



**TAXES IN  
IMPUESTOS EN AMERICA**

**2021**

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# Uruguay

-  **Capital city:**  
Montevideo
-  **Aera:**  
176,220 km<sup>2</sup>
-  **Population:**  
3,461,730
-  **Language:**  
Spanish
-  **Political system:**  
Presidential republic
-  **GDP/capita 2019:**  
USD 16,190
-  **Currency:**  
Perugyan Peso (UYU)
-  **ISO Code:**  
URY
-  **Telephone code:**  
+598
-  **National day:**  
25 August





## 1. Taxes

The Uruguayan Law establishes that "Tribute is the pecuniary benefit that the State demands, in exercise of its power of empire with the purpose of obtaining resources for the fulfillment of its purposes" and divides them into: Taxes, Fees and Contributions (here are included Special Contributions to Social Security - social charges).

On the other hand, the Customs Code regulates everything related to customs tariffs, import and export of goods and services.

Only the Parliament, by means of a Law, has the power to suggest and impose national taxes.

### 1.1 National Taxes

The main National Taxes that are in force are the following:

- Income Tax on Economic Activities;
- Income Tax for Individuals;
- Tax on Non-Resident Income;
- Heritage Tax;
- Internal Specific Tax;
- Value Added Tax;
- Tax on the Alienation of Agricultural Goods;
- Single tax.

### 1.2 Departmental Taxes

The Uruguayan constitution gave the Departmental Governments (19 municipalities in total) the power to collect only a few taxes.

Each Departmental Board has the power to create taxes and contributions to cover its expenses and the main ones are:

- Real Estate Contribution;
- Rolling Patent;
- Bromatological Rate;
- Lighting and/or sanitation rate.

The main characteristics of the National Taxes are described below

## 2. Income tax for economic activities

### 2.1 Income Comprised

- Business income;
- Assimilated to business income due to the usual alienation of real estate;
- Included in the Income of Individuals who choose or are bound by this tax.

### 2.2 Object

The industrial, commercial and service activities carried out by companies are included in the tax-generating event. Companies are understood as any productive unit that combines capital and labor to produce an economic result. This definition constitutes a first basic inclusion within the scope of the tax.

### 2.3 Source

The Uruguayan tax system has generally adopted the criterion of territoriality and, consequently, only Uruguayan source income is taxed, regardless of the nationality, domicile or residence of the taxpayer or the jurisdiction where the contract related to said incomes was carried out.

### 2.4 Passive Subject

We can distinguish three types of passive subjects:

- Those that are based on their legal nature, among which we highlight: Commercial companies, permanent establishments of non-resident entities, investment funds, trusts, some state entities and economic interest groups.
- Individuals, de facto companies or civil companies, when they carry out business activities, that is, when they are business owners.
- The holders of activities such as farming or the provision of personal services, when by exercise of the option or because they have exceeded a certain economic size, they are included as part of the tax.

## 2.5 Rate

The tax rate is 25% and is applied to the net tax income. The net tax income is determined based on the economic result, which is verified in books and adjusted with mandatory inclusions and deductions allowed by tax regulations.

Likewise, if companies distribute profits to their shareholders, they must pay an additional 7% to the amount they already paid 25%. Assuming that the entire remaining 75% is distributed after the payment of the IRAE, the effective rate will be 30.25% (25% + 7% s / 75% remaining).

On the other hand, some taxpayers in attention to their turn, legal nature and their small economic dimension, can use fictional regimes to determine their tax income. To do this, they must apply a percentage of 13.2%, 36%, 48% 60 or 72% on their gross sales, according to the turnover levels achieved in the fiscal year, which represents an effective invoicing rate of 3.3%, 9%, 12%, 15% and 18% respectively.

## 2.6 Fiscal Year, Advances, Payments and Computing of Payment on Account

### Fiscal Year

The tax on the income from economic activities is settled and paid by annual fiscal year and according to the accounting closing date of the companies.

### Advances

Advances must be made on account of the tax, based on the tax determined for the last fiscal year.

### Payments

The balance of the tax must be paid within four months after the close of the accounting year and the monthly advances from the month following the payment.

# 3. Tax to the incomes of individuals

## 3.1 Income Included

The law sanctions two categories of income reached in terms of the productive factor that generates them, namely: capital and labor. Remember that the derivatives of the joint use of both factors is taxable subject of the IRAE, so it will not constitute taxable income in the IRPF.

Each category of taxable income recognizes two sub-species: within the income derived from the capital productive factor we will have the "capital yields" and the "capital increases" and the income derived from the labor factor include the income obtained inside and outside of dependence relation.

### Capital Income

"Capital yields" are basically defined as income in cash or in kind that comes directly or indirectly from assets, assets or rights whose ownership corresponds to the taxpayer. Capital yields are further subdivided into real estate and property yields.

The "capital increases" are those caused by alienation, promise of alienation, transfer of promise of transfer, transfer of hereditary or possessory rights and by the declaration of acquisitive prescription of tangible and intangible assets.

### Work Income

The incomes obtained in relation of dependence are constituted by the income, regular or extraordinary, in money or in kind, generated by the taxpayers for their personal activity developed in the framework of a "work contract". This relationship is governed by Labor Act and, with some exceptions, the income obtained from the tax in this chapter is also taxable subject of the Special Social Security Contributions.

The income from work outside the dependency relationship, are those obtained by professionals, qualified, experts or independent workers, as compensation for the personal services that these individuals provide in the exercise of their profession, specialty or trade.

## 3.2 Passive Subject

The passive subjects are the resident individuals (individual and/or in some cases the family nuclei). In this way, the income tax could be settled according to the family income.

To configure the residence, the law basically adopts the causes of the "OECD" model. Remember also that in general, the different types of companies were prescriptively included in the IRAE for which they lack "passive subjection" in relation to this tax.

### 3.3 Rate

For capital income, the rates range from 7%, applicable to interest obtained from bank deposits and those from bonds and other debt securities of resident entities, up to 12%, applicable to the great majority of income from debt of this kind. Special mention should be made to the 7% rate, applicable to dividends and profits distributed by commercial companies. This rate should be considered complementary to the taxation of corporate income (IRAE, from its initials in Spanish) since it only operates in income distributions that have actually been taxed by the IRAE. Consequently, if a certain company obtains income from a foreign source or obtains exonerations within the framework of the current provisions (e.g., obtaining the declaration of national interest of a specific industrial project), the income obtained is exempt from IRAE, they will also be (and in the same proportion) exempt from IRPF at the time of distribution. It is also worth mentioning that the dividends obtained by commercial companies, due to their participation in the capital of others, are not subject to any taxation by virtue of a specific exoneration from the IRAE, which constitutes a promotion to the formation of the "Investment Corporations" or "Group Companies".

For labor income, a progressive scale has been established, which from a non-taxable minimum of approximately USD 1,000 per month, is applied on strips in ascending order, from a minimum of 10% to a maximum of 25% applicable to the upper sections.

Finally, it should be noted that the holders of capital income and those who obtain income derived from the work factor outside the dependency relationship, may choose to pay IRAE instead of the IRPF that corresponds to them in the first place.

### 3.4 Fiscal Year, Advances, Payments and Counting of Payment on Account

#### Fiscal Year

The Income Tax of Individuals is settled and paid by annual fiscal year with closing at 12/31 of each year.



## Advances

Advances must be made on account of the tax, according to the income obtained in each month of the calendar year.

# 4. Income tax for non-residents

## 4.1 Income Included

For the definition of the generating event, the law refers to personal income tax in relation to capital income and labor income outside the dependency relationship, always related to individuals or legal entities not resident in the country. Additionally, business income is included. However, it is important to stop for a moment regarding this last category, in the figure of "non-resident" acting in Uruguay with a greater or lesser degree of permanence.

If the business income is generated at the head of a non-resident entity, which has configured some of the causes of "permanent establishment", then said entity will tax IRAE and not IRNR. To be included in the IRNR, the business activity must be sporadic or of short duration.

## 4.2 Subject Passive

The IRNR taxpayers are individuals and non-resident entities. Any legal entity that has been established abroad is considered non-resident, without prejudice to the concept of "permanent establishment" to which we refer when defining the event generating the tax.

The criterion for establishing the residence or non-residence of individuals corresponds to the one defined for the IRPF, in such a way that any Uruguayan or foreign individual who obtains income from a Uruguayan source must be included in the passive subjection of one of the two taxes in response to similar settlement concepts.

## 4.3 Rate

The applicable rate scale corresponds to those established for income tax in the category of capital income. Consequently, it applies from a minimum of 3% for certain types of interest, to a maximum of 12% for almost all other income. For the distribution of dividends and profits, the referred 7% also applies.

It is worth adding that the income obtained by resident entities, domiciled, constituted or located in countries or jurisdictions with low or no taxation, except dividends or profits paid or credited by taxpayers of the IRAE, will be taxed at the 25% rate.

## 5. Tax on heritage

### 5.1 Generator fact

IP taxes the wealth of natural or legal persons and its conceptual determination corresponds to the definition of Civil Law, that is: the set of assets, rights and obligations of a given subject at a given moment. We can thus speak of an asset and a liability included in the patrimonial concept.

The assets included will consist of assets and rights located, placed or used in the Republic, so it is concluded that there is no taxation for wealth located outside the territorial limits of the country. On the other hand, the liability as the set of obligations of the subject, to be computable and deductible, is subject to the verification of a severe requisition, for which the doctrine has referred to the existence of a true imposition to the "assets" "More than a tax on wealth, understood as net worth.

In return, it is necessary to mention the existence of a long list of tax-deductible goods, among which we highlight some assets affected to agricultural holdings, industrial machinery, bank deposits in certain situations, assets affected to projects declared of national interest, etc.

Two different regulations applicable to the different types of taxpayers apply to the determination of the taxed assets. Individuals, family nuclei and undivided estates, value their (non-monetary) assets in general, using values established by state agencies, such as cadastral (real estate) or municipal (vehicles) and even percentage (chattels of the house room).

On the other hand, companies and commercial companies, set their assets in accordance with accounting standards of mandatory application. Once the Net Equity is determined in the general balance sheet of the company, it is adjusted according to the valuation criteria that apply to the IRAE, not always coinciding with the accounting criteria applied.

The moment of occurrence of the generating event is for companies and commercial companies, the closing date of their annual fiscal year and monthly advances must be made on account of the tax, based on the tax determined in the

last fiscal year.

In the case of individuals and other taxable persons, the closing date is 31/12 of each year and 3 advances are made during the year (September, October and December) on account of the tax, based on the tax determined in the last fiscal year.

## 5.2 Passive Subjects

There are several types of passive subjects as we have already anticipated:

- Individuals, family nuclei and undivided estates. The family nucleus is constituted by the spouses living together. Undivided estates have a fiscal life that goes from the death of the deceased to the declaration of heirs.
- Companies and/or commercial companies
- Permanent establishments of non-resident entities
- Passive subjects of the IRNR. The non-resident individual is included in the first section so it refers to the other non-resident entities.

## 5.3 Rate

Companies are taxed at a rate of 1.5%. Banks, financial houses and credit administrators do so at 2.8% and bearer securities at 3.5%.

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Individuals, family nuclei and undivided estates apply a progressive scale of rates ranging from 0.7% to 3%, by ranges and from exceeding a non-taxable minimum.

# 6. Internal specific tax

The Internal Specific Tax (IMESI) taxes the first sale in any capacity (onerous or free) and the importation of alcoholic beverages and some alcoholic drinks such as natural fruit juices, and sodas and mineral waters, potable alcohols, cigars, cigarettes and tobacco, automobiles and other automotive, auto parts, greases and lubricants for vehicular use, fuels such as naphtha and gas oil.

Perfumes and perfumery in general are also taxed, including the artificial articles that applied to the human body for beautification purposes. Shavers, toiletries, etc.

The purpose of this tax is to discourage the consumption of some goods (alcohol, cigarettes, etc.) and/or to tax goods that at the time were considered to be sumptuous or irrelevant (automobiles) but which currently represent a good financial resource of the Treasury. he does not want to see his current collection diminished.

## 7. Tax on added value

This imposition recognizes in Uruguay a universally accepted definition as the greatest value that in each stage of the economic circuit is added to the goods that circulate and the services provided in the economy. The settlement operates in the form of financial basis and tax against tax.

### 7.1 Fact Generator

Since the beginning of its application in 1972, the VAT recognizes three generating facts:

- The internal circulation of goods;
- The introduction of goods to the country;
- The provision of services;
- The aggregation of value in the construction on real estate.

The second concept refers to what we know as imports, understanding as such the introduction of goods within the customs borders. In other words, for tax purposes, the dispatch of goods coming not only from abroad, but also from free zones to Non-free national territory is also considered an import and therefore a “generating event” of the tax. Conversely, the introduction from non-free national territory to the free zone is considered an export operation.

The services are defined as any provision for consideration, which without constituting an alienation, provides the other party with an advantage or benefit that constitutes the cause of the consideration.

Finally, the tax reform referred to, added a fourth minor generator event that is defined as the "added value in the construction of real estate". This is an inclusion with only control purposes on the possible evasion that would be generated in the activity of construction of real estate by individuals.

## 7.2 Passive Subjects

The quality of VAT taxpayer becomes the inclusion of the person or entity in one of these two framework activities:

- Activities included or reached by the Income Tax of the Economic Activities that we will see next.
- Provision of personal services outside the dependency relationship.

In general, we can mention within the first section, the business activity, whether developed by companies or in a personal way. Within the second item highlights the professional activity exercised liberally, in addition to a series of services (non-professional) provided by experts or qualified, independent workers etc.

## 7.3 Fees

Tax rates were established as follows: A maximum of 22% and a minimum of 10%.

The minimum is generally applied to goods in the basic goods (food, hygiene, medicines, passenger transport, health services). In addition to this first major inclusion, it is worth noting the first sale of real estate by construction companies, which also from the reform is reached by the minimum rate.

The maximum rate comprises the services and the rest of the goods not exonerated or reached by the minimum rate.

Within a wide range of exemptions, we highlight land, leases of real estate, agricultural products in their natural state (VAT on hold), hotels lent to foreign tourists (assimilated to export), advice provided to beneficiaries abroad (assimilated to export), cultural activities etc.

# 8. Tax to the alienation of agricultural property

The Tax on the Alienation of Agricultural Goods (IMEBA) taxes the first sale in any capacity, made by agricultural producers, to those who are included in the IRAE, to Municipal Administrations and to State Organizations, of the following goods:

- Ovine and bovine wool and leather;
- Cattle and sheep;
- Swine;

- Cereals and oilseeds;
- Milk;
- Products derived from poultry farming;
- Products derived from beekeeping;
- Products derived from rabbit farming;
- Flowers and Seeds;
- Horticultural and fruit products;
- Citrus products;
- Products derived from ranching, heliciculture, rhea farming, breeding otters and the like.

As a result, the sale between producers is exonerated.

Tax rates are lower, they are retained by the companies that buy their production and do not represent a higher cost for them. The purpose of the tax is basically a controller of national production.

## 9. Single levy

Single levy is a tribute that will tax business activities of small economic dimension, and will be applied in substitution of the special social security contributions and of all the national taxes, with the exception of those that tax the importation.

This tax was created to regularize a huge amount of activities that were carried out outside the regulatory framework and social security and that their individual volume is of a reduced value (street artisans, fair people, street car keepers, small shops, tourist guides, animal walkers, etc.).

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