



# Uruguayan Tax Residence

## New Tax Holiday Rules



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### Net Wealth Tax on Individuals

This tax levies the net wealth located in our country at December 31 of individuals, undivided estates and family groups (disregarding if they are resident or not in Uruguay).

The taxpayers pay this tribute when their assets located in the country exceeds a non-taxable minimum (For year 2020 approximately USD 120,000 and USD 240,000 for family groups).

Specific valuation rules for assets: cadastral value for real estate; house room 50%; vehicles; credits.

Assets located abroad are not taxed.

Rates vary from 0.2% to 1.5%, depending on the level of wealth exceeding the aforementioned non-taxable minimum.

### Income Tax on individuals

- **Income Tax on resident individuals (“IRPF”)**

It is an annual tax that levies the incomes of Uruguayan source derived from capital and work obtained by individuals with tax residence in Uruguay and income from movable capital of foreign source.

The general tax rate is 12% (some exceptions apply).

- **Income Tax on Non-Residents (“IRNR”)**

This tax levies the income of Uruguayan source of any nature obtained by non-resident individuals or companies with no permanent establishment in Uruguay.

In relation to the income from movable capital, this tax levies interests, leases, dividends and capital gains.

The general tax rate is 12% (some exceptions apply).

## 1. Physical presence in Uruguay for more than 183 days

An individual will be deemed a Uruguayan tax resident when he/she stays more than 183 days a calendar year in Uruguayan territory.

Sporadic absences not exceeding 30 calendar days will be included in the calculation of the 183-day period.

## 2. Establishment of economic interests in Uruguay

- The individual's direct investments in real property are greater than approximately USD 1,700,000.
- The individual's direct or indirect investments in Uruguayan companies pursuing activities or projects deemed of national interest are greater than approximately USD 5,000,000.
- The individual's investments in real property are greater than approximately USD 400,000, always provided investments are made as of July 1st, 2020 and the individual is physically present in Uruguayan territory for at least 60 days during a calendar year.
- The individual's direct or indirect investment in a company is greater than approximately USD 1,700,000, always provided it is made as of July 1<sup>st</sup>, 2020 and at least 15 new direct positions are created, hiring full-time employees during the calendar year concerned.

### 3. Establishment of vital interests in Uruguay

An individual will be deemed a Uruguayan tax resident when his/her spouse (always provided he/she is not legally separated) and minor children (under the individual's legal custody) live in Uruguay. If the individual has no children, his/her spouse's presence will be sufficient.

### Taxes on financial income from abroad - Options

- **Tax residents from fiscal year 2020 onwards:**
  - i) Pay IRNR for the fiscal year corresponding to their change of domicile to Uruguay (2020) and for the subsequent ten years (eleven years). At the end of this period, residents will begin to pay IRPF at the rate of 12%; or
  - ii) Pay IRPF at the rate of 7% from the first year (no term).
  
- **Tax resident prior to 2020:**
  - i) Pay IRNR for the fiscal year corresponding to their change of domicile to Uruguay and for the subsequent five years (six years). At the end of this period, residents will begin to pay IRPF at the rate of 12%; or
  - ii) Extend the exemption term to ten years making an investment in real property greater than approximately USD 400,000, always provided investments are made as of July 1st, 2020 and the individual is physically present in Uruguayan territory for at least 60 days during a calendar year.

## Taxes on financial income from abroad – Passive income

In both cases, options exclusively refers to passive income provided that said income derives from non-Uruguayan legal entities and other entities not incorporated under the laws of Uruguay and not domiciled in Uruguay. This benefit constitutes, in substance, an exemption from taxes on foreign income for a period of five or ten years to those who make use of said option.

The options may only be exercised on a one-time basis and is available to individuals who have become Uruguayan Residents for Tax Purposes on account of changing their domicile to Uruguayan territory as of July 1<sup>st</sup>, 2007. In this regard, the abovementioned five-year period is calculated as of January 1<sup>st</sup>, 2011.



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### **Education:**

- Doctor in Law and Social Sciences – Universidad de la República - Uruguay.
- Notary Public – Universidad de la República -Uruguay.
- Foundations of American Legal Law – Georgetown University Law Center , USA – 1999.
- LL.M. in International Legal Studies – Georgetown University Law Center , USA – 2000.
- Final stages of the Masters Degree in Tax Law – Universidad de Montevideo - Uruguay.

### **Relevant experience:**

Mr. Ferrari is the partner in charge of the Notarial and Real Estate department of the firm, and has also specialized in Commercial, Corporate and Tax Law.

He has vast experience in providing legal advice to local and international companies. In addition, he has represented companies in public calls for bids and new undertakings. His extensive practice includes financial transactions, loan structuring, real estate consultancy and notarial advisory services.

In the course of his professional career, he has worked at the Inter-American Development Bank, in Washington D.C., focusing on financing projects for Latin America. Mr. Ferrari also worked as a foreign attorney at Arnold & Porter, an American law firm, in Washington D.C., where he advised global companies on Corporate and International Law.

He was Comptroller of Nuevo Banco Comercial during the years 2010 and 2011.

He was assistant professor of Private Law II at Universidad de la República. In addition, he gave a Legal English course at Universidad Católica del Uruguay.

International law publications such as Chambers & Partners and Latin Lawyer have mentioned his expertise and performance in the field of Real Estate and Tax Law.



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