

*Tax transparency in Uruguay:
automatic exchange of information,
beneficial owner, and international tax planning*

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1. Bill's Structure

Automatic report of banking data to the Tax Office

Identification of beneficial owners

Tax burden increase on offshore companies

Transfer pricing rules

2. Automatic Report of Banking Data to the Tax Office

Where are we?

Two targets: OECD requirements (back and forth) -- Access to local data (onshore assets)

2. Automatic Report of Banking Data to the Tax Office

Two levels: Local and international

Main points:

- Data availability
- Bank secrecy
- Technologic platform
- Formatted information

2. Automatic Report of Banking Data to the Tax Office

Three questions:

- Who are obliged to report?
- What information they will provide with?
- Information about who?

2. Automatic Report of Banking Data to the Tax Office

1st question: Who are obliged to report?

- Financial intermediation institutions
- Entities which hold in custody and/or invest on behalf of and ordered by third parties
- Insurance companies (certain insurance agreements + annuity contracts)

2. Automatic Report of Banking Data to the Tax Office

1st question: Who are obliged to report?

Interpretation issues: representations; investment advisors; money transfer companies; currency exchange houses

2. Automatic Report of Banking Data to the Tax Office

2nd question: What information they will provide with?

- All information related to balances, monthly averages and income at the end of the calendar year
- Same information related to debt instruments or equity stake in trusts and investment funds

2. Automatic Report of Banking Data to the Tax Office

3rd question: Information about who?

- Holders
- Beneficial owners
- Residents and non-residents

2. Automatic Report of Banking Data to the Tax Office

- Current status: where are we today?
- Due diligence: Know Your Customer (KYC)
- Tax residence
- Differentiated requirements
- Accounts opened before the Bill: self-certification
- New accounts: tax residence (holder and beneficiary)

2. Automatic Report of Banking Data to the Tax Office

- Infringements
- Penalties
- Confidentiality
- Banking secrecy: unenforceable

Entry into force: 1 January 2017

3. Identification of Beneficial Owners

- Current status
- The novelty: identification of beneficial owners

3. Identification of Beneficial Owners

The obligation to:

Identify the shareholder

Identify the beneficial owner

Report both identities to the Central Bank

3. Identification of Beneficial Owners

Exceptions

To the obligation to identify

Listed entities at the stock exchange market

Investment funds subject to control

3. Identification of Beneficial Owners

Exceptions

To the obligation to report

Limited liability companies and civil institutions whose owners are individuals

3. Identification of Beneficial Owners

Non-compliance

Severe penalties

Fine: up to US\$ 23,000

Prohibition on transferring profits

Suspension of the certify issued by the Tax Office

Inclusion in the list of non-complaints

3. Identification of Beneficial Owners

Non-compliance

Severe penalties

Fine: up to US\$ 235,000 (inappropriate legal forms)

Representatives' liability for their personal involvement

Impossibility of filing with public registries

3. Identification of Beneficial Owners

Central Bank registry

Confidentiality

Access: Tax Office

Anti-Money Laundering Service

Financial Investigation and Analysis Unit

3. Identification of Beneficial Owners

Central Bank registry

Confidentiality

Access: Criminal Courts and Family Courts (only for alimony or child support purposes)

Public Transparency Board

3. Identification of Beneficial Owners

Other control agents

Real estate brokers

Investment advisors

Notaries public

Antique and art galleries

Free trade zones users

Corporations administrators

3. Identification of Beneficial Owners

Entry into force:

1 January 2017

4. Tax Residence in Uruguay

Principle of the source

Exception: movable capital income (12%)

Five-year tax holiday over foreign-sourced movable capital income

4. Tax Residence in Uruguay

Who is a Uruguayan tax resident?

- 183 days of residence in Uruguay
- Center or core of activities in Uruguay
- Main vital interests in Uruguay
- Main economic interests in Uruguay

5. Taxation on Offshore Companies

- Raise
- Concept of offshore companies
- Case studies

5. Taxation on Offshore Companies

Case #1: An offshore company holds a bank account

Today: 12%

Bill: 25%



5. Taxation on Offshore Companies

Case #2: An offshore company owns a real estate property

Situation (A): Such property is given in lease

Today: 10.5% Non-residents Income Tax (IRNR)

1.5% Net Worth Tax (IP)

Bill: 30.25% IRNR; 3% IP



5. Taxation on Offshore Companies

Case #2: An offshore company owns a real estate property

Situation (B): Such property is sold

Today: 1.8% IRNR (sale price)

Bill: 25% IRNR (sale price - adjusted purchase price)



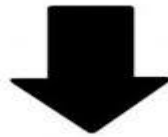
5. Taxation on Offshore Companies

Case #3: An offshore company holds shares of a Uruguayan company

Situation: Such shares are sold

Today: 2.4% IRNR

Bill: 7.5% IRNR



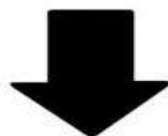
5. Taxation on Offshore Companies

Case #4: An offshore company owns intangible assets (trademarks, patents)

Situation: Such assets are sold

Today:

Bill: 25% IRNR



5. Taxation on Offshore Companies

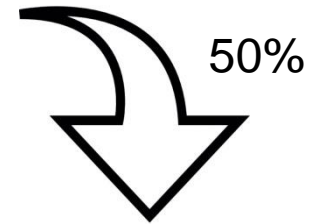
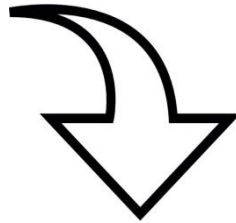
Case #5: Export/import transactions

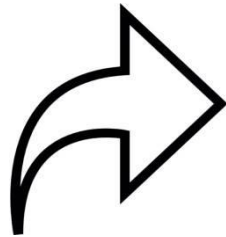
Today: Sales to Uruguay -- No tax

Resales of goods priory acquired to Uruguayan companies --
No tax

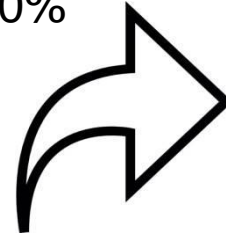
Bill: Import (50% sale price)

Export (50% resale price)





50%



5. Taxation on Offshore Companies

Case #6: An offshore company obtains foreign-sourced income

Shareholder: A Uruguayan taxpayer

Today: Only movable capital income (12%)

Bill: Rents and capital gains too (12%)

