

Uruguay

- ❖ Key Issues for Investors
- ❖ Residency & Citizenship
- ❖ Purchasing Property
- ❖ Taxes & Banking

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Key Issues for Investors

Key Issues

- ✓ Are my investments and money safe in Uruguay?
- ✓ Can I take my money/dividends out at any time?
- ✓ Should I be worried about currency risk?
- ✓ Can I safely purchase a property?
- ✓ Should I worry about taxes?
- ✓ May I obtain residency and move my belongings easily?
- ✓ May I work or do business in Uruguay without restrictions?
- ✓ Is it easy to open a bank account?

Investment Advantages

■ Investor Friendly Country:

- Foreign investors and local ones are treated equally
- No limitations to ownership of property by foreigners *
- No restrictions to enter/exit the country

■ Business rules are Investor Friendly:

- No currency exchange controls or forced conversion
- Foreign Currency can be used freely: Dollars, Euros, etc.
- No restrictions or taxes when transferring funds in
- No restrictions or taxes when transferring funds out

Investment Advantages

- Solid Legal System:
 - Strong reputation for respect of contracts & private property
 - Independent and reputable judiciary
 - Corruption is not an issue in Uruguay
- Private Property rights are strongly protected:
 - Constitutional right, enforced
 - No history of expropriations
 - Title Insurance available

Ranking within Latin America

1 in Educational Index (Latin Business Chronicle)

2 in Economic Freedom (Heritage Foundation)

1 Democracy Index (Economist Intelligence Unit)

1 Quality of Life (Mercer)

1 Corruption Perception (Transparency International)

1 Rule of Law Index (World Justice Project)



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Residency and Citizenship

Obtaining Uruguayan Residency

- Easy process, with no need to invest in the country
- Permanent Residency granted within 6-10 months of applying
- After 3/5 years, one can apply for citizenship/passport
- Steps to obtain residency:
 - First, gather all the necessary documents (abroad)
 - Then, enter Uruguay as a tourist
 - Within 90 days submit the application at the Immigration Office
- ✓ Once the application is filed, the applicant may stay in the country indefinitely, as a “temporary resident”

What documents do I need?

- Most documents are obtained abroad:
 1. Birth certificate
 2. Marriage certificate (optional)
 3. Police record from country of origin, country that issued passport and countries where the person has lived in the last five years (for U.S. citizens, the police record may be obtained in Uruguay, at the Interpol office in Montevideo, Uruguay)
 4. Documents proving that one has income to support him/herself
- The documents must be “Apostilled” (a type of stamp)
- Other requirements: in Uruguay (brief medical, pictures)

Proof of Income: Key Requirement

- Residency applicants must prove that they have an income stream consistent with their living standard
- There are many options to prove this:
 - Pension from abroad
 - Mutual fund or retirement fund income
 - Proceeds from the lease of a property (abroad or in Uruguay)
 - Dividends
 - Work contract in Uruguay
- The document must be certified by a notary (a type of attorney), in Uruguay

Bringing Personal Belongings

- What may I bring free of import taxes?
 - All my household belongings
- When may I bring them?
 - When I submit my residency request, I'll ask for an authorization to bring my personal belongings, which I'll take to the Uruguayan Customs Authority
 - The goods have to be brought in before Permanent Residency is granted
- How do I bring my belongings?
 - By posting a bond with the Customs Authority. When Permanent Residency is granted, the bond is returned.

Bringing Personal Belongings

- Who helps me bring my personal belongings?
 - A Customs Agent in Uruguay
 - My shipping agent in the country of origin
 - My attorney/the person handling my residency in Uruguay
 - (all three must coordinate actions)

- What documents must I produce to bring my belongings?
 - A list of the goods must be stamped at the Uruguayan Consulate in the country of origin, before shipping them
 - The National Migration Office authorization for the Uruguayan Customs Authority
 - A special case, Law 16,340, allows to bring a car free of import duties, but has hurdles and is seldom used

Tips on Residency

- ✓ Send your immigration attorney copies of the documents you intend to submit, before travelling, so they can be verified and translated on time for the filing.
- ✓ Work on the wording of your income proof document with your immigration attorney, to make sure it meets what is needed.
- ✓ Send your immigration attorney and your customs agent the list of belongings you plan to bring, so they can verify whether the list is reasonable or not.
- ✓ Open a bank account in Uruguay.



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Purchasing Property in Uruguay

Purchasing Property

- The three most important questions to get started:
 - Who can purchase property?
 - How can property be purchased?
 - What can you purchase?

- Answers: 3 A's
 - ✓ **Anyone:** There is no differential treatment, nor restrictions or impediments for foreign buyers of property.
 - ✓ **Any way:** individual(s), corporate vehicle (local/foreign).
 - ✓ **Anything:** No limitations (such as restrictions on borderline property, beachfront, etc.).

Structuring the Property Purchase

- The purchase process requires the assistance by an “Escribano” (a conveyance attorney), appointed by the buyer.
- The conveyance attorney’s role:
 - Analyzes the ownership history and other details to ensure you buy a clean title
 - Drafts the reservation and the purchase document
 - Escrow agent for the deposit on the property
 - Records the purchase at the Property Registry
- Proof of Ownership: Public Property Registry recording

The Purchase Process: Steps

- 1) The buyer selects a property, and agrees on the price
- 2) The buyer appoints a conveyance attorney who will draft the the reservation document (“Boleto de Reserva”):
 - Securing the purchase, by committing seller and buyer
 - Setting a penalty if either party breaches the commitment
 - Setting the amount that is deposited when signing the reservation (usually 10% of the price). The deposit is not handed to the seller: it stays with the buyer’s appointed conveyance attorney
 - Allowing for a 30-60 day window to verify the deeds
 - Setting the closing date, on which the full price is paid and the property is transferred

The Purchase Process: Steps

- 3) After signing the “Boleto de Reserva”, the conveyance attorney analyzes the title/deed and verifies information in Public Registries, tax situation, etc. to ensure the buyer obtains a clean title
- 4) The conveyance attorney then drafts the purchase document (“Escritura de Compraventa”)
- 5) The purchase document is signed, the property is transferred, and the price is paid (*or the first installment, if it has more than one)
- 6) The deed is recorded in the Public Registry

Transaction Costs for the Buyer

- Transaction Costs total approximately 8-9% in Uruguay:
 - Real Estate Agent Fee: 3% plus VAT (22%) = 3.66%
 - Conveyance Attorney Fee: 3% plus VAT (22%) = 3.66%
 - Deed Registration Stamp Duties (“Montepios”): 0.55%
 - Registry and Tax Certificates Stamp Duties: USD 700 on average
 - Property Transfer Tax: 2% of the Fiscal Value of the Property (which is usually substantially lower than the market value: 0.6% est.)
- The Transaction Costs when *selling* are lower:
 - Real Estate Agent Fee: 3% plus VAT (22%) = 3.66%
 - Property Transfer Tax: 2% of the Fiscal Value of the Property (0.6% est.)

Tips and Suggestions When Purchasing Property

- ✓ Appoint a conveyance attorney from a respected law firm, who is bilingual and understands tax and estate laws, ownership through companies and laws in your country.
- ✓ Leave a Power of Attorney with your appointed law firm so they may sign purchase documents on your behalf.
- ✓ Decide on the best ownership structure.
- ✓ Make bank arrangements for closing / determine who receives your funds in Uruguay to make the payment



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Banking in Uruguay

Opening a Bank Account

- Uruguay's Banking system is a solid one:
 - Few banks, all foreign-owned plus one government bank (BROU)
 - No history of forced conversion or freezing of deposits

- It's easy to open a bank account:
 - Foreign non-residents may open accounts in any currency
 - Note: Some banks do not open accounts to U.S. citizens
 - No special requirements for foreigners:
 - Two IDs (passport and driver's license)
 - Proof of Address (utilities bill), from your home country
 - Bank reference letter plus local reference, proof of income source



Taxes in Uruguay

Taxes: General Rules

- No inheritance (“death”) tax
- Moderate business taxes if you start a local business (corporate income tax is a flat 25% of net income)
- Low property taxes
- Uruguay only taxes certain types of foreign income (dividends and interest), at 12% ...
- ...and makes sure you are not double taxed: if you already pay taxes on those types of income elsewhere, Uruguay does not tax you...
- ...plus, during the first five years, you are not taxed at all

Taxes for a Property Owner

- Taxes during ownership: Municipal and “School tax” (combined): 0.2- 0.5% (avg.)
- Rental income tax: 10.5% of the rental income
- Capital gains tax (when reselling a property):
 - 12% of the gain if the property is owned personally
 - 25% if the property is owned by a local corporation

Remember:

- ✓ **EASY**
- ✓ **TRANSPARENT**
- ✓ **SAFE**



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Our contact information

Fischer & Schickendantz

- Leading Full-Service Law Firm
- Firm Services (covering all of Uruguay):
 - Conveyance / Legal Assistance in the Purchase Process
 - Residency and Immigration advice
 - Tax and Banking Advice
 - Corporate / Business Law
 - Company Incorporation
 - Title Guaranty Advice
 - Farmland Investment Advisory Unit

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References and Recognition:

- Leading source on investing in Uruguay to global publications such as the Financial Times, The Wall Street Journal and The New York Times (see articles in <http://www.fs.com.uy/press/>)
- Ranked by Chambers Latin America, Leading Firm
- Ranked by The Legal 500, Leading Firm
- Ranked by International Financial Law Review
- Ranked by the International Tax Review



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Further Information

www.fs.com.uy

Contains presentations on:

- Key Legal Issues for Investors in Uruguay
 - The Property Purchase Process
 - Residency and Immigration
 - Investing in Farmland
 - Uruguay's Tax Free Zones

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