Accountants &
business advisers

Doing business in Uruguay

Contents

Important disclaimer

No person, entity or corporation should act or rely upon any matter or information as contained or implied within this publication without first obtaining advice from an appropriately qualified professional person or firm of advisors, and that such advice specifically relates to their particular circumstances.

This publication should not be regarded as offering a complete explanation of the taxation matters that are contained within this publication.

The publishers and the authors are not responsible for the results of any actions taken on the basis of information in this publication, nor for any error in or omission from this publication.

The publishers and the authors expressly disclaim all and any liability and responsibility to any person, entity or corporation who acts or fails to act as a consequence of reliance upon the whole or any part of the contents of this publication.

Presentation

CHIARINO & ASOCIADOS is a firm formed by a human group of high professional capacity in each of their specialization areas that advises both national and international reputed financial entities and companies dealing in industry, commerce, extractive industries and services. The office has more than sixty years working in Uruguay. Throughout these years we have obtained a solid reputation in the market for our excellent level of services, designing specific solutions according to the needs of our clients with a multidisciplinary and comprehensive approach.

His managing partner has an established reputation and a trajectory of more than thirty years rendering professional services both locally and internationally.

CHIARINO & ASOCIADOS is a member firm, since 1993, of the PKF International Limited, network of legally independent firms.

This booklet is designed to provide an overview of the business environment in the República Oriental del Uruguay. It discusses varied considerations involved in establishing a business enterprise in the country.

Velocity of changes and the complexity of our interrelated world mean that consultation with professional advisors is indispensable and, therefore, while every attempt to keep this brochure current and concise will be made in the future, it will never represent a valid alternative to such professional consultation.

The highly skilled and dedicated professionals of the member firms of PKF International network will be very happy to work with you in order to implement your business plans. Whether it is with CHIARINO & ASOCIADOS or with any of our firms located around the world, we are all committed to responsiveness and dedicated to excellence.

Although the greatest possible care has been observed in drawing up this publication, the possibility always exists that certain information has in time become outdated or is no longer correct. Therefore, consultation with a professional advisor remains necessary at all times.

Country overview

Geography and population

Uruguay has long standing traditions of democracy and legal and social stability and a solid financial and legal framework that is attractive to foreign investors looking for business ventures in the region.

Uruguay is situated at the middle east of South America, between the two biggest countries of the region, Argentina to its west and Brazil to its northeast. The country also has a long coast by the Atlantic Ocean, which is its natural east and south-east border.
Uruguay has a land surface area of 176.215 Km2 and wide maritime space covering 125.000 km2 in the Atlantic Ocean and the "Rio de la Plata" river. Uruguay is divided in 19 departments, with a remarked city, Montevideo, as its capital.
Uruguay has a mainly plain territory, with the presence of gentle hills distributed all around its territory with no defined regions. Due to this, eighty seven percent of the territory is suitable for agriculture, forestry and cattle raising. These activities are the most important source of exports of the country.
Whereas regarding mineral exploitation, extractive industry is underdeveloped but there are expectations of new projects for gold and iron mining.
The Rio Negro river runs from east to west dividing the country territory by its middle. Both, this and the Uruguay river are the most important water flows of the country.
Uruguay is set in a privileged climatic region. Its climate is warm and humid, with temperatures ranging between 22 and 32 degrees Celsius in summer (December to February) and between 5 and 15 degrees Celsius in winter (June to August). Rainfall is concentrated mainly in winter months, but regularly rains are observed throughout the whole year.

Uruguay has a population of 3,323,906 inhabitants and 93.7% of them live in urban areas. As a result of a low birth rate and high life expectancy, the country has one of the lowest percentages of young people in Latin America.

There is no indigenous population; most of Uruguayans are European descent (mainly Spanish and Italian).

Official and most used language is Spanish. English is the foreign language most used by the business community.

Literacy rate is high and nearly all population has access to education, health services, potable water, telephony and electricity.

Primary and Secondary education are compulsory and, as well as higher levels of education, free of charge. Uruguayan educational system is divided among Secondary school, Technical schools and Universities, all of them combined with a wide range of private schools at those educational levels.

Recently, an innovative program in IT education has been put into practice, known as the "Plan CEIBAL" (Basic Computer Technology Educational Connectivity for Online Learning) and its main objective is to promote social justice through equal access to information and communication tools for all of society. With this objective, internet-connected laptop computers are given to all school children in State's primary educational system throughout the country in an effort to achieve better education in further generations. Internationally, the project is known as the "One Laptop per Child".

The Uruguayan state does not recognize any religion as official and there are no religious conflicts.
Public safety figures are better than the regional average.

The Uruguayan labor force is well educated and the government has instituted technical training programs to help meet industry's skilled labor requirements.

With regard to environmental issues, Uruguay has high quality standards recognized by Yale and Columbia Universities. Their Environmental Performance Index, created in 2008 ranked Uruguay 36th out of 149 countries.

Some indicators that reflect the quality of life of Uruguayan society are as follows:

- Uruguay has the most progressive income distribution in Latin America.
- Life expectancy: 75 (males: 72, females: 79)
- Qualified labor force: 1 in 3 workers have technical or university training.
- Literacy rate: 98%
- Doctors per 100,000 inhabitants: 365
- Infant mortality per 1,000 births: 14
- Uruguay is tobacco smoke free (6th in the World and 1st in South America).

Advantages of investing in Uruguay

The Uruguayan economy enjoys a clear competitive advantage in producing and processing primary products due to the abundance of natural resources together with a world class transport and telecommunications infrastructure.

Promotion and protection of investments has been a consistent State policy in Uruguay.

Foreign investors receive the same treatment as domestic investors. There is complete financial market freedom and no prior authorization is required to trade foreign currency or to inject or repatriate capital.

Uruguay also offers a low cost business environment, high skill levels and competitive salary costs for qualified professional/executives. The lifestyle, climate and educational opportunities are key attractions. As well, Uruguay is a prime tourism destination, with the best summer resort in South America.

Uruguay's financial deregulatory philosophy has seen the removal of many restrictive controls and transformed the country in a regional financial center, with top international banks participating in our agile and competent banking system.

Uruguay introduced special taxation and financial advantages to encourage local investors or foreign investors as multinational companies to establish regional branches or headquarters in our country.

Investing in Uruguay is a reliable entry point for investors in the exciting Mercosur region, because its strategic location offers easy access to major business and industrial centers in the region. The country's port facilities are strategically located along the Atlantic Ocean and the Paraguay-Paraná fluvial waterway to access both overseas locations and the center of the continent.

Political Environment

A high degree of identification with Democratic system Values and respect of liberties have stimulated business investments in Uruguay.

The Country has a long-standing tradition of recognizing citizen's rights with regard to social security and labor relations

Uruguayan political organization is based on a democratic republican regime, with a national government divided into three independent branches: executive, legislative and judicial.

The Executive branch is administrated by the President, who acts together with the ministerial Council.

Two chambers form Legislative branch, the Senate and the Chamber of Deputies.
Members of both chambers are elected by popular vote.

Justice is administrated by the Supreme Court of Justice. Each branch works separately and independently. Members of the Executive and Legislative are elected every five years, whereas the Judicial Authorities are appointed every ten years by the Legislative Power.

The country is divided politically into 19 provinces called "departamentos", each of them has two powers. The departmental executive branch is administrated by Municipal Mayors, and the legislative branch by Departmental Councils.

Economy

2008 economic indicators of Uruguay are:

- GDP: USD 32,200 million
- Per capita GDP: USD 9,700
- Merchandise exports: USD 6,000 million
- Average annual inflation: 7.9%
- Average annual unemployment: 7.6%
- Fiscal result / GDP: -1.4%
- Net public debt / GDP: 30%

Uruguayan main imports are machinery, transportation equipment, chemical products, fuel and by-products and fertilizers, while its main industries and products are beef, wool, leather, rice, citrus fruits, dairy products, fish, sugarcane, timber and cellulose, textiles, footwear, clothing, chemical products, granite, limestone, and semi-precious stones.

In 2008 the local economy grew at 8.9% in comparison with 2007, which means the sixth consecutive expansion year.
Referring to this, during the first quarter of 2009, IPB has grown at 2.3% in comparison to the same period of the last year. However it fell at 2.9% in comparison with the last quarter of 2008.

Regulatory environment

Uruguayan exporters enjoy the benefits of the General Preference System (S.G.P.) consisting of benefits granted by certain countries (European Community, U.S.A, and Japan, among others), reflected in the decrease in or exemption from duties on certain imported products.

Uruguay is a member of Multi Fibre Arrangement (MFA, also known as the Agreement on Textile and Clothing (ATC)) which guarantees the entry of Uruguayan textiles to the European Community, USA, Canada, and others.

Uruguay is member of the Latin American Integration Association (ALADI) and has signed several agreements which make trade simpler between member countries. The following agreements are of particular importance: the Argentina-Uruguay Agreement of Economic Cooperation (C.A.U.C.E), the Commercial Expansion Protocol (PEC) with Brazil, and the Preferential Trade Agreement with Mexico. All these agreements give a reduction in or exemption from customs duties.

Uruguay is member of the Southern Common Market (MERCOSUR) set up between Argentina, Brazil, Paraguay and Uruguay. Its main objective is to create a common customs area in which duties decrease progressively between the member countries and eventually allow the free circulation of goods and services in the region. At the same time MERCOSUR establishes common external duties for goods coming from other countries. Chile and Bolivia have signed free trade agreements with MERCOSUR, to reduce customs duties on commerce between them and the MERCOSUR countries.

Financial system

The financial intermediation sector in Uruguay consists of 14 commercial banks, 5 lending institutions, 1 financial intermediation cooperative and 4 external financial institutions.

The commercial bank sector is the largest of the system. State-owned banks include Banco de la República Oriental del Uruguay (Oriental Republic Bank of Uruguay - BROU) and Banco Hipotecario del Uruguay (Mortgage Bank of Uruguay - BHU). The latter was recently reincorporated into the market through the concession of mortgage credits after having ceased operations in the 2002 crisis. The private commercial banking sector in Uruguay consists of 12 foreign capital banks.

Deposits and loans are highly dollarized, although the share of dollar-denominated deposits and loans has declined steadily over the last few years.
Uruguay has a reliable financial system with excellent liquidity and solvency ratios and low default levels.
After the regional financial crisis of 2002, deposits have risen steadily.

Currently, non-resident deposits in commercial banks account for 23% of all deposits.

Exchange controls and monetary policy

Uruguay does not apply foreign exchange controls.

The Central Bank of Uruguay (BCU) is a technically, administratively and financially autonomous entity whose primary objectives are:

- Maintenance of price stability to contribute to economic growth and employment objectives.
- Regulation and supervision of operations of payment and financial systems to promote solidity, solvency, efficiency and development.
  Uruguay has stable internal prices with single-digit inflation. To achieve price stability, the Central Bank of Uruguay carries out an inflation goals policy. As an instrument to achieve this goal, the Monetary Policy Committee sets reference interest rates for short-term inter-bank loans.

Prevention of money laundering

Uruguay has adopted measures to prevent money laundering and to fight terrorism, which includes the creation of two specialized offices.
The juridical and regulatory framework in this area satisfies the basic requirements issued by the Groupe d'Action Financiere (GAFI).
Courts have ample faculties to seize and confiscate goods or financial instruments involved in money laundering and similar operations.
Uruguay offers legal protection to anyone reporting suspected operations.
The Central Bank has a specialized unit to request information from the public sector and the banking sector, as well as from casinos and real state sectors.

Fair competition

The Defense of Fair Competition Law is aimed to promote the well being of consumers and users and to stimulate economic effectiveness, freedom and equality of the conditions to access markets. The Ministry of Finance, through the Commission for the promotion and Defense of Competition, ensures compliance.

Currency and common financial instruments

Uruguay's official currency is the Uruguayan Peso.

Regarding international coins, the US dollar as well as the Euro is widely accepted for transactions and payments.

State income comes principally from taxes collected through the Dirección General Impositiva (Tax Bureau). However, surpluses from state-owned companies also contribute to public income. Public spending decisions are made through a budget law that is passed during the first year of each administration and adjustments are made in following years.
Responsible fiscal policy has been the norm where primary surplus goals are sought to be in harmony with public debt sustainability. By law, there is a maximum annual limit for new net government debt.

Registro Unico Tributario

Individuals, companies and other entities that carry on business or other enterprises in Uruguay are required to register, among other institutions, in the Dirección General Impositiva (Tax Bureau) and obtain the Single Registration Tax, so called Registro Unico Tributario (RUT). The RUT is the identifying number for all dealings with the Uruguayan taxation authorities and with other regulatory authorities.

Import and export requirements

Export procedures.

Unlike other countries that require special permits, there are no unusual requirements to export from Uruguay. Procedures are as follows:

1) The exporter, who must have a company registered with the DGI tax bureau (Dirección General Impositiva), the BPS social security administration (Banco de Previsión Social) and the BSE state insurance company (Banco de Seguros del Estado), and the buyer establish the terms of the deal: quantity, price, quality, payment method, shipment method, etc.

2) The services of a customs broker are requested, who is given the proforma invoice or final commercial invoice and the packing list (if applicable).

3) The customs broker completes the electronic Single Customs Document (DUA), sending the information to the National Customs Bureau (DNA).

4) The Customs Bureau validates the DUA and sends a message to the customs broker containing the number assigned to the DUA and the registration date.

5) When the merchandise is at the Customs departure point, the DUA is printed. Export documentation is put into an envelope along with a sworn declaration (signed by the customs broker and the exporter), the proforma or final invoice, a copy of the bill of lading and any other documentation required (e.g., sanitary certificates from INAC, DINARA, etc.)

6) The Customs information system designates the verification channel of the operation, which is randomly assigned: the color red, orange or green

- Red: verification of merchandise and documents
- Orange: verification of documents
- Green: no verification

7) The truck is weighed with merchandise and loading of merchandise is performed at port, airport or border crossing. If a port operated by the National Port Administration is used, corresponding payment must be previously made.

8) Once the merchandise is loaded, the customs broker sends an electronic message to complete the transaction, based on information that will be sent to the Customs Bureau in the third and last electronic message with definitive shipping data (weight, quantity, number of packages, value). Export taxes are then paid to state bank BROU, which officially acts as collection agent.

9) After taxes are paid to BROU, the Customs Bureau completes the export in its SIL information system and checks the documentation against the third message sent by the customs broker.

10) An export refund is then requested from the DGI tax bureau and will go into effect starting in the 12th month following the shipment.

Import procedures

Unlike other countries that require special permits, there are no requirements to import to Uruguay. Procedures are as follows:

1) The importer, who must have a company registered with the DGI tax bureau, the BPS social security administration and the BSE state insurance company, and the seller establish the terms of the deal: quantity, price, quality, payment method, shipment method, etc.

2) Services of a customs broker are requested.

3) The customs broker, with information supplied by the importer, classifies the merchandise in the NCM nomenclature, electronically completes the Single Customs Document (DNA) and sends the information to the Customs Bureau (DNA) along with the tax payment owed.

4) The Customs Bureau reports the payment amount corresponding to the import to the customs broker.

5) After Customs performs a check of the DUA and if the customs broker agrees to the amount to be paid, the DUA is validated and numbered by Customs. Customs then sends a message to state bank BROU containing the corresponding amounts for each tax to collect and the DUA number.

6) Once the customs agent receives the DUA registration number, payment is made (to Customs) at BROU. BROU then communicates the payment to Customs.

7) Through an electronic message, the broker requests the verification channel. Once the merchandise is at Customs area (border, seaport or airport), Customs responds with the assigned channel, which is randomly assigned: the color red, orange or green.
- Red: verification of merchandise and documents
- Orange: verification of documents
- Green: no verification

8) The DUA printed in Customs at the merchandise entry point. The DUA is placed into an envelope with the sworn declaration (signed by the customs broker and the importer), as well

as the commercial invoice, bill of lading, certificate of origin and any specific documentation for the corresponding product.

9) The merchandise is verified and weighed and customs clearance begins. Port fees or corresponding airport fees must be paid previously.

10) The DUA is then considered completed. If the merchandise requires examination, the completed authorization will be granted following the examination.

Business Structure

Types of business enterprise

In general, individuals or legal entities can set up an enterprise in Uruguay without any prior formalities or special authorizations from the government, except in the following cases: a) projects that may affect the environment, b) public concessions, c) insurance and banking activities and d) areas where there is a State monopoly.

The corporation is the most commonly used type of legal entity by foreign investors. However, there are no significant local tax differences between corporations, branches or partnerships.

There are no specific rules establishing percentages for foreign investment participation.

Except for banking, telecommunications, insurance, mining and pension funds there are no regulations of minimum or maximum capital requirements.

There is no minimum number of Uruguayan shareholders or partners, and there are no requirements stating that directors or managers must be Uruguayans.

Repatriation of funds is unrestricted, but the requirements of corporate law 16060 must be fulfilled in order to repatriate earnings or capital.

Foreign investment in Uruguay is treated the same as local investment. It is not necessary for a foreign investor to have a previous authorization to operate or to register the investment in Uruguay.

Uruguayan law gives tax benefits for investment projects (both National and Foreign) that:

- Include technical progress to improve the country's competition conditions.
- Include an increase or diversification of exports, especially those of national products.
- Directly or indirectly increase employment.
- Improve product integration, adding national products to the production chain.
- Increase the activities of small and medium size companies because of technological innovation and creation of employment.
- Contribute to geographical decentralization and to industrial and services activities that use local work and national products.

In order to obtain these tax benefits, the project must be studied by a Commission and approved by the Ministry of Economy.
Moreover, an act for Industrial Promotion, whose purpose is to promote the establishment of industries, gives tax benefits for projects declared of National Interest. Such projects can be presented by national or foreign investors and must be approved by the Ministry of Economy. Those projects must include complete information about the purpose of the project, costs, production process, financial estimations, estimated turnover, etc.

Patents, trademarks and copyrights are established to protect the interests of inventors, manufacturers, writers and others. There are no legal restrictions on operating a franchise in Uruguay.

The main business structures used in Uruguay are:

Corporations (SA)

There are no operational limitations of any kind with respect to industry type. As such, corporations may carry out any type of activity. One of the reasons that corporations are attractive is that the responsibility of investors (shareholders) is limited to the amount of capital they supply
Corporations (Stock Companies) are set up by at least two founders who can be physical persons or legal entities. These founders sign the Bylaws of the company which must be approved by the State Control Entity, filed within National Register of Commerce and published in the official state newspaper and in a private newspaper are necessary steps to establish this type of company. This process takes approximately 45 days. Shelf companies are available for purchase if no specific name is needed. Founders and directors are personally liable for the companies' acts until the creation process is finished. After establishment, the corporation may have only one shareholder holding all capital. The investor can finance the corporation through loans, under conditions similar to those of an independent third party.
There is a minimum capital permitted of which 50 % of it must be subscribed and 25% must be paid-in when the company is founded. Shares can be issued as bearer or nominative as well as ordinary or preferred. All of them must have nominal value and voting rights according to the different classes are established in the bylaws, but each share is entitled to have one vote.

Uruguay distinguishes between “closed” and “open” corporations. “Open” corporations receive subscriptions of capital from public savings, quote their shares in public markets or issue debentures to finance their operations and are subject to stricter control from the State Control Entity than “closed” companies.

Corporations are administrated by a Board of Directors which can be composed by a sole director or an undefined number of them. The Directors can be shareholders of the company or not. There is no limit for the number of directors and they can be Uruguayan or foreign, residents or non-residents. Meetings of the Board can be held within or outside Uruguay.
An Annual Ordinary Meeting of Shareholders must be held in Uruguay to approve the annual balance sheet and elect the Board. In this case Proxies are acceptable to avoid traveling of non residents.
On the other hand, Extraordinary Shareholders' Meetings can be held in Uruguay whenever necessary with no limitation. They are convened to consider matters other than those addressed exclusively by the Ordinary Meeting.
Shareholders may be represented at the meeting by third parties through simple letters of authorization. No notary public certification or consular legalization is required.
Books and records must be kept by all companies. They include the general ledger, inventory ledger, copy letter book, minutes of shareholders meetings and minutes of director meetings.
Corporations are subject to control by the National Internal Audit (AIN) with regard to its establishment, statute reform, dissolution and transformation. For open corporations (shares listed on the exchange or negotiable bonds issued), AIN control undertakes operations. For Free Zone corporations, the AIN is only involved in capital pay in and subscription.

Limited Liability Partnership (SRL)

The Limited Liability Partnership is the type of legal structure normally used by small and medium sized entities in the country.
The Companies' Corporate Agreement is created by at least two partners and not more than fifty and is filed within the National Register of Commerce. An extract of the Corporate Agreement must be published once in the Official newspaper and in a private one. Until the incorporation process is complete, the partners are jointly and severally liable.

The capital is divided into parts that have the same value being each partner owner of a number of social parts. According to this, each partner is only responsible for the capital invested in the company. There is no minimum or maximum authorized capital. Similar to corporations, a meeting must be held to approve the balance sheet of the company every year. However, readymade companies do not exist.

The usual form of partnership is where all partners participate in the management of the partnership business and have limited liability.
Dissolution may be agreed upon death or disability of one of the partners. Transfer of ownership among partners is not limited. Transfers to third parties are subject to the approval of the partners of age, when there are five partners or less.

Branch of a foreign corporation

Companies constituted abroad can perform isolated operations in the country, but to perform business on a regular basis, they must establish a branch in Uruguay. The branch has no operating restrictions but must perform the same kind of activities as the Head Office.
The Head Office, whose net worth cannot be separated from that of the branch, is responsible for the obligations of the Uruguayan branch with no limitations. The branch is a foreign company and therefore is unable to adopt a different type of legal structure.
The branch must keep separate accounting records for Uruguayan operations in Uruguayan peso and in Spanish.

Trusts

The Trust Law in Uruguay is rather new and was approved after 2002 financial crisis as a complementary financial instrument to traditional bank credit.
Trusts have been used in different sectors of Uruguayan economy as dairy, manufacturing, services and infrastructure. As trusts are more flexible than traditional corporate forms of doing business, foreign investors normally use this mechanism so as to provide guarantees to their own investors in the country and to make quick investments.

This instrument is also being employed in equity structuring involving foreign assets due to the advantage of its territorial criteria for profit attribution.

There are three types of Trust that should be taken into consideration

- Investment or Administration Trust

Trustee, manages or invests all or part of the former assets or rights (which can be any kind of good,real estate, bonds, intellectual property, etc.).
It appears that this kind of Trust is most convenient for structures aiming the separation of the property of a person or legal entity in order to protect all or part of it.

- Guaranty Trust

The purpose of this type of Trust is to secure the fulfilment of an obligation. The Settlor is assuming a debt and wishes to guaranty it by transferring the required assets to a Trust and by instructing the Trustee that in case of breach such assets are to be sold for payment to Settlor´s creditors.
It is important to notice that the financial institutions are explicitly authorized to act as Trustee and Beneficiary in this kind of Trust, which allows such institutions to receive assets from its debtors and obtain funds from them in case of Settlor breach.

- Financial Trust

In this case there is a Trustee that issues certificates of participation in the Trust Property or debt certificates secured by the assets transferred to the Trust.
Only financial institutions or investment funds can act as Trustees in this kind of Trust. The liquidation of the Trust by default in payments can be only decided by a meeting of all the certificate holders.
If the certificates to be issued are for public offering, then this Trust can be constituted by unilateral decision acting the Settlor as Trustee.

Partnerships

Partnerships are defined as associations between two or more parties conducting business in common with the objective of sharing profits and losses. Although a written partnership agreement is common practice, it is not required.

Sole Proprietorship

No Bylaws or Agreements are needed when establishing a sole proprietorship. The person who wants to run this type of business form must register within tax and social security authorities, where an I.D. is the only document needed.

Co-operatives

There are different types of Co-operatives. Co-operatives are associations that do not search for benefits and work mainly or preferably with their partners.
Every partner has one vote and benefits are distributed in proportion to partners' operations. Bylaws must be signed by at least 2 partners, the number of partners is unlimited and they must be filed within the National Register of Commerce.

All co-operatives are subject to the supervision of the State Control Entity in order to verify any violation of co-operative's laws. Co-operatives are tax exempt except for social security contributions. This type of business enterprise is divided into:

- Production Co-operatives

Partners associate in order to work together in the production of goods or in the provision of services and the enterprise can sell the goods produced by them. Also included in this type of co-operative are those constituted only to sell the products produced by the partners individually and loans to associates are forbidden

- Consumer Co-operatives

This kind of co-operatives is constituted by people who associate in order to purchase goods for their immediate consumption or for their production activities. In this way the costs of products and services is lowered. Loans to associates are banned.

- Saving and credit co-operatives

With this type of co-operatives, partners can save money and obtain credits at a low rate in comparison with market rates. There are two kinds of co-operatives of this type:

  - Closed co-operatives- They only work with their capital, whose origin is the partners' savings.
  - Open co-operatives- They work as Banks, receiving deposits from partners and lending money. These co-operatives are subject to the Central Bank control.

- House building co-operatives

Partners associate in order to build their own houses.

- Agricultural co-operatives

Partners integrate these co-operatives in order to facilitate production, classification and trading of their products.

Joint Ventures

Both joint ventures and licensing are common in Uruguay and generally involve procedures similar to those practiced in most other countries.

A Joint Venture consists in a association to develop certain project and it is considered by the Uruguayan legislation as a separated legal entity, as a consortium or as a contract form. The joint venture agreement defines each participant's proportion.

Accounting and audit requirements

Since 1991, Uruguay began to apply International Financial Reporting Standards (IFRS).
In 2001, the Financial Statements Registry was created. In 2004, the Executive Branch established the mandatory application of IFRS issued to that date. From July 2007, IFRS issued to that date are mandatory for fiscal years starting in 2009

Accounting in Uruguay follows General Accepted Accounting Principles and International Accounting Standards

Companies are required to keep proper books to reflect their day to day transactions and to disclose with reasonable accuracy their financial position at any time. These books can be prepared from computer sheets and must be certified by the National Register of Commerce within 180 days from closing balance date. If the information does not come from computer sources, the books must be previously certified by the National Register of Commerce.

Accounting books must be kept in the local currency, except for offshore companies whose books can be kept in any foreign currency. Records of resolutions of shareholders meetings and of board of directors as well as attendance at shareholders meetings must be kept in books previously certified by the National Register of Commerce.
Companies can choose any closing balance date, except for banks and exchange companies which must close in December and June respectively. Balance sheets must be filed before Tax Authorities four months after the closing balance date. Inflation adjusted accounts are required for taxation purposes in some cases.

An audit is compulsory for Banks only and for “open” companies, that is companies that have their shares offered in the public market or issue debentures. “Closed” companies must have their balance sheets audited in case their liabilities with the financial sector exceed certain amount and provided they want to get loans in the national bank system. Auditors follow International Accepted Audit Practices.

The main association of the accounting profession is the Accountants and Economists Association which formulates and supervises the maintenance of ethical rules in the profession and also sets forth standards of practice to its associates.

Taxation

Uruguay is one of the few countries in the region that still applies taxes following the source principle: investments located and activities performed outside Uruguayan territory are not subject to taxation, regardless of nationality, domicile or residence of the parties participating in the transactions and the place where the transaction agreement is made. Last major tax reform went to effect July 1st, 2007 and ratifies that principle. The main purpose of the reform was to restructure the taxation of resident individuals.

The tax system is structured on the concept of "residence". Legal entities are deemed to be resident in Uruguay when they are incorporated according to Uruguayan legislation. Individuals are considered residents if they remain more than 183 days in Uruguayan territory during the calendar year or when their basis of activity or their center of vital interest is located in Uruguay (basically when the habitual residence of their family is in Uruguay).

The Legislative Branch passes national tax laws, which are later implemented by the Executive Branch. The tax administrator (DGI) does not have the legal authority to modify tax legislation.

Each of the 19 provinces in the country can establish, collect and control certain taxes through their respective Departmental Councils. The most significant local taxes include the Real Estate Tax, Vehicle Registration Fee and the Food Analysis Tax. However, their incidence on companies is generally non relevant.

Main direct taxes on Companies are Income Tax on Economic Activities (IRAE) and Capital or Net Wealth Tax (IP).

Main indirect taxes on Companies are Value Added Tax (VAT) and Excise tax (IMESI).

There is no taxation on capital contributions or stamp duties. Indirect taxation is the main source of revenues.

Uruguay has signed treaties to prevent double taxation with Germany and Hungary that are currently being renegotiated and also signed treaties with Mexico and Spain that are pending ratification by each country. Additionally, the government announced the negotiation of new agreements with Chile, Portugal and India, among others.

Main taxes on individuals are Individuals Income Tax (IRPF), Non Residents Income Tax (IRNR) and Net Wealth Tax (IP).

Corporate Income Tax (IRAE)

IRAE is an annual tax levied at 25% on business income from local sources obtained by Uruguayan resident entities and permanent establishments of non-resident entities and individuals. Income taxed must be obtained from activities carried out, goods located or rights economically exploited in Uruguay. The definition of permanent establishment follows that of the Organization for Economic Cooperation and Development (OECD).

Income obtained from agriculture, livestock and forestry activities are also under the scope of this tax, but depending on the nature and size, those engaged in this type of activities may elect to be subject to Agricultural Products Sales Tax (IMEBA), which is applied to the sale of certain products in said industry.

To determine net taxable income, duly documented accrued expenses required for the generation of Uruguayan source income are allowed as deductions. To determine the taxable basis in transactions with foreign related parties, transfer pricing rules in lin with OECD guidelines must be applied. Transactions between companies located in Uruguay and companies located in low tax jurisdictions are subject to transfer pricing regulations in all cases.

Individuals Income Tax (IRPF)

IRPF is a direct tax applied to resident individuals with Uruguayan sources of income. The tax is applied under a dual system that distinguishes income derived from capital sources (taxed at proportional rates that range from 3% to 12%) and from labor sources (taxed at progressive rates from 0% to 25%).

Labor income includes earnings from rendering personal services as an employee or as an independent worker and is levied at progressive rates depending on total annual gross income. Deductions are minimal.

Although originally included in the scope or IRPF, Uruguayan source income derived from pensions is subject to a specific tax since July 1st, 2009 with progressive rates that range from 10% to 25%.

Taxpayers must make advance payments during the fiscal year (either by themselves or through withholding by employers).

Non-Residents Income Tax (IRNR)

IRNR is an annual tax applied to Uruguayan sourced income obtained by non-residents (other than those obtained through a permanent establishment in Uruguay). The tax is applied at a general flat rate of 12% on gross income.

Reduced rates or exemptions are applicable to certain types of income, as interest on loans,dividends or profits paid, technical service fees, capital gains upon transfer of Uruguayan bearer titles, etc. In general, the tax is basically collected by way of withholding and IRAE taxpayers are appointed as withholding agents. When no designated withholding agent exists, the non-resident must appoint a representative in Uruguay and pay the tax directly.

Net Wealth Tax (IP)

Net assets located in the country are subject IP at the close of the fiscal year at the rate of 1,5%. Deductibles are limited and include debts with suppliers of goods and services, taxes not yet due and debts with governments, International Credit Agencies and foreign financial institutions.

In order to determine the tax basis, exempt assets as well as assets located abroad are deducted from these liabilities.

IP is also levied on net wealth of individuals at each year end at a progressive scale of rates from 0,7% to 2,5%.It is applied on the amount exceeding the individual non-taxable amount of approximately USD 80,000 (double for married couples).

Value Added Tax (IVA)

IVA is a non-cumulative tax levied at a general rate of 22% on the circulation of goods and the provision of services in Uruguay, imports of goods and the adding of value originating in the construction of buildings. A reduced 10% rate applies to specific goods and services such as medicines, basic food items, natural fruits, etc. In addition, a series of goods and services are exempt from this tax such as foreign currency, real state, agricultural machinery and accessories, milk, books, newspapers, interest on bank deposits, real state rentals, etc.

Exports and agricultural products, under certain conditions, are exempt, whereby the related tax credit is reimbursed.

Uruguayan VAT follows a debit/credit system, by which input VAT may be offset from output VAT.

Excise Tax or Specific Sales Tax (IMESI)

IMESI applies on the first transaction made by producers or importers of certain products in the local market. Exports are not subject to IMESI. Rates vary according to the item (from 10% to 80%) and it is generally set within the parameters established by law.

Goods subject to the highest rates are alcoholic beverages, tobacco, gasoline, fuel, lubricants and other petroleum products.

Tax on real estate transfer (ITP)

ITP applies to the transfer of immovable assets. Transfer is defined on a broad sense, including the sale, cession of the right to use, transfer of inheritance rights, etc. Both parties of the transfer contract are subject to this tax at a rate of 2% each on the property value (generally lower than market price).

When the property is transferred without payment, the beneficiary pays the tax at of 4%, except for direct heirs or legatees who pay a rate 3%.

As seen in the following chart, collection of indirect taxes (IVA and IMESI) accounts for nearly two thirds of the DGI tax bureau's total collections, while the remaining amount corresponds to direct taxes (mainly IRAE and IRPF).

Tax collection composition (2009)	
Indirect taxes	
Value Added Tax (IVA)	**54%**
Excise Tax (IMESI)	**10%**
Direct taxes	
Corporate Income Tax (IRAE)	**14%**
Personal Income Tax (IRPF)	**11%**
Wealth Tax (IP)	**6%**
Agriculture - Livestock Goods Sales Tax (IMEBA)	**1%**
Non-Resident Income Tax (IRNR)	**1%**
Other	**3%**

Source: Ministry of Economy and Finance

Import and export taxes

In Uruguay, there is basic principle of export freedom. There are no taxes or prohibitions (the only exception is a 5% tax on raw wool, live cattle, dried and salted hides, leather and splits, pickled and wet-blue leather, etc.)

The following taxes and tariffs are applicable on goods imported to Uruguay.

Overall tariff rate (TGA)

The TGA is the sum of two taxes: a surcharge (additional and minimum) and IMADUNI (Single Customs Import Tax). The TGA tax is published each year with the Mercosur Common External Tariff (it should be noted that surcharges and IMADUNI tax are negotiable taxes in Mercosur). Payment is made in function of the customs value, except in special cases determined by the Executive Branch where official rates are used.

Consular fees

This fee is applied on the CIF value of imported goods at 2% (current rate). Imports of capital goods for exclusive use in the manufacturing, agriculture-livestock and fishing sectors are exempt from this fee (article 24 of decree 70/002).

Customs and preferential service fee

This fee totals 0.2% of the CIF value of the respective Import Permit, at the exchange rate sell price at the close of the day before it was submitted, with a legal maximum of USD 50.

Extraordinary service fee (TSE)

This fee is applied in function of the fees to be collected in accordance with the value declared on import permits.

Incentives for investors

Investment promotion system

Regulations

The current investment promotion system is outlined in law 16,906, which declares that the promotion and protection of investments made by domestic and foreign investors in Uruguay is an issue of national interest.

This law classifies two groups of tax benefits: those of a general nature for investment and benefits for specific investments.

General investment benefits

Beneficiaries of fiscal benefits include taxpayers of IRAE and agriculture-livestock goods sales tax (Impuesto a la Enajenación de Bienes Agropecuarios or IMEBA in Spanish) that carry out industrial or agriculture-livestock activities.

The investment law establishes the following automatic benefits:

- Exemption from Equity Tax (Impuesto al Patrimonio or IP in Spanish) of moveable goods directly used in production and equipment for electronic data processing.

- Exemption from Value Added Tax (IVA) and the Specific Internal Tax (Impuesto Específico Interno or IMESI in Spanish) for imported goods and return of IVA included in local purchases of moveable goods for production and equipment for electronic data processing.

Additionally, the Executive Branch may exempt IP tax from the following fixed asset goods:

- Fixed improvements for manufacturing and agriculture-livestock activities.

- Intangible goods such as brands, patents, industrial models, privileges, copyrights, goodwill, trade names and concessions granted for prospecting, crops, extraction and exploitation of natural resources.

- Other goods, procedures, inventions or creations that incorporate technological innovation and facilitate technology transfers.

Specific investment benefits

Companies in any activity sector that present an investment project that is in turn promoted by the Executive Branch may access additional benefits. These stimulus measures are included in the new regulations of the investment promotion system (decree 455/007) and the General Operating Criteria defined by the Application Commission (COMAP).

Benefits for companies whose investments are promoted by the Executive Branch are as follows:

Equity Tax (IP)

Moveable fixed asset goods: exemption from IP on fixed asset moveable goods that cannot be exempted under other benefits. The period of the exemption is extended to the entire useful life of these goods.
Civil works projects: exemption from IP on civil works projects for up to eight years if located in Montevideo and up to 10 years if located outside the capital.

Import taxes and fees

Exemption from import taxes and fees for moveable fixed asset goods that cannot be exempted under other benefit systems and that are declared non-competitive to national industry by the Industry Bureau at the Ministry of Industry, Energy and Mining.

Value Added Tax (IVA)

Return of value added tax (IVA) for local acquisition (duly documented) of materials and services used for civil works projects.

Fees and salaries in priority technological development areas.

Calculate the amounts corresponding to salaries and fees for the project's scientific and technological development in priority areas that establish the conditions set by articles 49, 52 and 55 of decree 150/007 for 1.5 times the payment of IRAE with a maximum being equal to the amount of the tax that does not benefit from investment exemptions established in the system.

Economic Activity Profit Tax (IRAE)

Exemption from Economic Activity Profit Tax (IRAE) for an amount and maximum term that will be applied to the objectives and indicators matrix according to the type and size of the project. The term shall be computed starting in the fiscal year where taxable income is obtained (including this year), as long as four periods have not passed since the promotional declaration. In this case, the maximum term will be increased by four years and shall be computed from the fiscal year when the declaration is released.

In accordance with decree 455/007, eligible investments to obtain benefits include the acquisition of the following fixed asset goods:

- Moveable goods directly involved in the company's activity (excluding non- utility vehicles and moveable goods for residences).
- Fixed improvements (excluding those for residences).
- Intangible goods determined by the Executive Branch.

In addition, past investments made in the fiscal year when the project was presented are considered eligible as well as those made in the six month period prior to the presentation of the request.

To determine the IRAE exemption amount, the project must first be classified according to the investment amount in Indexed Units (UI). The classification table is as follows:

Small Projects		Less than 3,5 million UI	Less than USD 350.000
Medium Projects	Range 1	3,5 - 14 million UI	USD 350.000 - 1.400.000
	Range 2	14 - 70 million UI	USD 1.400.000 - 7.000.000
Large Projects	Range 1	70 - 140 million UI	USD 7.000.000 - 14.000.000
	Range 2	140 - 500 million UI	USD 14.000.000 - 50.000.000
	Range 3	500 - 700 million UI	USD 50.000.000 - 70.000.000
Very Large Projects		More than 700 million UI	More than USD 70.000.000

The exemption amount is determined on the tax to be paid, not on taxable income. The exempted tax shall be equivalent to a percentage of the amount invested in fixed or intangible assets included in the promotional declaration, whose maximum amount depends on the investment classification in accordance with the following table:

Projects	IRAE Exempt. (% of invest).
Small	51% - 60%
Medium - T1	Up to 70%
Medium - T2	Up to 80%
Large - T1	Up to 90%
Large - T2	Up to 90%
Large - T3	Up to 100%
Very Large	Up to 100%

In the particular case of IRAE exemptions, the granting of benefits is subject to the score obtained in the objectives and indicators matrix developed by COMAP and based on information supplied by the investor.

In the case of medium, large or very large projects, the indicators included in the matrix are as follows:

- Employment creation
- Decentralization
- Increase in exports
- Increase in national added value
- Use of clean technologies
- Increase in research and development
- Impact of the project on the economy

Each indicator is scored with a value from zero to 10 and a final overall value is then obtained. To calculate the exemption and time period score, the values are in accordance with the project's classification.

Regarding small projects, for the IRAE exemption benefit calculation, only one indicator is reported by the investor among the following:

- Employment creation
- Increase in exports
- Use of clean technologies
- Increase in research, development and innovation

It should be noted that for medium and large projects, the score may be low in some indicators. As such, the exemption amount may be less than 50% of the investment. Under these circumstances and to determine the IRAE exemption amount, the matrix corresponding to the category of the matrix for small projects may be selected, with more demanding criteria if the employment creation indicator is selected.

Procedure to obtain benefits

Four copies of the request must be presented to the Private Sector Support Unit containing all information required by COMAP.

The investment project is sent to COMAP, which determines the ministry and organization that corresponds to the evaluation in accordance with the nature and activity of the project. After the project is evaluated by the corresponding ministry, COMAP establishes recommendations for the case.
The evaluation period from the time the project is received by COMAP varies according to classification. The periods COMAP has to establish rulings are as follows:

- Small projects: 30 work days (may be extended if more information is required).
- Medium-sized projects: 45 work days (may be extended if more information is required).
- Large projects: 60 work days (may be extended if more information is required).

In the case that the time period expires without a ruling by COMAP, it shall be understood that COMAP has recommended that the Executive Branch grant the benefits established for the project.

Once COMAP makes its ruling (or when there is a default approval), the Executive Branch has an undetermined time period to sign the resolution that grants the benefits to the company.

After the investment project receives promotional status, COMAP will monitor the project. The company must present accounting statements with an audit report for all projects and a sworn declaration with information for the analysis of compliance with indicators for benefit application.

Export incentives

Temporary Admission

Supply imports for export industries are included in a system that permits tariff-free importing. With this system, manufacturers can enter, tariff-free, raw materials, supplies, parts and intermediate products used to manufacture products to be later exported. Also covered under this system are products that are consumed in the production process without being incorporated in the finished exported product, as well as containers and packing material.

To operate under this system, prior authorization must be obtained and final products must be exported within a period of 18 months.

Free Port and Port Warehouses

Since the early 19th century, Montevideo has been known as a port city. Its residents have had a strong vocation to port activities and have built an infrastructure to make the port a distribution center for the country and the region.

Port law number 16,246 (May 1992) and its later regulations have enabled Montevideo to become South America's first Atlantic coast terminal to operate under the Free Port system. This system is also applied to the Fray Bentos, Nueva Palmira, Colonia, Sauce and La Paloma commercial ports.

The Free Port system offers the free circulation of merchandise in ports and port terminals throughout the country without the need for authorizations or formal paperwork. During its stay in the customs port area, merchandise is exempt from all import taxes and fees.

To receive these benefits, activities that are performed in the ports must be warehousing, repackaging, re-labeling, classification, grouping, ungrouping, consolidation, manipulation or fractioning (that does not modify the nature of the merchandise). In addition, there are no limits for the length of stay of merchandise in the port, nor for the volume of stored goods. The destination of merchandise that enters the ports may be changed freely. In no case is merchandise subject to restrictions, limitations, permits or prior reports.

In addition to the aforementioned customs benefits, goods may circulate and services may be rendered to them in the customs area free of value added tax (IVA). Likewise, merchandise stored in the free port system is not included in the IP equity tax calculation.

In addition to port areas, the law has authorized the creation of "extra-port terminals." These terminals offer increased space and more agile foreign trade operations.

The Free Port system is one of the pillars Uruguay features as a logistics platform in Mercosur and as a distribution center for in-transit merchandise.

Free Zones

Free Zone promotion and development aiming at fomenting investment, exports, employment and international economic integration have been declared by law to be of national interest.

Free Zones may be government-run or private. In both cases, they must be authorized and monitored by the Free Zone Area at the General Trade Bureau of the Ministry of Economy. Currently, Free Zones exist in the cities of Colonia, Nueva Palmira, Montevideo, Florida, Rivera, Río Negro, Nueva Helvecia and Libertad.

Free Zones are ideal for the following activities:

- Sales, storage, preparation, classification, fractioning, mixing, assembly and disassembly of merchandise or raw materials of international or domestic origin.
- Installation and operation of factories.
- Rendering of all types of services, both within the Free Zone as well as to other countries.

From a customs standpoint, goods entered into Free Zones from the national territory are considered exports, and the departure of goods from Free Zones abroad is completely tax free.

The introduction of goods from a Free Zone to non-free zone national territory is considered importing and is subject to corresponding tariffs. Meanwhile, merchandise from Uruguayan Free Zones that enters Mercosur member countries are subject to the common external tariff that is in effect for goods from countries outside Mercosur.

It should also be noted that the State's commercial and industrial monopolies are not in effect in Free Zones.

Export Financing

This system, regulated by articles 19 through 34 of the Central Bank of Uruguay's Compilation of Operations Regulations, includes the possibility of pre-financing (acquisition or production of merchandise for traditional or non-traditional export) and post-financing (placement of merchandise abroad until collection time) of export goods through an automatic system.

All exports are eligible, with the exception of certain agriculture-livestock raw materials, including raw wool, live cattle, dried and salted leather, wet-blue, etc.

To establish financing, the exporter must work through a commercial bank, requesting financing in U.S. dollars for the export from the Central Bank of Uruguay, who automatically authorizes the request. At the same time, the exporter must make a deposit in the Central Bank, which debits 30% or 10% of the financing (at the option of the exporter) from the checking account of the exporter.

The financing term cannot exceed 180, 270 or 360 days (at the option of the exporter) and interest paid by the Central Bank will be established on the total amount of financing. The interest rate is determined based on a fixed component depending on the term and the percentage debited from the exporter's account, plus a variable component determined by the six-month LIBOR rate at the close of the last day of the month prior to the financing date.

Financing may be cancelled under one of the following situations:

- Within 30 calendar days of having received the money from the export operation. The deposit made at the Central Bank is returned (10% or 30%), plus accumulated interest on the total amount of financing.

- At the maturity of the term selected by the exporter, in the case the funds from the export have not been received. The deposit made at the Central Bank is returned (10% or 30%), plus accumulated interest on the total amount of financing.

Tax Returns

There is a tax return system in place where the exporter can recover internal taxes that make up part of the cost of the exported product. The amount to be returned is determined by the Executive Branch and is normally a percentage of the amount exported.

Protection of intellectual and industrial property

The protection of copyrights, trademarks, patents and utility models is specifically legislated. Marking is not compulsory, but is advisable.

Copyrights

The law Nº 9.739 of copyright and connected rights dated 1937 remains in force, except where the new law Nº 17.616 dated January 2003 establishes clauses to locate Uruguay into line with the provisions of TRIPS and the Berne Convention. Uruguay has ratified and has been member of the Berne Convention since 1979.

Copyright protection in Uruguay applies to original works of art in the literary, scientific and artistic fields for a prescribed period. Within this period the author or the copyright holder has certain exclusive rights to the copyrighted material, which is protected against unauthorized use or infringement.

In order to exercise the protected rights, registration of both Uruguayan and foreign work is mandatory.

The authors of signatory countries of the Berne Convention publishing their work in Uruguay enjoy the same rights granted to the local authors.

These rules are applicable to software and to creative works in the areas of electronics and information systems sourced from foreign countries.

Trademarks

Trademarks Act defines a trademark as names of objects or persons and words or symbols of any description. Registration with the National Industry Property Bureau (DNPI) is necessary to acquire the exclusive right to a trademark and affords the registrant protection for a ten-year period, with subsequent ten-year extensions that are renewable indefinitely. The use of trademarks may be assigned to third parties by a private contract or notarized deed, but it is always advisable to register the transfer with DNPI in order to obtain protection against infringement. The use of trademarks may also be assigned through a license contract

which cannot be registered within the DNPI. Unless otherwise agreed, it is understood that the transfer or sale of a business includes its trademarks.
According to evolution of business, new categories of trademarks (besides traditional ones) are specifically recognized, such as slogans, non-visual signs, collective trademarks, certification trademarks, denominations of origin, three dimensional designs, secondary meaning, etc. Multi-class applications are possible.

Patents

Uruguayan law foresees a wide range of measures to patent owners, including the possibility of obtaining ex-parte injunctions to prohibit use or embargo infringing goods, pending trial, judicial inspections, the right to claim damages and permanent injunctions prohibiting use. Our legislation also foresees criminal sanctions.
Industrial patents are defined as the group of institutes that protect the rights stemming from inventions, creation of useful models and creation of industrial designs and models. Industrial patents granted in Uruguay give holders the exclusive right of use for a period of 15 years. After that period, the patent becomes public domain. Once patented, models of use (also called minor innovations) and industrial models or designs (visible form that incorporated to a product of use gives a different aspect or appearance) afford their owners the exclusive right of use for a period of five years renewable for an equal term only once. Aspects which would not constitute a utility model patent are changes in size, shape, proportions or materials, mere substitution of elements, processes and matter excluded from protection by patent of invention. In order for rights of exclusive use to be enforceable on third parties, the inventions, models of use and industrial models or designs must be registered with the DNPI.
The Paris convention for the protection of industrial property ratified by Uruguay grants the persons belonging to the signatory countries a priority right on an invention, model of use or industrial model registered in one of those countries with respect to applications filed in Uruguay by other persons for the use of the same invention, model of use or industrial model.

Social security and labor regulations

The Ministry of Labor ensures that employers meet labor laws and regulations and provides technical assistance to employers and employees to ensure corresponding rights.

It is possible to establish temporary contracts for three months. Employee affiliation to unions is voluntary. Salary Boards with delegates of the government, the workers and the companies are organized since 2005 and set minimum wages for each industry and also seek to establish mandatory wage adjustments for each sector.

Labor related accidents and professional sickness of workers are covered under a mandatory system that is administrated by the state insurance company.

Affiliation to the social security system is mandatory except for foreign workers rendering services in the Free Zones.

The social security administration (BPS) is the public agency responsible for the social security system and collects all contributions from companies and their employees. BPS maintains an up to date record on the employment history of each worker.

The social security system provides the following benefits: pensions, unemployment subsidy, sickness subsidy and maternity subsidy.

The pension system, reformed in 1996, covers disability, old age and retirement.

The social security system currently allows for retirement at age 60 for both men and women.

Workers who become disabled on the job receive a monthly payment equivalent to 70% of their wages plus free medicine and medical care, moreover the government provides six month of unemployment benefits.

BPS rendered a great number of bilateral and multilateral international covenants or agreements on social security, seeking the protection of migrant workers - domestic or foreign - that have developed their business in more than one State. Those agreements are aimed to provide access to Social Security benefits in case that the short time of service, contribution or residence in each state computed separately would enable to obtain social security benefits.
In particular and without prejudice to other benefits, they face the risks related to old age, disability and survivor looking to the member, family and dependents

Under the Conventions and on the basis of the principle of equal treatment between nationals and foreign citizens, total years worked in two or more States can be considered as fulfilled all activity within a country for the purpose of acquiring rights to social security benefits.
Each State assumes the amount of benefit, depending on the time computed in each of them, avoiding economic and financial imbalances.

The Multilateral Agreement on MERCOSUR Social Security lets the free movement of workers between Member Countries, through the mechanism of temporary transportation.

Other international instruments are currently under negotiation and approval.

Contributions and benefits

Monthly employers must pay contributions and must withhold and pay employee contributions, which are applied on all remunerations paid to workers. Wages are defined as all economic compensation received by the worker pursuant to the labor contract.
There are no legal regulations or restrictions to establish employee profit sharing systems, but (except for management positions) is not commonly used.

Nowadays contribution rates are as follows:

	Employer contributions
Social security contributions	7,5% cash benefits
Health Insurance	5%
Labor restructuring	0,125%

	Employee contributions
Social security contributions	15%
Health Insurance	3%, 4.5% or 6%
Labor restructuring	0,125%

Workers have the right to an annual remunerated vacation, basically 20 consecutive days and, apart from their normal payment during the vacation period, a supplement known as "vacation bonus".

Year-end bonus (also called 13th salary) is payable to all workers, first half in June and the other in December.

Foreign workers

In order to work in Uruguay, foreigners must apply for residency, first temporary and later permanent.
Residency is granted without major requirements: proof of good character in the country of previous residence, a certificate of good health and a certificate of means of subsistence.
The activities with restrictions for foreign workers are:

- Fishing: the captain and at least 50% of crew must be Uruguayan.
- Uruguayan airlines: the crew must be Uruguayan and at least 75% of employees must be Uruguayan citizens.
- Free Zones: 75% of employees must be Uruguayan citizens in order to obtain benefits.

Hints for the business visitor

Types of business enterprise

Visitor visas

Visiting business persons do not require any documentation other than a valid passport. Nationals of Argentina, Brazil, Chile and Paraguay require only their identity card.

Currency

The unit of local currency is the Uruguayan peso. The “$” sign is the official symbol for the currency within Uruguay.
The exchange rate as at December 2009 was $ 20.- per US dollar.

Legal holidays

Public holidays for which the employees are entitled to full pay are:
1 January
1 May
18 July
25 August
25 December
There are also official holidays that paid only if worked:
Carnival (two days on February or March), Easter week (two days in March or April), 6 January, 19 April, 18 May, 19 June, 12 October and 2 November.

Weights and measures

Weights and measures are based on the metric system.

Tips

Tips are usually not included in the price of services. Customary tips are 10% for restaurant meals and taxi fares.

Taxis

The fare from the international airport downtown Montevideo is about U$S 30.-

Foreword

CHIARINO & ASOCIADOS is a member firm of the PKF International Limited network of legally independent firms and does not accept any responsibility or liability for the actions or Inactions on the part of any other individual member firm or firms.

DISCLAIMER. No person, entity or corporation should act or rely upon any matter or information as contained or implied within this publication without first obtaining advice from an appropriately qualified professional person or firm of advisors, and that such advice specifically relates to their particular circumstances. This publication should not be regarded as offering a complete explanation of the taxation matters that are contained within this publication.

The publishers and the authors expressly disclaim all and any liability and responsibility to any person, entity or corporation who acts or fails to act as a consequence of any reliance upon the whole or any part of the contents of this publication.