A GUIDE TO DOING BUSINESS IN URUGUAY

July2017

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FOREWORD

This guide has been prepared to assist those interested in doing business in Uruguay.

It does not cover exhaustively all the subjects considered, but it intends to reach the most relevant ones and to answer important questions that may arise.

In each practical case, it will surely be necessary to complement the information in this guide by consulting laws, regulations and rulings established in the country and obtain a specialized professional advice.

RSM – YOUR GLOBAL NETWORK

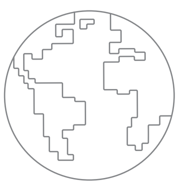
The world is changing rapidly. With constant advances in technology, communications and infrastructure, barriers are disappearing and the business landscape is becoming more global every day.

In this fast-paced environment, you need advisers who think ahead and respond quickly to your changing needs, who will put risk in the spotlight, and who will continually look for new opportunities for your business.

RSM is one of the world's leading audit, tax and consulting networks. We build strong relationships based on a deep understanding of what matters most to you. We take the time to understand your business, strategies and goals, and draw on the power of our global network to deliver insights tailored to your precise needs.

By sharing the ideas of our senior professionals, we empower you to move forward, make critical decisions with confidence and take full advantage of the opportunities on the horizon for your business.

It is this strong, collaborative approach that differentiates us. This is the power of being understood. This is RSM.



- We are the 6th largest global audit, tax and consulting network.
- We have firms in over 120 countries and are in each of the top 40 major business centres across the world.
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GENERAL INFORMATION

Why Uruguay?

- Uruguay has one of the strongest social and political stabilities in Latin America.
- It has a continued economic growth and investment despite global crisis.
- An attractive free zone, free port and free airport regimes, and broad investment-related tax exemptions.
- The access to MERCOSUR, a US$3-trillion-GDP free trade zone that also includes Argentina, Brazil, and Paraguay.
- It has one of the highest internet, broadband and PC penetration in Latin America.
- 61% of electricity supply came from renewable sources in 2016
- A world-class free port facilities in Montevideo, the strategic regional hub for South America's Southern Cone region.
- A very nice weather and absence of natural disasters plus abundance of water.
- The lowest business costs of crime and violence in Latin America.
- Freedom of movement of capitals (no taxes on repatriation of profits).
- The equal treatment for foreign and local investors.
- The corporations can have a 100% foreign board of directors and partners.

Uruguay is located in South America, bordering Argentina to the west and Brazil to the east and north. The capital is Montevideo.

The country has a surface area of 173,215 km2 and a total area of 318,413 km2 considering rivers and territorial waters.

The population is of 3.4 million people and the official language is Spanish.

The local currency is Uruguayan peso ($).

Almost the 100% of the territory has soil suitable for agriculture and livestock activities.

The major export industries are agriculture / livestock products (meats, grains, dairy, beverages, wood and wood products, wool, leathers, etc.), manufactured products (plastics, pharmaceuticals, chemicals, textiles, clothing, cellulose), software, tourism, logistics and other services.

Uruguay is a democratic republic with a presidential system.

There are presidential and parliamentary elections every five years and political party plurality.

The legal system is based on laws passed by Parliament and promulgated by the Executive Branch. There are special courts in the areas of civil, customs, bankruptcy, commercial, labor, criminal, organize crime and family issues.

Uruguay has a very high school enrollment percentage and the literacy is one of the highest in Latin America.

The people who visit the country need only a current passport, except in specific cases where a visa is required. Citizens of Mercosur countries need only a current identification card.

INVESTING IN URUGUAY

Investment Framework

Uruguay's solid and stable institutional framework gives it an advantageous position to attract investment. In addition to a reputation for social and economic stability, the country offers a suitable framework for visitors, tourists and investors. The Legislative and Executive branches operate in an appropriate manner, judicial institutions act independently and there are no significant bureaucratic costs. Foreign investments are welcomed by people and legislation as well.

Uruguayan economy is evermore open with increasing participation in the international market. Given the size of the domestic economy, exports play a significant role in local development.

Services account for the largest part of GDP. The main sectors in the services industry include retail, transport, communications, financial services, insurance, real estate and professional services.

Agriculture and livestock production accounts for 10% of GDP. Nevertheless, its importance on the economy is much greater than this, since the agriculture and livestock sector supplies most of the raw materials for the manufacturing industry, which in turn exports much of its production. Manufacturing accounts for 23% of GDP. The food, leather, textile, chemicals and forestry product subsectors are noted for their size and contribution to exports.

Due to the significant growth in exports, a rising degree of economic liberalization has been observed over the last few years, measured as the coefficient between imports and exports over GDP. Services play a growing role in exports.

Likewise, the country has received much foreign direct investment in various sectors of activity. Long standing traditions of legal guarantees, contract fulfillment and tax benefits for new investments, coupled with a strategic geographic location, high quality of life and safety are the reasons why international investors select Uruguay.

Periodic wage adjustments are established by the Salary Boards, which have been regulated by law and consist of representatives from workers, businesses and the government.

State incomes come principally from taxes collected through the DGI (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 the following years.

Whichever the political party in office is, responsible fiscal policy has been the norm, and the 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.

The Central Bank of Uruguay (BCU) is a technically, administratively and financially autonomous entity. Its primary objective is currency stability to contribute to economic growth and employment objectives.

Regulation and supervision of the operations of payment and financial system seek to promote solidity, solvency, efficiency and development.

Uruguay has stable internal prices with single-digit inflation. To achieve currency stability, the Central Bank of Uruguay carries out an inflation policy. As an instrument to achieve this, the Monetary Policy Committee sets reference interest rates for short-term inter-bank loans.

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.

Uruguay has a long-standing tradition of recognizing citizens' rights with regard to social security and labor relations. The literacy rate is very high and nearly all of the population has access to education, health services, potable water, telephony and electricity.

Recently, Uruguay put into practice an innovative program in IT education, known as the Plan CEIBAL (Basic Computer Technology Educational Connectivity for Online Learning). The program's objective is to promote social justice through equal access to information and communication tools for all the society. With this objective, internet connected laptop computers are given to all school children in the public school system throughout the country in an effort to make Uruguay the country with the highest connectivity level in the world.

There are no ethnic or religious conflicts and public safety rates are better than the regional average.

In environmental matters, Uruguay has quality standards recognized over the world.

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: 76

· 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: 13

·Uruguay is tobacco smoke free (6th in the world and 1st in South America)

Economic stability, adherence to general economic principles, transparency and respect for contracts are the traditional qualities of the Uruguayan political system and transcend the specific programs of various administrations.

In Uruguay, domestic and foreign capital is treated equally and both types can receive the same incentives. There are no limits for foreign capital in companies.

Foreign investors may carry out any type of activity under the same conditions as local investors. In certain industry sectors, foreign investors can perform activities under public concession agreements.

The tax system is neutral with respect to foreign investment. No prior authorizations are required to make investments, except for environmentally-related permits.

The country has an attractive investment promotion system that grants specific guarantees to the investor, denoting a high degree of commitment by the government.

Legislation also expressly establishes tax privacy.

There are no limits on capital repatriation or profit transfer and no permits are required.

The currency exchange market is free and has no limits on foreign currency trading. Investments can be made in any currency.

Intellectual Property Rights

Uruguay respects international intellectual property standards, copyrights, trademarks and patents are expressly protected by law.

Copyrights

Under the Law of Literary and Artistic Property, protection of copyright in Uruguay includes literary, scientific and artistic works for a certain period. Within this period, the author or the acquirer of the copyright has certain exclusive rights to the copyrighted work, which is protected against unauthorized use or violation of these rights.

The protection of copyright is in effect during the life of the author of the works and for an additional term of fifty years after his death. If the work is not published, performed or displayed within ten years from the date of death of the author, the work becomes domain public and may be freely used.

Foreign works are also included in the legal protection, but in these cases the fulfillment of the legislation in the country of origin must be demonstrated.

The works protected by copyright are recorded in the register kept by the Copyright Office of the National Library. This registration is optional and failure to register does not affect in any way the rights recognized by the Law of Literary and Artistic Property.

Our country has ratified the Berne Convention for the Protection of Literary and Artistic Works, under which the authors from a signatory country, who publish their works in Uruguay, have the same rights granted to national authors.

The rules described above also apply to the software and creative work in the areas of electronics and information technology from foreign countries.

Trademarks
Trademark means any sign capable of distinguishing the goods or services of a natural or legal person from those of another. These signs can be both seen and unseen, including also advertising slogans. Trademarks need to be registered in the National Directorate of Industrial Property (DNPI) in order for the registrant to acquire the exclusive right for their use, as well as the protection granted to him for a period of ten years, renewable for successive periods of ten years indefinitely.

Exclusive ownership of a trademark is only acquired in relation to the products for which the application was requested. Therefore, a trademark can be used by others if it is related to other products.

The ownership of the trademark may be transferred to third parties by private agreements or deeds, but it is always advisable to register the transfer in the DNPI in order to obtain protection against the violation of rights.

The use of trademarks can also be transferred by a license agreement, which is inscribed with the Register of Trademark Licenses -controlled by the DNPI. Unless it is expressly agreed otherwise, it is presumed that the transfer or sale of a business establishment includes its trademarks.

Patents
Industrial patents are all the statutes that protect the rights arising from inventions, utility modeling and creation of industrial designs.

Patents obtained in Uruguay grant their holders the exclusive right for a period of twenty years, which is not renewable, so after this period, the invention becomes public domain. New inventions of products or processes involving an inventive step and which are capable of industrial appraisal are patents. If the holder does not use the patent within three years from the date of registration, he may be required to assign the rights, either exclusively or in favor of a third party. The three-year term can be extended to five if the non-use of the patent is due to circumstances beyond the will of the owner.

Utility models (all obtained new provision of tools, implements, utensils, appliances, equipment or other known objects which provide a better use or result in their intended function) and models or industrial designs (visibly incorporated into a product that gives it a different utility or look) once patented, grant their holders the exclusive right of use for a period of ten years renewable only once for five years.
For the purpose of enforcing rights of exclusive use against third parties mentioned before, inventions, utility models and industrial models or designs must be registered with the DNPI.

The Paris Convention for the Protection of Industrial Property ratified by Uruguay gives people from the signatories to the Convention a priority right to an invention, utility model or an industrial design registered in one of these countries in respect of applications presented by other people for the use of the invention, utility model or industrial design in Uruguay.

For the purpose of enforcing the previous right, its registration before the DNPI must be within the appropriate time depending on the case (twelve months for patents and utility models and six months for industrial designs and factory or trade marks). It is computed from the registration in the country of origin.

Outside of these special provisions, the owners or beneficiaries of foreign patents can obtain their renewal in Uruguay on application to the DNPI within the three years granted in the country of origin. Revalidated patents are protected for a period of fifteen years, minus the time limit of protection which they had already been given in the country. The invalidity of the foreign patent implies the invalidity of the patent renewal, but not so with the terms of expiration of each patent, which are independent.

Logistics, Infrastructure and Communications
Uruguay offers clear competitive advantages to the investor, including a privileged geographic location and a suitable and rapidly developing support infrastructure for passengers and merchandise transport by sea, air and land.

More importantly, Uruguay is the ideal location to distribute merchandise to the most affluent region of South America. Distances between Montevideo and major regional cities are as follows (in km): Buenos Aires 250, Sao Paulo 1970, Santiago de Chile 1900

Uruguay's highway network is the most elaborate in Latin America and the Caribbean with 45 km of paved highway per 1,000 km2 of surface area. There are no restrictions on international cargo in transit.

Uruguay connects to Argentina and Brazil and to the rest of the continent at several border crossings.

The country's main port of Montevideo receives shipping lines from around the world and accounts for most of Uruguay's exports, imports and merchandise in transit. Montevideo has the first and only terminal on South America's Atlantic coast operating under the free port system.

In a phase of full expansion, private and public terminals operate at the port of Montevideo, one of the region's most important distribution points. Meanwhile, the port of Nueva Palmira on the Uruguay River heads up the largest river transport system in South America. Nueva Palmira is at a key point along the 3,443 kilometer long Paraguay-Paraná waterway that connects to the De La Plata River and later to the Atlantic Ocean. The port of Nueva Palmira is a major regional merchandise transfer point and has both private and government-run terminals.

Uruguay is the only country in latin america that has nearly universal access to safe drinking water and proper sewage infrastructure and boasts high quality of service levels.

The government's priority is now to improve efficiency and to increase sewage services to areas that currently use on-site sewage (where appropriate).

The supply of potable water is available throughout the country permanently, complying with the World Health Organization (OMS) standards on potable water.

Electricity electric power generation in uruguay is carried out by state power company UTE (administración nacional de usinas y transmisiones eléctricas) and by private industrial generators that produce power for in-house use or for sale to UTE.

98% Of urban homes have access to electrical energy.

The national territory is well covered by telecommunications services. The most requested services are landlines, mobile services (prepaid and contract), internet (broadband) and cable television.

All telecommunications activities are regulated and controlled by URSEC (Unidad Reguladora en los Servicios en Comunicaciones), the communications Industry regulatory body, whose objectives are the extension and universal adoption of access to services, promotion of competition, monitoring of existing monopolies, application of rates that reflect economic costs, stimulation of optimum investment levels and the protection of users' rights.

The following are some indicators that show the degree of advance of Uruguay's telecommunications sector:

- Digital telecommunications: 100%

- Highest landline telephone penetration in Latin America: 29 lines per 100 inhabitants.

- Highest mobile telephony penetration in Latin America: 105 lines per 100 residents.

- Population with internet access: 64%

TYPES OF BUSINESS ENTITIES

Uruguayan law regulates practically all known legal forms of organization structure, including the formation of a new legal entity or the installation of a branch of a foreign entity.

Between the possible legal forms to adopt, the most usual are the Stock Corporation (SA), the Limited Liability Partnership (SRL) and a branch of a foreign company.

The Stock Corporation (SA) is regulated by Law No. 16,060 from 1989. However, the main regulations related to the activities carried out by these corporations are included in their bylaws. This type of corporation can have their capital represented by registered or bearer shares.

The common Corporation with bearer shares is the most frequent type of corporate structure used for carrying out commercial or industrial activities in general, and is almost always the structure adopted by large business entities.

They have no operating restrictions and can engage in any type of business. The shareholders and the directors can have Uruguayan or foreign nationality or residence.

The Limited Liability Partnership (SRL) is regulated by Law No.16.060 from 1989. However, the main regulations related to the activities carried out by these corporations are included in their Deed of Incorporation and by-laws. The Limited Liability Partnership is the type of legal structure most often used by small and medium size business entities. Their Partners are liable up to the amount of their capital contributions. The partnership can have from two to fifty partners, which can be legal entities, with no restriction of nationality. The SRLs are administered and represented by one or several persons, partners or not, designated in the articles of incorporation.

Companies established abroad can perform the activities foreseen in their bylaws or articles of incorporation establishing a branch in Uruguay. They have no operating restrictions but must engage in the same activities as their Head-Office. The foreign Head-Office, whose net worth cannot be separated from that of the branch, is responsible for the obligations of the branch. The branch must keep separate accounting records in Uruguayan currency and in Spanish language. The branch is a foreign company and consequently it is unable to transform itself adopting a different type of legal structure.

In Uruguay the trust law has been in effect since November 2003 and regulates this type of alternative structure for doing business in the country. Trusts have been very useful in diverse sectors of the local economy including manufacturing, services and infrastructure. Foreign investors usually use this instrument in a private manner to provide guarantees to their own investors in the country and to make rapid investments.This instrument is much more flexible than traditional corporate forms of doing business.

TAX SYSTEM

Uruguay has adopted a territorial concept of taxation. This means that only Uruguayan-sourced income is taxed, irrespective of the nationality, domicile or residence of those who are part of the transactions and despite the place where the business takes place. Uruguayan taxes are applicable when the activities are developed, the services are provided or the goods are situated in Uruguay.

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 local legislation. Individuals are deemed to be residents if they remain within Uruguayan territory for a period longer than 183 days during the calendar year or when their basis of activity or their center of interest (family) is in Uruguay. Additionally, individuals are considered residents when they have real estate properties in Uruguay of US$ 1.875.000 or an investment in a local company of US$ 5.625.000 (fiscal residency in other country can be proven).

Uruguay has signed double taxation treaties with Hungary, Germany, Spain, Finland, Argentina, South Korea, Ecuador, India, Liechtenstein, Malta, Switzerland, United Arab Emirates, Finland, Luxembourg, UK, Romania, Singapore, Vietnam, Portugal and Mexico. Additionally the government is negotiating new agreements with Chile and Belgium.

CORPORATE INCOME TAX (IRAE)

It is an annual tax that burdens the income of Uruguayan source of economic activities of any nature (industrial, commercial, agricultural and services) at the rate of 25%.

Fiscal losses may be carried forward for five years, with a deduction cap of 50% of the net taxable income of each year. The carry back of losses is not allowed.

Uruguayan source
Uruguayan-sourced income is defined as that which stems from activities developed, goods placed or rights used in Uruguay, independently of the nationality, address or residence of those who take part in the operations and of the place of celebration of the legal businesses.

Income included in this tax are the followings: (a) the enterprise revenue, (b) the income arising from selling of real estate, (c) the ones obtained by the residents that choose to pay IRAE instead of Personal Income Tax (IRPF) or (d) the obtained income by those who, without being companies, must pay it mandatorily for surpassing US$ 500.000 of income.

Enterprise revenue
Within the concept of enterprise revenue it includes the income obtained by the following subjects:

- Commercial companies, except the facto partnership; (here are included the corporations before mentioned)

- Agrarian associations and companies and civil companies with agrarian object;

- Permanent Establishment of non-resident organizations;

- State organizations and Decentralized Services,

- Closed investment credit funds and Trusts, with exception of those of guarantee.

Also it is considered enterprise income, and therefore taxed by IRAE, the ones obtained by:

-organizations previously non mentioned that make industrial lucrative activities, commercial and services;

-organizations previously non mentioned that make farming activities to obtain primary products, vegetables or animals.

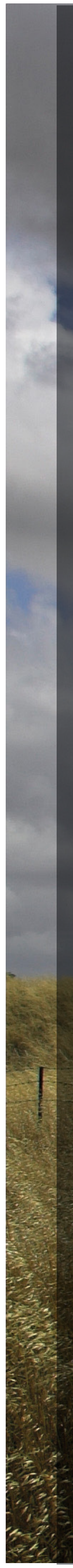
Taxable amount Admitted expenses
It is determined by the difference between the gross revenue and the expenses necessary to obtain it, properly documented, with some restrictions.

Admitted expenses
As a general rule, all necessary expenses to obtain and maintain taxable income are deductible, when these are well-documented. However, expenses also need to be taxed (either by a local income tax or a foreign effective tax imposition) for those receiving the income in order to be deducted. So, these expenses have to be taxed by Personal Income Tax (IRPF), Non Residents Income Tax (IRNR), Corporate Income Tax (IRAE) or by an effective Income Tax abroad. Hence, the deduction of expenses for the local company will be limited to the following proportion: [(local tax imposition + foreign effective income tax rate) / 25%].

In conclusion if a foreign person or company decides to act in Uruguay through a corporation this is one of the taxes that will have to pay.

NON-RESIDENT INCOME TAX (IRNR)

Non Resident's Income Tax is levied on Uruguayan-sourced income obtained by non-resident individuals or companies, as long as they do not act in our country through a Permanent Establishment (PE) - in which case IRAE would be applicable. According to our domestic regulations, when a non-resident business is partly or wholly carried on through a fixed place of business in Uruguay, the non-resident is deemed to have a Permanent Establishment in our country. IRNR is usually paid via withholding when payments of taxed income are done to non-resident entities or individuals. The local entity paying for the taxed income is — in most cases — designated to withhold the corresponding tax and pay it directly to the Tax Authority. However, in those cases in which no withholding agent has been designed, the non-resident should appoint a resident individual or entity to represent it towards the Uruguayan Tax Authority (DGI). Non-resident entities domiciled in Tax Haven jurisdictions — BONT- are subject to higher IRNR tax rates. There is a list issued by the Government that identifies this kind of jurisdictions.



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Income included

Income is basically classified into four categories:

a) business income

b) income derived from work

c) holding income (income derived from the possession of an asset)

d) capital gains (income derived from the sale of an asset)

Taxable amount

In the case of the income identified in literal "a)" and "b)", the taxable amount is equivalent to the total of the income obtained by these concepts.

For the income of literal "c)" and "d)" the contributor is able to make some deductions.

Rates

The rates are the following:

INCOME	GENERAL RATE	BONT TAX RATE	COMMENTS
BUSINESS INCOME	12%	25% OR 30.25%	30.25% RATE IS APPLICABLE FOR INCOME ARISING FOR REAL ESTATE LEASE
INCOME DERIVED FROM WORK	12%	25%	
HOLDING INCOME (E.G. ROYALTIES)	12%	25%	
LEASES OR RENTALS (REAL ESTATE IN URUGUAY)	10.5%	30.25%	
INTERESTS	7% OR 12%	25%	VARIES DEPENDING ON THE CURRENCY AND TERMS OF THE DEPOSIT OR LOAN.
TECHNICAL SERVICES (ALSO TAXED IF RENDERED FROM ABROAD TO IRAE TAXPAYER)	12%	12.5%	
	12%	25%	50% OF THE PRICE OF THE GOOD AT A 25% TAX RATE
IMPORTS AND EXPORTS BETWEEN RELATED COMPANIES (BONT AND IRAE TAXPAYERS)	N/A	25%	
INTANGIBLE DISPOSAL FROM ABROAD TO IRAE TAXPAYER	N/A	25%	
DIVIDENDS PAID BY CONTRIBUTORS OF THE CIT-IRAE	7%	7%	DIVIDENDS ARE ONLY TAXED WHEN THEY ARE RELATED TO INCOME TAXED IRAE. THE AMOUNT OF TAXED DIVIDENDS WILL BE CAPPED TO THE NEXT TAXABLE INCOME
OTHER INCOMES	12%	25%	

Dividends
Dividends paid to a non-resident company or individual are subject to a 7% % withholding tax. This rate can be reduced in application of a Double Taxation Treaty.

Certain profits that companies have retained since 1st July 2007 without been distributed, will be subject to a 7% withholding paid in advance of the future dividend distributions.

The computation and payment of this tax will be annual and begins with the fiscal year ending December 31, 2016. The tax is due within four months of the end of each fiscal year.

This calculation is done by adding the net taxable income (taxed by IRAE) obtained from 1st July 2007 that has antiqueness greater than or equal to four fiscal years. Such amount can be reduced by subtracting:

a)The investments made in other Uruguayan companies,

b)The investments in fixed assets,

c)The investment in net working capital (current receivables + inventory — currents debts), with a limit of 80% of a) +b).

Investments in assets mentioned in bullets a), b), c) will be considered since 07/2007 up to the closing date.

PROPERTY TAX (IP)

The Property Tax is an annual tax that burdens the located net equity in Uruguay. This equity includes all the assets economically located, placed or used in the Uruguayan territory less certain deductible liabilities established by the law.

Foreign people who have assets in Uruguay will be contributors of this tax.

When foreign assets and exempt assets exist, the liabilities are only computed by the amount that exceeds the value of those assets.

The taxable amount is determined by difference between the taxable assets, valued according to fiscal rules and the deductible liabilities (only commercial debts, or debts with local banks), that exceed the foreign assets and exempt assets.

The rate is of 1.5% for corporations, branches of foreign companies, individuals and othe r companies taxed with IRAE.

The individuals that are not IRAE contributors will apply progressive rates between 0.7% and 1.5% according to a scale deducing a nontaxable minimum. The amount taxed is what exceeds this minimum (approximately U$S 130.000).

The Property Tax for Non-Residents

In this point it must separated:

A) The non-resident Property Tax - foreign people must pay the tax on their assets located in the country

B) The non-resident companies Property Tax - the foreign companies that does not set a Permanent Establishment must pay the tax at the rate of 1,5% on the equity located in our countr

VALUE ADDED TAX (IVA)

VAT is levied basically on the local sale of goods, rendering of services by independent workers in our territory, the introduction of goods into Uruguay (imports) and the additional value originated in the construction of real estate. Services rendered by employees are not subject to VAT.

The system works by the scheme of tax against tax and is generally paid monthly.

Under the general VAT regime, a company would offset Input VAT (VAT derived from purchases) against Output VAT (VAT included in sales) and pay for the difference between these two. If input VAT exceeds output VAT, the excess may be carried forward and applied against future output VAT.

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A business that carries out exempt transactions does not have to charge VAT to its customers, but generally it cannot recover VAT paid on its purchases.

Exports of goods are exempt from VAT but the exporter has the benefit of deducting input VAT paid on its purchases.

The general rate is 22%, but for certain essential products and services the reduced rate is 10%.

EXCISE TAX (IMESI)

Generally the Excise Tax (IMESI) applies on the first transaction made in the domestic market by manufacturers or importers of goods. Exports are not taxable.

Rates vary for each item (from 10 to 80%) and are generally set by the government within maximum parameters established by law.

Among the products taxable for this tax are the automotives, as well as certain alcohols, cosmetics, tobacco and fuel.

TAX ON REAL ESTATE TRANSFER (ITP)

The Real Estate Transfer Tax (ITP) applies to the transfer of immovable assets. Transfer is defined in a broad sense including the sale, cession of the right to use, inheritance rights. Both parties in the transfer contract are due to this tax at a rate of 2% each on the property value, in some cases the rate is higher (4% to5%).

INVESTMENT PROMOTION REGIME

The current investment promotion system is outlined in law No.16.906, which declares that the promotion and protection of investments made by domestic and foreign investors in the country is an issue of national interest. The regulatory framework for that regime has been developed and enhanced in recent years, leading to the regulations currently in force contained in Decree N° 02/2012.

Beneficiaries of fiscal benefits in the general nature investment include comercial, industries, agriculture and services companies taxpayers of IRAE (Economic Activities Income Tax).

The companies in any sector of activity that present an investment Project that is promoted by the goverment will be offered the possibility to access an important benefits. These incentives are contemplated in the regulations (Decree N° 002/012) and the general operative criteria is defined by the Implementation Committee (COMAP).

Tax Benefits:

Economic Activities Income Tax (IRAE).

This exemption is defined on the basis of a matrix with indicators, and the score obtained in that matrix. The indicators in this matrix their weighing coefficients include:

– Creation of new jobs: 30%
– Territorial Descentralization: 15%
– Increased exports: 15%
– Cleaner production or R&D Investment: 20%
– Sectoral indicators: 20%

The exemption will be made considering the purchase of the following goods to be used for the fixed assets:

– Chatter and real estate fixed assets. Trucks and other utilitarian vehicles, machines, furniture and office equipment.

Net worth tax (IP)

In the case of real estate, the exemption will include civil works carried out, for a term of eight years if the project is located in Montevideo and a 10-year exception if it is based in the interior of the country.

Import rates and duties

Exemption of imports rates and duties, including V.A.T. on fixed asset tangible property and materials to be used in civil works that do not enjoy exemptions due to other benefits, provided they are declared as non competitive with the national industry by the National Directorate for Industry (DNI) of the Ministry of Industry, Energy and Mining (MIEM).

National Value Added Tax (VAT)

Return of the VAT for the purchase of materials and services for the civil works in the market

Free Trade Zones

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

The introduction of goods from a Free Trade Zone to non-free trade zone national territory is considered importing and is subject to corresponding tariffs.

Meanwhile, merchandise from Uruguayan Free Trade 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 Trade Zones.

Foreign Trade

Imports
Goods may be imported with no significant restrictions, except from a few special products that may only be imported previous authorization of the Executive Power. Customs duties are imposed on the customs value of the imported goods, which is determined in accordance with the valuation criteria provided by the World Trade Organization.

Uruguay is a member of MERCOSUR (South Common Market), so imports of any goods of these countries are generally free from customs tariffs.

Imports of goods from other countries are subject to a common external tariff (CET).

In addition to custom tariffs imports are subject to VAT at a rate of 22% plus import surcharges.

Exports
Exports are not subject to any taxes and there are almost no prohibitions regarding the type of goods to be exported.

- Several instruments are offered to promote exports:
- Reimbursement of taxes: there is a system for reimbursement of indirect taxes where the exporter can recover internal taxes that are added to the cost of the exported product.
- Temporary admission: supply imports for exportable products are exempt from customs tariffs if the final products are exported within an 18 month period.
- Draw-back: for certain products the draw-back system allows the reimbursement of tariffs paid on imports at the time of export.
- Special financing: exporters can access to credit at a preferential interest rate.

Transfer Pricing regulations

In Uruguay by Law 18.083, transfer pricing rules are applicable to international transactions between related parties and to transactions carried out with parties in low or zero-tax jurisdictions or regimes, regardless the relationship between them.

For import and export transactions of goods where prices can be determined through transparent markets, such prices should be used to determine the corresponding net income of Uruguayan source.

SOCIAL SECURITY AND LABOR REGULATIONS

Labor laws relating to individual rights and obligations are governed by detailed legislation.

The working day is limited to 8 hours a day, totaling 44 hours a week in commercial activities and 48 hours a week in industrial activities. In business activities, each employer can adjust the opening and closing hours. The rules state that stores can also be opened on Saturday and Sunday.

Wages are fixed in each case with the employee or, in some cases, are negotiated within agreements with unions. It is not possible to reach an agreement to grant the workers a fee lower than the national minimum wage established by the Executive Branch.

Over time pay

The work hours that exceed the legal limitation of conventional be paid double time.

Paid annual vacation

The workers are entitled to be paid an annual leave of twenty continuous days, which is increased by one day every four years.

Vacation salary

Workers are entitled to receive, an additional payment named as vacation salary, for better enjoyment of the paid annual leave.

Thirteenth Mandatory Salary

The Thirteenth Mandatory Salary must be paid to all employees of the private sector. It consists on one twelfth of the total salary received by the employer in the previous twelve month. This extra salary is charged twice: the first in June an the other half in December.

Compensation for lay off

The employer has the power to lay off the worker, being forced to pay compensation. In case of a monthly employee the compensation is the equivalent to a monthly salary for every year worked for the company, with a maximum of six years.

Foreign staff

Foreigners working in Uruguay for more than six months obtain a temporary (up to 2 years) or permanent residence, which is granted without further requirements than a document proving no criminal records in the country of origin of the worker and some others certificates.

The only restricted activities for foreign workers are:

- Fishing: The captain and at least 50% of the crew must be Uruguayan

- Uruguayan airline, the crew must be Uruguayan and at least 75% of the employees must be Uruguayan citizens.

- Tax free zone: 75% of the employees must be Uruguayan citizens.

Social Security

The social security system covers the risk of invalidity, old age retirement, sickness, accident, maternity, unemployment and death. Membership is compulsory, except for foreign people working in Free Zone. Also, some foreign workers may choose to be excluded from the social security system, under international treaties signed by Uruguay.

The government agency leading the security system "Banco de Prevision Social" is responsible for collecting all the contributions made by companies and employees and to maintain the labor file of each worker.

ACCOUNTING AND AUDIT REQUIREMENTS

Uruguay has significantly strengthened its accounting and auditing environment over the recent years and efforts were under way to converge to generally accepted accounting principles (GAAP) applied internationally.

Uruguay was one of the first Latin American countries to move towards adopting international accounting standards. A first attempt to align the Uruguayan accounting practice with international standards occurred as early as 1991. In the same year the Permanent Commission on Accounting Standards (CPNCA) was established with the purpose of assisting the Government on the issuance of GAAP. The CPNCA has a wide representation of relevant authorities and stakeholder.

In October 2014 and December 2015, Decrees 291/14 and 372/15 were approved. They established that the 2009 version of IFRS for Small and Medium Entities (IFRS for SME) are mandatory for fiscal years beginning on or after January 1st, 2015. These decrees have also established some exceptions and local solutions in the application of the aforementioned international standard.

The Commercial Company Law (LSC) promulgated in 1989 requires commercial companies to present within four months after each fiscal year-end a Financial Statement prepared in accordance with appropriate accounting standards. The LSC does not provide further definition of Uruguayan GAAP, which is left to the regulations but as mentioned above, Decree 266/07 equates Uruguayan GAAP to the 2007 version of IFRS.

Corporations, agriculture companies, trust and investments funds not regulated by the Central Bank of Uruguay must register their financial statements with the National Internal Audit Office. For tax purposes, financial statements for large and medium-sized companies (as per classification by the Tax Office) must be accompanied by an audit or review report, issued by a Uruguayan certified public accountant.