



Uruguay XXI

INVESTMENT AND EXPORT
PROMOTION AGENCY

Investment promotional schemes

Investor Guide

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Introduction

Investment in Uruguay, both national and foreign, is declared of national interest by law. Foreign investors are granted the same incentives as local investors and there is no tax discrimination or restrictions for transferring profits abroad.

Corporate income tax (IRAE) in Uruguay is 25%. The Tax Reform Law expanded the framework of automatic investment exemptions, granting IRAE exemptions of up to 40% according to the type of investment. Furthermore, there are several exempt income and expenditure calculated for one and a half of its actual amount. These include, but are not limited to, training personnel in priority areas, improving working conditions and environment, research projects and scientific and technological development, technicians' fees for assistance in priority areas or certification under international quality standards.

Apart from the automatic income tax exemption, Uruguay has a wide range of incentives which adjust to different types of activities, from industrial to commercial and service activities intended to be performed in the country. Schemes provided for by the Investment Law, free zones, free port and free airport schemes, public-private partnership agreements, industrial parks and temporary admission are some of the main incentive schemes available in the country. Furthermore, in Uruguay several sectors enjoy specific incentive schemes including, but not limited to, external financial intermediation, afforestation, graphic industry, maritime and air navigation, software, vehicles or auto parts, biofuels, communication and housing industry.

1. Investment Promotion Law

The investment promotion system is provided for by Law No. 16,906, whereby the promotion and protection of investments made by national and foreign investors in the national territory are declared of national interest. The Law is regulated by Decree No. 455/007 and Decree No. 002/012.

This law makes a distinction between two groups of tax incentives: general investment incentives and specific investment incentives.

General investment incentives

The beneficiaries of these tax incentives are taxpayers of Corporate Income Tax (IRAE) and the Agriculture - Livestock Goods Sales Tax (IMEBA), who carry out industrial or agricultural activities.

The Law on Investments provides for the granting of the following automatic benefits:

- Exemption of Wealth Tax (IP) regarding personal property directly intended for any productive cycle and equipment for electronic data processing.
- Exemption of Value Added Tax (VAT) and exemption of Excise Tax (IMESI), corresponding to imports and refund of VAT included in purchases of goods intended for any productive cycle and equipment for electronic data processing.

Additionally, the Executive Branch has the power to grant exemption from IP to the following fixed assets:

- Fixed improvements to industrial and agricultural activities.
- Intangible assets such as trademarks, patents, industrial models, privileges, copyrights, goodwill, trade names and concessions granted for exploration, crops, extraction or exploitation of natural resources.
- Other goods, procedures, inventions or creations which introduce technological innovation and involve the transference of technology.

Specific investment incentives

Companies operating in any sector of activity that produce an investment project which is further promoted by the Executive Branch will be eligible for additional benefits. Benefits available for the companies whose investments are promoted by the Executive Branch are:

Wealth Tax (IP)	Import duties or taxes	Value Added Tax (VAT)
<ul style="list-style-type: none">» Personal property included in fixed assets: exemption throughout the useful life of this property, provided they are not eligible for other benefits.» Civil Works: Up to 8-year exemption if the project is located in Montevideo and up to 10-year exemption if the project is inland.	<ul style="list-style-type: none">» Exemption of import duties or taxes, including VAT, for personal property included in fixed assets which are not eligible for other benefits, declared not competitive in the national industry.	<ul style="list-style-type: none">» VAT refund for exporters who acquire materials and services intended for civil works in the market (this shall be duly documented).

Corporate Income Tax (IRAE)

Exemption:

- » Tax exemption can reach 100% of the amount actually invested in the assets detailed in the project. This amount cannot exceed 60% of the tax payable in each period included in the promotional declaration.
- » The term for which the company will benefit from IRAE exemption is fixed according to a predefined formula and it may not be less than 3 years.

Eligible investment:

- » Personal property directly intended for the company's activity (excluding non-utility vehicles and personal property for housing purposes).
- » Fixed improvements (excluding those for housing purposes).
- » Intangible goods as determined by the Executive Branch. This includes investments made by the owners of wind energy generation projects destined for the National Interconnected System.
- » Seedlings and planting costs of pluri-annual trees and bushes, provided they are incurred in during the first year of the investment schedule. COMAP will define the investment ceilings per hectare and according to the relevant conditions.
- » Investments made six months prior to the date of submission of the application are deemed eligible.

In the particular case of IRAE exemption, the granting of this benefit is subject to the score obtained in the matrix of objectives and indicators created by COMAP, based on the information provided by the investor. Indicators included in the matrix of these projects and their weighting ratios are as follows:

Job generation: **30%**

Decentralization: **15%**

Increase in exports: **15%**

Cleaner production or investment in Research & Development: **20%**

Sectorial indicator: **20%**

Each indicator is calculated as a whole number ranging from 0 to 10 and the final score yielded by the matrix is the weighed sum of each of the indicators.

According to the calculation formula, the final exemption may not be less than 20% of the invested amount.

In the case of investments of major economic significance equal to or in excess of 7 billion indexed units, Decree No. 477/08 provides for the possibility of submitting to the Executive Branch an application to obtain tax benefits greater than those established by Decree No. 002/012. For the purposes thereof, the interested party must submit a written application to the Presidency of the Republic Secretary's Office, who will analyze the investment project jointly with the related Ministries and will draft an Investment Agreement Project to be considered by the Executive Branch.

Benefit application procedure

The application is submitted to the Ministry of Economy and Finance (MEF) Private Sector Support Unit (UNASEP). The investment project is sent to the Commission for the Enforcement of the Investment Law (COMAP, for its Spanish acronym), which will determine which Ministry and institution will assess the project depending on its nature and the corresponding activity. Once it has been assessed by the corresponding Ministry, COMAP makes the relevant recommendations to the case presented.

COMAP has 60 business days to pronounce on the matter, counted as of the date the project is submitted. The term can be extended other 60 business days if further information is requested.

If the deadlines expire before COMAP has issued an opinion, COMAP will be deemed to have recommended the Executive Branch to grant the benefits established in said institution's guidelines to the project under study.

Once COMAP has pronounced on the matter (or when there is a presumed approval), it takes an undetermined period of time for the Executive Branch to sign the Resolution which grants the benefits to the company.

After the investment project has been approved, COMAP is in charge of its follow-up, reason for which the company must produce its financial statements with an audit report (applicable to all projects) and a complementary affidavit with information that will enable to analyze the compliance with the indicators that give rise to the benefits.

2. Specific sector schemes

The Investment Law conveys that promotional declaration can fall on a specific sector activity. In this framework, the following sectors have been promoted: Call Centers, Shared Service, Shipbuilding and Electronics Industry, Manufacturing of Agricultural Machinery and Equipment, Power Generation, Tourism, Forestry Industry, Treatment and Final Disposal of Industrial Solid Waste, Vehicle Manufacturing and freight transportation equipment, Hydrocarbon and Biotechnology Industry.

Companies which fall under these categories and are eligible for a promotional declaration under the Investment Law should appear before the Commission for the Enforcement of the Investment Law (COMAP) to have access to said benefit. Moreover, there are other benefits granted by Uruguay according to the sector, regardless of the provisions set forth by the Investment Law. The following sectors are favored with these incentives: External Financial Intermediation, Forestry, Graphic Industry, Maritime and Air Navigation, Software, Vehicle and auto parts, Bio-fuel, Communication and Housing Industry.

Audiovisual

Support services to cinematographic and television production services to foreign companies for export, and services to national and foreign companies involved in international co-productions, will be VAT exempt. This exemption comprises the hiring of several services such as equipment rental, locations, furniture and props, hiring of technicians, insurance, transportation, catering, hotel expenses, scenery construction, among others. Advertising production is also exempt.

Applicable laws: Decree 220/998, Decree 327/006.

Biofuels

Biodiesel and ethanol producing companies which are authorized by the Ministry of Industry, Energy and Mining may have access to Wealth Tax exemption on fixed assets and to 100% Corporate Income Tax (IRAE) exemption for a term of 10 years.

Applicable laws: Law 17,567, Law 18,195 and Decree 523/008

Biotechnology

Any activity generating biotechnological products, services and processes in the national territory is promoted under Law 16,906. Such activities are subject to 90% IRAE exemption between 2012 and 2017, 75% between 2018 and 2019 and 50% between 2020 and 2021. To receive these benefits one of the following events must occur:

- Implementation of a Development Program for Suppliers of biotechnological products and services.
- The company should be a micro, small or medium biotechnological product and/or service producing enterprise.
- It should be a new company producing biotechnological products and/or services.

Applicable laws: Law 16,906, Decree No. 011/013.

Remote customer service centers

Activities developed by remote customer service centers (provision of services performed by phone operators who receive or make telephone calls, Internet messages and use other types

of channel) were promoted under Law No. 16,906. Income originated from such activities, provided the services are completely used abroad by non-resident individuals, can be eligible for IRAE exemption for a term of ten fiscal years - 70% when it exceeds 100 qualified direct jobs, and 100% when it exceeds 150 jobs.

Applicable laws: Law 16,906, Decree No. 207/008 and Decree 379/011.

Shared Service Centers

Activities developed by shared service centers (advisory services and data processing services provided to related parties used exclusively outside Uruguay) were promoted under Law No. 16,906. Income originated from such activities can be eligible for 90% IRAE exemption and Wealth Tax exemption on the assets involved in these activities for a term of five years, under certain conditions:

- a) Generate at least 150 new direct qualified jobs at the end of the first three year-ends, jobs that must be preserved until the end of the fifth year-end. At least 75% of the new jobs must correspond to Uruguayan citizens (temporary reductions may be authorized).
- b) Implement a training plan with a minimum budget of 10,000,000 indexed units (approximately USD 1,200,000) for the Uruguayan citizen employees during the whole first three year-ends.
- c) Is a new project.

The tax exemption period will be extended to ten years when (i) the minimum number of jobs exceeds 300 at the end of the first five year-ends and remains until the end of the exemption period, and (ii) the referred training expense exceeds 20.000.000 indexed units in the course of the first six year-ends.

Applicable laws: Decree N° 251/014

Afforestation

This law establishes that natural and artificial forests in forestry priority areas declared as “protective” and “yielding” included in “quality wood projects” determined by the Ministry of Livestock, Agriculture and Fishing (MGAP) enjoy the following tax benefits:

- Income arising from its exploitation is not calculated for IRAE purposes.
- Value or size of forestry priority areas will not be considered for the estimation of the taxable amount of Wealth Tax (IP).
- Rural real estate tax (tax on land ownership) exemption.

Short cycle plantations (less than fifteen years) with no pruning and thinning are not entitled tax exemptions

Applicable laws: Law 15,939, Law 18,245.

Energy Generation

Energy generation was promoted under Law No. 16,906. Net taxable income originated from the following activities will be subject to IRAE exemption (in decreasing segments until 2018, 2020 or 2023, according to the category):

- a) Generation of electric energy from non-traditional renewable sources.
- b) Generation of electric energy through co-generation.
- c) Energy resources production from renewable sources.

- d) Conversion of solar energy into thermal energy.
- e) Conversion of equipment and/or integration of processes intended for efficient use of energy.
- f) Exploration of fossil fuel deposits and other deposits of mineral substances or elements suitable to generate energy through industrial methods.
- g) Services rendered by Energy Service Companies registered with the National Nuclear Energy and Technology Office (DNETN, for its Spanish acronym) and rated as A category.
- h) National manufacturing of machinery and equipment intended for use in the aforementioned activities.

Applicable laws: Law 16,906, Decree No. 354/009.

Hydrocarbons

All hydrocarbon-related activities, including the exploration, exploitation, transportation and commercialization stages are exempt from all existing and future taxes. Contracting and sub-contracting companies of hydrocarbon exploration and exploitation works are eligible for tax benefits under Law No. 16,906, receiving customs tax, VAT and Wealth Tax exemptions. Sub-contractors are also benefited from income tax exemptions, as applicable (IRAE or IRNR).

Applicable laws: Law 14,181, Law 16,213 and Decree 68/013

Communication industry

Journalism, broadcasting, television, theater and film distribution and exhibition companies are exempt from the taxes levied on their imports, capital, sales, tickets, acts and businesses, excluding income tax in relation to said line of business.

Applicable laws: Law 13,320, Law 13,349, Law 13,695 and Decree Law 14,882.

Electronic industry

Electronic industry (manufacturing of electronic and electric equipment and appliances, logic controllers, computers, telecommunication equipment, measuring instruments, equipment for medical purposes, household appliances) was promoted under Law No. 16,906, which involves IRAE exemption (in decreasing segments until 2018) under certain conditions:

- New undertakings: generating at least twenty (20) direct and qualified jobs on a dependency basis and implementation of a Development Program for Suppliers.
- Undertakings with up to forty (40) people in Payroll: direct and qualified jobs on a dependency basis should increase by fifteen percent (15%) and a Development Program for Suppliers should be implemented.
- Undertakings with over forty (40) people in Payroll: direct and qualified jobs on a dependency basis should increase by twenty percent (20%) and a Development Program for Suppliers should be implemented.

Applicable laws: Law 16,906, Decree 532/009 and Decree 127/011.

Graphic industry

Printing studios, publishing houses and bookshops as regards printing and sale of books, brochures and magazines of literary, scientific, artistic and teaching nature, as well as educational material are exempt from tax levied on their capital, sales, tickets, acts, services and businesses, excluding income tax. At the same time, the Book Law sets forth the following tax franchises aimed at benefiting book distribution: tax exemption on payments related to copyright and export and import of books, brochures and magazines of literary, scientific, artistic

and teaching nature, as well as educational material exempt from proceeds, port prices and any other duty. It is also established that import of machinery, equipment, components, tools, accessories and spare parts intended for book manufacturing is exempt from any tax applicable to said import, except for surcharges.

Applicable laws: Law 13,349 and Law 15,913.

Shipping industry

Shipping industry (building, maintenance and repair of ships and water vehicles, production of sets and subsets for ships and water vehicles) was promoted under Law No. 16,906, which involves IRAE exemption (in decreasing segments until 2018) under certain conditions:

- New undertakings: generating at least 150 direct and qualified jobs (75% national), at least 50% of the total professionals who are part of Project, Engineering and Production departments should be Uruguayan and a Development Program for Suppliers should be implemented.
- Pre-established undertakings: direct and qualified jobs should be increased with national labor related to direct production tasks by at least 30% with respect to the average personnel hired by the company in the last 2 years, with at least 20 workers. Also, a Business Associativity Program should be submitted.

Importing of materials, raw materials, capital goods and other items needed to build dockyards, dry docks and dams, as well as goods required for building, recovering, transforming or modifying ships are exempt from all taxes, even VAT.

Applicable laws: Law 16,906, Decree 532/009 and Law 15,657.

Tourist industry

Pursuant to Industrial Promotion Law, the Executive Branch declared investments in Holiday Resorts (Decree 175/003) of national interest, whereby they enjoy several tax benefits apart from those established by Industrial Promotion Law and Investment law.

- Credit for Value Added Tax (VAT) included in domestic purchases of goods and services employed in the construction, improvement or enhancement of the Holiday Resort, as well as VAT exemption for the import of goods for the foregoing purpose.
- Wealth Tax exemption at the closing of the financial year corresponding to the works' initial stage and during 10 subsequent years for investments in land, infrastructure and civil works regarding Holiday Resorts, improvements or enhancements thereof.
- Wealth Tax exemption for fittings destined to Holiday Resorts at the closing of the financial year corresponding to their organization and for four subsequent years.
- Import tax exemption for equipment required by the Holiday Resort.
- Accelerated depreciation of construction, improvement and enhancement of Holiday Resorts within a term of 15 years and of investments in fittings within a term of 5 years for Corporate Income Tax purposes.

Furthermore, investment projects detailed above may, if they deem it more convenient, apply for the benefits provided for in Decree No. 002/012 (Investment Law) or decide to combine both regulations by choosing which is the decree they want to be subject to for every tax.

Applicable laws: Decree No. 175/003, Decree 404/010 and Decree 59/012.

Foreign financial intermediation

Off-shore banking in Uruguay is called "Foreign Financial Institution" (IFE, for its Spanish

acronym). IFEs may operate exclusively with non-residents and can develop financial intermediation activities of any nature as well as related services thereof, including the taking of sight deposits and current account deposits in foreign currency, and authorize drafts against them through the use of checks.

Foreign financial intermediation companies will be exempt from any duty which may fall on them, the operations of their line of business, their equity or income. Said exemption does not include their obligations for contributions to social security entities. Taxes levied on the organization and capital increases of said financial entities are deemed included in this exemption.

Applicable laws: Decree Law 15,322, Decree No. 381/989.

Agricultural machinery

Decree 346/009 and subsequent Decree 006/010 promote agricultural machinery and equipment manufacturing activities under Law 16,906. Income deriving from machinery and equipment manufacturing activities included in DGI resolution No. 305/979 and supplementary rules is exempt from IRAE as follows: 90% for fiscal years between 2009 and 2014 and 50% for fiscal years between 2015 and 2019. Moreover, Decree 220/998 sets forth that manufacturers of these goods will be entitled to a credit for VAT included in the acquisition of goods and services related to the costs thereof.

Applicable laws: Law 16,906, Decree No. 220/998 and Decree 006/010.

Maritime and air navigation

Maritime or air navigation companies are IRAE exempt. For foreign companies, the exemption will only apply when in their countries of origin Uruguayan companies with the same purpose enjoy the same exemption.

Applicable laws: Law 18,083.

Industrial solid waste

Treatment and final disposal of industrial solid waste was promoted under Law 16,906. Said activity is exempt from IRAE and IP. Moreover, goods intended to be part of the investment cost in fixed assets, directly imported by the benefited company are exempt from any import duty, including Consular Fees and VAT, provided they have been declared not to be competitive with national industry. Purchases in the market are benefited from a credit for the VAT paid.

Applicable laws: Law 16,906, Decree No. 411/011.

Software

According to the provisions set forth in Decree No. 150/007, income from software production and related services is IRAE exempt, provided they are completely used abroad. Said exemption includes development, implementation at client's site, version upgrading and correction, customization (GAPs), quality testing and certification, software maintenance, training and advising. Related services refer to hosting, call center, outsourcing, marketing and other services, whenever software is the main purpose, even when said software has not been developed by the service provider.

Applicable laws: Decree No. 150/007 (section 163).

Vehicles or car parts

According to Decree 316/992, companies which export finished or semi-finished vehicles, assembled in the country, or national car parts are entitled to a 10% refund on the FOB value of exports, through credit certificates issued by the Government, which may be used for paying duties or to import motor vehicles for the domestic market with a Global Tariff preference of up to 13 points. Exporting companies can assign their benefits unto vehicle importing companies for the domestic market. Pursuant to Decree 340/996, assembling companies can import CKD kits¹ for assembling vehicles intended for the domestic market with a tariff of 2%, provided they comply with a complete assembling process in the country. Regarding Decree 126/012, SKD kits² intended for the production in the country of a new model, not previously manufactured in the country, are subject to 85% exemption of the tariff for the first year, 70% during the second year and 55% during the third year and subsequent years.

Applicable laws: Decree No. 316/992, Decree 340/996 and Decree 126/012.

Vehicles and Equipment for freight transportation

Manufacturing activity intended for professional land transportation of freight for third parties, trucks, road tractors, semitrailers, trailers, structures incorporated to these goods destined to contain or load cargo in a passive role and dump boxes is promoted under Law 16,906. The benefit granted consists of exempting VAT from sales in the market performed by manufacturers of automotive transportation, thus establishing a VAT refund regime included in purchases in the market and imports of goods and services.

Applicable laws: Law 16,906, Decree No. 210/010.

Housing

Law 18795 promotes private investment in social interest housing by granting tax exemptions. This law has the purpose of making access to housing possible for middle and lower middle income sectors, fostering private investment in construction, remodeling or expansion of at least two to one hundred houses per plot, which can be sold or rented.

Benefits granted under this scheme include:

- Exemption of IRAE, Wealth Tax, VAT and Equity Transfer Tax. In the case of IRAE, income deriving from the first sale is exempt or, in the case of housing intended for rental, the exemption applies to income of the year when the works conclude and the nine following years, in variable percentages between 40% and 100%, according to the undertaking area.
- Creation of a Security Fund to facilitate the access to bank loans to small and medium sized investors.
- Facilities for the sale and rent of the house once finished, such as bank loans with grants on the installment; Mortgage Loan Security Fund, which decreases the final buyer's prior mandatory savings and Rental Guarantee to make renting easier.

Applicable laws: Law 18,795, Decree 355/011, Decree 156/014

1 - CKD: Completely Knocked Down

2 - SDK: Semi-Completely Knocked Down.

3. Free Zones

The promotion and development of Duty Free Zones in order to foster investments, export operations, employment and international economic integration have been declared of national interest by law.

Duty Free Zones may be public or private and in both cases they are authorized and monitored by the National Direction of Duty Free Zones. At present there are twelve Free Zones in the cities of Canelones, Colonia, Colonia Suiza, Florida, Fray Bentos, Libertad, Montevideo, Nueva Helvecia, Nueva Palmira, Punta Pereira and Rivera.

Duty Free Zones are basically established to develop the following export-oriented activities:

1. Commercialization, storage, packaging, classification, fractioning, mixing, assembling, disassembling and other operations which do not involve industrialization of goods and raw materials.
2. Installation and operation of manufacturing establishments.
3. Provision of any kind of services, including professional, financial, IT, repair and maintenance services.

Goods manufactured in duty free zones may be sold in the Uruguayan customs territory with no restrictions, prior payment of all customs duties. With respect to services, services which may be rendered by free zones towards the non-free zones include: international call centers (number of inbound and outbound calls of telephone services provided by the International Call Centers destined to the national territory must be less than 50 percent of total calls of the telephone services thus provided); e-mail boxes; remote education; and issue of e-signature certificates, software production services, IT consultancy and IT training; management, administration and accounting services and similar services provided to related entities, engaged in the provision of logistics services, both shipping and port services, provided said provision does not exceed 20 percent of the total income of the fiscal year; and film and photo development.

Sales of goods from Free Zones to other countries are, in some cases, included in the preferences negotiated by Uruguay within the framework of its commercial agreements. In the particular case of MERCOSUR, sales from Free Zones are subject to the payment of the Common External Tariff, except for the products specifically established in bilateral agreements.

Applicable laws: Law No. 15,921.

Free Zone Exporters

- » They must submit a request for authorization to the Executive Branch along with an investment project. This must include a lump sum or a regular rate and details of the economic feasibility and its benefits for the country.
- » Setting up a Free Zone implies providing the infrastructure, constructions and services required for the development and operation of the undertaking, in exchange for a price agreed with each user.
- » They must invoke the benefits of the Investment Law.

Free Zone Users

- » Legal entities which set up as free zone users must have the sole purpose of performing these activities within national territory.
- » They are **exempt of all national taxes**, whether present or future. In particular, they are exempt from Income Tax, VAT, Wealth Tax, Excise Tax and Corporation Control Tax. Assets going in and out the duty free zone are tax-exempt.

Exception:

- » This exemption is not applicable to social security contributions, except for foreign personnel who may choose to contribute in their country of origin.
- » Remuneration for personal services of natural persons. Non Uruguayan citizens providing personal services in a free zone who are excluded from contributing to the Social Security Fund (BPS) may pay IRPF or IRNR.
- » Dividends or profits paid to individuals residing abroad, when levied in the country of their owner and there is tax credit in said country for tax thus paid.
- » In Duty Free Zones, State monopolies regarding industrial and commercial service do not apply.
- » Except in exceptional cases, 75% of the staff members must be Uruguayans.

4. Industrial Parks

An industrial park is a public or private zoned area, urbanized and sub-divided in plots pursuant to a general plan, which has public and private services and common facilities, for the purpose of setting up and operating productive establishments and related services. In these parks, apart from industrial operations, storage, packaging, selection, classification, fractioning, assembly, disassembly, handling or combination of goods or raw materials can be performed, provided they are exclusively associated to the industrial activities set up in the parks. Retail trade is forbidden inside these parks.

Currently in Uruguay there are seven approved industrial parks: Parque Agroindustrial Alto Uruguay, Parque Industrial de Juan Lacaze, Parque Industrial Paysandú, Parque Productivo Uruguay, Parque Industrial las Piedras, Parque Tecnológico Industrial del Cerro and Plaza Industrial S.A. Natural and legal persons that develop an industrial park, as well as the companies that operate therein, may be included in the benefits and obligations set forth in the Investment Law, with specific additional benefits.

Industrial Park Operators

- » 7-year exemption of Wealth Tax over fixed assets installed and used exclusively in the Industrial Park.
- » For the purposes of IRAE returns, investments in civil works and equipment may be repaid in 9-15 years and 2-5 years, respectively, according to the location of the industrial park.
- » Exemption of import duties over machinery and equipment non-competitive with the domestic industry, as well as over fixed assets destined for civil works.
- » VAT credit included in materials and services applied to civil works, machinery and equipment destined for the set up of the initial project.
- » VAT credit included in the purchase of equipment for electronic data processing. Consideration of fixed assets and materials required for construction as capital goods. This provides Departmental Governments with credit from VAT included in the acquisition of said goods for the operation of industrial parks.

Industrial Park Users

- » The score attained for deduction of IRAE under Decree 002/012 of Law 16,906 is increased by 15%.
- » Tax credit for employer contributions related to positions increased according to the promoted project during a 5-year period.

Applicable laws: Law 17,547, Decree No. 524/005 and Decree 002/012.

5. Free Ports and Airports

The Free Port regime represents one of the mainstays for Uruguay to be positioned as a logistic platform in Mercosur and as a center of distribution for goods in transit.

In view of Port Law No. 16,246 of May 1992 - as regulated from time to time, Montevideo is the first terminal of the Atlantic coast in South America to operate under a “Free Port” system.

This regime is also applicable to the commercial ports of Colonia, Fray Bentos, La Paloma, Nueva Palmira, Paysandú and Puerto Sauce, as well as Carrasco International Airport.

When operating in a free port, goods circulate freely without the need for permits or formal procedures. During their stay at the port customs area, goods are exempt from all import taxes or import-related taxes. The following activities can be carried out:

- Merchandise-related operations. Operations which add value, change the presentation or implement the free disposition of merchandise without changing its nature. For example, storing, repacking, remarking, sorting, grouping and ungrouping, consolidating and unconsolidating, handling and fractioning activities.
- Operations related to services rendered to merchandise: loading, unloading, stowage and mobilization of bulk items, transportation, transshipment, reshipment, transit, removal, deposit, storage, disposition, ship supply, ship repairs and other services related to port activities and the free port system.

Apart from the abovementioned customs benefits, the movement of goods and the rendering of services carried out within the port customs area are all Value Added Tax-exempt. Moreover, goods placed under free port regime are not included in the taxable base for Wealth Tax or Income Tax purposes.

Unlike what happens with the Free Zone system, merchandise under the Free Port system do not lose their origin, both if they are reexported in identical conditions as imported and if they were subject to operations which did not alter the nature or the product or its origin. In this sense, several agreements signed by Uruguay, including Mercosur and Israel, include a system of certificates of derived origin which facilitate the type of operation provided for in the Free Port system.

Applicable laws: Law No. 16,246.

6. Public-Private Partnership

In 2011, the Public-Private Partnership Law, which sets forth the regulatory framework for public-private partnership (PPP) agreements was approved. PPP agreements are those in which a Public Administrative Body entrusts, for a given period, the design, construction and operation of infrastructure or any such services to a private party, in addition to financing. Said agreements can be entered into for the development of infrastructure in the following activity sectors:

- Road works (including rural roads), railway, port and airport works;
- Energy infrastructure works;
- Waste disposal and treatment works;
- Social infrastructure works, including prisons, medical centers, educational establishments, social housing, sports complexes and improvement works, urban supply and development.

Beginning of the process. A Public-Private Partnership Contract may begin by means of a public or private initiative that must be submitted to the National Development Corporation (CND, for its Spanish acronym).

Preliminary assessment. Prior to contracting, an evaluation of the project should be undertaken in terms of feasibility and convenience, including technical, legal, economic and financial analysis.

Approval of preliminary assessment studies. The preliminary assessment studies and the contracting terms and conditions should be submitted to the Planning and Budget Office and the Ministry of Economy and Finance.

Public call for tenders. The Public Administrative Body may employ any competitive method (including invitation to tender and bids) to carry out the public call for tender. It will be able to apply a competitive dialog procedure in the case of more complex projects.

Submission of bids. Biddings will include all the required and necessary elements to undertake the project.

Assessment of bids. Evaluation criteria (for example quality, price, deadline, guarantees, etc.) for the biddings should be defined in the specifications of the call.

Awarding. The Technical Committee will classify in decreasing order the submitted bids in accordance with the different valuation criteria. The contracting Public Administrative Body will stipulate the provisional award by a well-founded resolution, which will be notified to all bidders and will establish the final terms of the contract. The Court of Auditors will have 30 calendar days to take a decision, effective as of the receipt of the notification file. After this period, if the Court of Auditors has not issued a decision, it will be deemed approved. The contracting Public Administrative Body will decree the final award.

Applicable laws: Law No. 18,786.

7. Foreign Trade Related Systems

Uruguay has an export promotion policy in place that is applied through varied instruments in terms of nature and scope, all of which satisfactorily comply with the regulations set forth in WTO's Code of Subsidies.

The main principle is freedom to export, there being neither encumbrances nor prohibitions whatsoever. As an exception, the export of some products coming from the agricultural industry is subject to the payment of taxes and non-tax allowances destined to supervisory organizations, such as the Uruguayan Wool Secretariat and the National Meat Institute, which have very low incidence.

Tax rebate

In terms of Value Added Tax, there is a special regime by virtue of which exports are VAT-exempt and whereby there is a mechanism that allows exporters to have VAT included in their purchase invoices refunded, thus avoiding the incidence of said tax on the exportable product.

Furthermore, there is an indirect tax rebate system, by virtue of which the exporter can recover internal taxes which make up the cost of the exported product. If appropriate, reimbursements may vary between 3% and 6% of the customs export value, according to the indirect tax burden of national materials incorporated in the product.

Applicable laws: Law 16,492, Law 19,149 and Decree May 2014.

Temporary admission

Temporary Admission (AT, for its Spanish acronym) allows you to enter into the market, exempt from taxes, foreign goods from outside the national customs territory, provided that pre-established purposes and requirements are met. Such merchandise should be exported after having undergone specific transformation, manufacturing, repair or value-adding processes, with effective employment of labor. Also, re-export or nationalization of merchandise is admitted, prior authorization, in the condition they were introduced.

Manufacturing companies may enter duty-free raw materials, parts, spares, engines, packages and packaging materials, matrices, molds and models, products and inputs for the production process - not included in the final product but directly involved in the manufacturing of and in contact with the product to be exported, and elements, equipment or materials necessary for software support. Machines and equipment of any origin, which enter into the country on a temporary basis for its repair, maintenance, update or use, are also protected by this system.

For this, a prior authorization must be obtained and the final product must be exported within a term of 18 months (upon duly motivated request by the company, said term may be extended by the Executive Branch to 18 additional months).

Applicable laws: Law 18,184, Decree No. 505/009.

Draw-back

This regime gives the possibility to claim the refund of taxes and levies paid for the import under the general scheme after the export of the corresponding merchandise. Said import cannot exceed five (5) years old since it was released from customs and will be verified by the Uruguayan Technological Laboratory (LATU, for its Spanish acronym), prior authorization of the

applications to operate under this system.

Exports under the drawback system should be made within eighteen (18) months as from the date the operation is authorized by LATU; in exceptional cases, this term can be extended 18 months more, prior approval of the Executive Branch.

Applicable laws: Law 18,184, Decree No. 505/009.



- Arrangement of visits to the country by foreign investors, including the setting of meeting agendas with, for instance, public authorities, suppliers, potential partners and chambers of commerce.
- Support in setting-up operations and expansion. We assist you in the process of setting-up your business in the country and provide support for you to consolidate business growth in Uruguay.

About us

Uruguay XXI is the Uruguayan investment and export promotion agency. Uruguay XXI provides free support to foreign investors, both to those who are in the process of assessing where to make their investments and those who have been operating in Uruguay for a long time.

Our Investor Services

- Macro and sector-based information. Uruguay XXI regularly prepares research on Uruguay and several sectors of economy.
- Tailor-made information. We prepare personalized information to answer your specific inquiries, such as macroeconomic data, labor market, taxes and legal aspects, investment-promotion programs, location and costs.
- Contact with main players. We generate contacts with governmental entities, industrial stakeholders, financial institutions, research & development centers and prospective partners, amongst others.
- Promotion. We provide investment opportunities in strategic events, missions and business networking meetings.



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