MERCOSUR signed a free trade agreement with the EU, although implementation will take time.

Uruguay also has trade agreements with Mexico (2004) and Chile (2018).

Free Trade Zones

Free Trade Zones (FTZs) are an important part of Uruguay's economy - the country has eleven of them, with hundreds of multinationals operating them under total tax exemption. FTZs account for 7% of Uruguay's GDP.

Uruguay also has a free port regime (the only one in South America's Atlantic coast), and the only free port status of airports in the continent.

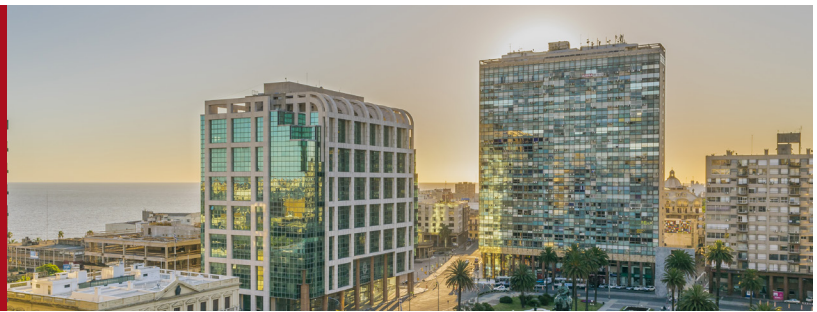
Uruguay has a "temporary admission" regime under which products may be imported into Uruguay and exempted from import duties, in order to be processed or assembled for re-export within 18 months.

Foreign Direct Investment Policy

Uruguay's legal system treats foreign and local investors equally. No sectors of the economy are off-limits for foreign companies and there are no limitations to foreign ownership of property or land.

Uruguay has signed 30 reciprocal investment protection treaties with Germany, Armenia, Australia, Belgium and Luxemburg, Canada, Chile, China, Korea, United States, El Salvador, Spain, Finland, France, Hungary, Israel, Italy, Japan, Malaysia, Mexico, Netherlands, Panama, Poland, Portugal, United Kingdom, Czech Republic, Romania, Sweden, Switzerland, Venezuela and Vietnam.

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continent's highest
GDP per capita.



Tax Regime

Residence and Basis

A company is considered a tax resident in Uruguay if it is incorporated in Uruguay or if incorporated abroad and redomiciled to Uruguay.

An individual is considered a tax resident if he/she has a physical presence in Uruguay for more than 183 days during a calendar year or if he/she has the main center of activities or economic or vital interests in Uruguay.

Corporate Income Tax

Corporate Income tax is levied on Uruguayan-sourced income, at 25%. Lower, simplified systems exist for small enterprises and agriculture.

The dividend distribution tax is 7%.

The tax system includes transfer price rules according to OECD standards.

Individual Income Tax

Individual income tax taxes labour income from 0-36%, and capital-based income from 7-12%.

Dividends and interest obtained abroad are taxed at 12%. New tax residents have a ten-year tax holiday on this and, if tax is already paid overseas, Uruguay recognizes this unilaterally to avoid double taxation.

Value Added Tax (VAT)

VAT is levied on goods and services, as well as imports. The basic rate is 22% (and 10% for certain exceptions). Exports are not taxed by VAT. VAT's calculation is on a credit/debit basis and is paid monthly.

Networth Tax

Net worth tax is levied on the difference between assets and deductible liabilities at the end of the year. For companies, the rate is 1.5% and for individuals it is 0.4 % to 0.7% with a minimum non-taxable amount of approximately USD 150,000.

Establishing a Business

The main types of corporate vehicles used by businesses in Uruguay are the stock corporation (“Sociedad Anonima”, SA) and the limited liability company (“Sociedad de Responsabilidad Limitada”, SRL). Shareholder liability is limited to the amount contributed to the company’s equity and there are no minimum capital requirements. A company’s directors and shareholders may be local or foreign. The registration of a branch of a foreign company is possible and some global banks operate in this manner.

Given Uruguay’s taxation system, Uruguayan corporate vehicles are regularly used as a convenient option for international holding structures.

Employment Affairs

Non-nationals may work in Uruguay as long as they have a work contract or sponsor to obtain a work permit.

In 2021, the minimum wage is USD 470 per month (12 monthly payments plus two special payments). The minimum wage and adjustments for each occupational category is negotiated in collective labor agreements.

Annual paid leave is 20 days and is incremented by seniority.

Maternity: Paid leave is 14 weeks. Paternity paid leave is 10 to 13 days. In addition, a special work regime (part-time work) is provided until the child’s sixth month of age.

Employment termination: The employer or the employee may end the employment relationship at any moment and with no manifestation of cause. If the employer terminates the contract and the employee has worked for at least three months, severance pay equals one monthly wage per year or a fraction of each year worked with a cap of six wages. Severance pay does not apply in cases of dismissal by misconduct.

Unemployment insurance operates whenever the relationship is ended or suspended for employees who have worked for six months. The Social Security Office (BPS) extends an economic benefit of a maximum of six months in the case of dismissal or reduced work hours and four months in case of absolute suspension.

Retirement: General retirement law requires 30 years of service and 60 years of age as the minimum for retirement.

Social Security: In 2021, the general employer contribution is 15%, and the employee contribution is 7.5%.

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