

URUGUAY

- Investment Advantages
- Immigration & Residency
- Purchasing Property
- Taxes & Banking

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Investment Advantages

Key Issues

- ✓ Is my money safe in Uruguay?
- ✓ Can I take my money out of Uruguay at any time?
- ✓ Should I be worried about currency risk?
- ✓ Can I safely purchase a property?
- ✓ Should I worry about taxes?
- ✓ Can I obtain residency and move my belongings easily?
- ✓ Can 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 issues
- Foreign Currency can be used freely: Dollars, Euros, etc.
- No restrictions or taxes when transferring money into the country
- No restrictions or taxes when transferring money out of the country

Investment Advantages

- Confidentiality:
 - Strict banking secrecy and tax secrecy laws
- Solid Legal System:
 - Strong reputation for respect of contracts and 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

Immigration and Residency

Obtaining Uruguayan Residency

- Simple though bureaucratic process
- It takes 12 to 18 months (avg.) to obtain resident status
- 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 (extendable for another 90 days), **submit** the application at the National Migration Office
- ✓ Once the application is filed, the person 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 *
 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, this document is obtained in Uruguay, at the local Interpol office)
 4. Documents that prove that one has income to support him/herself
- The documents that are obtained abroad require:
 - Legalization (a type of stamping) at the Uruguayan Consulate in country where issued
 - Legalization and certified translation once sent to Uruguay
- 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 documents that prove the income source must be certified by a Notary (a type of attorney), in Uruguay

Bringing Personal Belongings

- What can I bring free of import duties and taxes?
 - All my household belongings

- When can I bring them?
 - When I submit my residency request, I'll ask for an authorization to bring my personal belongings, which I will take to the Uruguayan Customs Authority
 - The goods have to be brought in before resident status is granted

- How do I bring my belongings?
 - By posting a bond with the Customs Authority, for the value of the import duties and taxes I would have paid if I were not applying for residency. When 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 many hurdles and is seldom used

Myths on Residency

- **Myth:** I need to be a permanent resident in order to own a house or to do business in Uruguay
 - **Truth:** Residency is not required to own property or do business in Uruguay

- **Myth:** I can bring a car free of import duties
 - **Truth:** Yes, but only under Law 16.340 for pensioners, which requires that I prove USD 1,500 of monthly income, plus ownership of a property that I won't be able to sell for 10 years, and other requirements

- **Myth:** Owning a property in Uruguay automatically qualifies me in order to obtain residency
 - **Truth:** No. Requirement is income proof, not ownership of assets

Tips on Residency

- ✓ Send your immigration lawyer copies of the documents you intend to submit, before travelling, so they can be verified and translated in time for the filing.
- ✓ Work on the wording of your income proof document with your immigration lawyer, to make sure it meets what is needed.
- ✓ Send your immigration lawyer and 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.

Purchasing Property

Purchasing Property

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

- 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), IRA.
 - ✓ **Anything:** No limitations (such as restrictions on borderline property, beachfront, etc.).

Structuring the Property Purchase

- The purchase process requires the assistance by a Notary (“Escribano”), a type of attorney, appointed by the buyer.
- The Notary’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 Notary Public (from a law firm), who will draft the first document, the reservation document (“Boleto de Reserva”), which:
 - Secures the purchase, committing seller and buyer
 - Sets a penalty if either party breaches the commitment
 - Sets 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 your own Notary
 - Allows 30-60 day window to verify the good standing of the deed
 - Sets the closing date: full price is paid and property is transferred

The Purchase Process: Steps

- 3) After signing the “Boleto de Reserva”, the Notary:
 - Analyzes the title/deed to ensure the buyer obtains a clean title
 - Verifies information in Public Registry, tax situation, etc.
- 4) The Notary 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)
- 6) The Notary records the purchase 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%
 - Notary Public's Fee: 3% plus VAT (22%) = 3.66%
 - Deed Registration Stamp Duties ("Montepios"): 0.55%
 - Registry and Tax Certificates Stamp Duties: USD 300 on average
 - Property Transfer Tax: 2% of the Fiscal Value of the Property (which is usually substantially lower than the market value)

- 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

Financing Your Purchase

■ Seller Financing:

- Usually Short-Term (less than 2 years)
- Interest rate: Usually Approximately 6-8%

■ Bank Financing with Local Banks:

Limited for Non-Residents; when available, expect:

- Up to 10 years
- Up to 50% of the Property's Value
- Income Proof and other documentation required

* Note: These conditions are the current market ones

Tips and Suggestions When Purchasing Property

- ✓ Appoint a Notary Public from a respected Law Firm, who is bilingual and understands tax and estate matters, ownership through companies and laws in your country.
- ✓ Leave a Power of Attorney with your Lawyer/Notary so he/she can sign purchase documents on your behalf.
- ✓ Decide on the best ownership structure with your lawyer.
- ✓ Make bank arrangements for closing / determine who receives your funds in Uruguay to make the payment

Banking

Opening a Bank Account

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

- It's easy to open a bank account:
 - Foreign non-residents can open accounts in any currency
 - Only a few banks do not open accounts to U.S. citizens
 - No special requirements for foreigners:
 - ID (passport)
 - Proof of Address (utilities bill)
 - Bank reference letter plus local reference, proof of income source

Taxes

Taxes: General Rules

- No Inheritance Tax
- Moderate business taxes if you start a local business (corporate income tax is a flat 25%)
- 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: for the first 5 years in the country, you are exempt

Taxes for a Property Owner

- Taxes during ownership: Municipal and “School tax” (combined): 0.5- 0.7% (avg.)

There is also an “Asset Tax”, but this tax is being phased out and will disappear by 2017. For properties below USD 600,000* the tax is 0, and for properties above USD 600,000: 0,4% (avg.).

- Rental income tax: 12% (can be reduced to 10.5%)

- Capital gains tax (when reselling a property):

- 12% of the gain if the property is owned personally
- 12% if the property is owned by a foreign corporation
- 25% if the property is owned by a local corporation

Remember:

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

Our contact information

Further Information

www.fs.com.uy

www.uruguayinvest.com

Detailed presentations on:

- Legal Landmarks and Taxes
- The Property Purchase Process
- Residency and Immigration
 - Investing in Farmland

Or write to:

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FS Attorneys at Law: Who We Are

- Leading Full-Service Law Firm:
 - Clients: mostly foreign companies and individuals
- Staff:
 - Bilingual
 - Notaries Public, Attorneys, Tax Advisors
- Services (covering all of Uruguay):
 - Notary / Legal Assistance in the Purchase Process
 - Tax and Banking Advice
 - Company Formation
 - Title Insurance Advice
 - Immigration / Residency

FS Attorneys at Law: Who We Are

- Main office: Rincón 487, Piso 4, Montevideo, Uruguay
- References:
 - First American, Stewart (title insurance companies)
 - World Bank (www.doingbusiness.org)
 - Global law firms: Mayer, Brown, Rowe & Maw; White & Case
 - Member Transatlantic Law International (www.transatlanticlaw.com)
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