



URUGUAY: A PLATFORM FOR OFFSHORE BUSINESS

TTN Conference - Sao Paulo

13 November 2014

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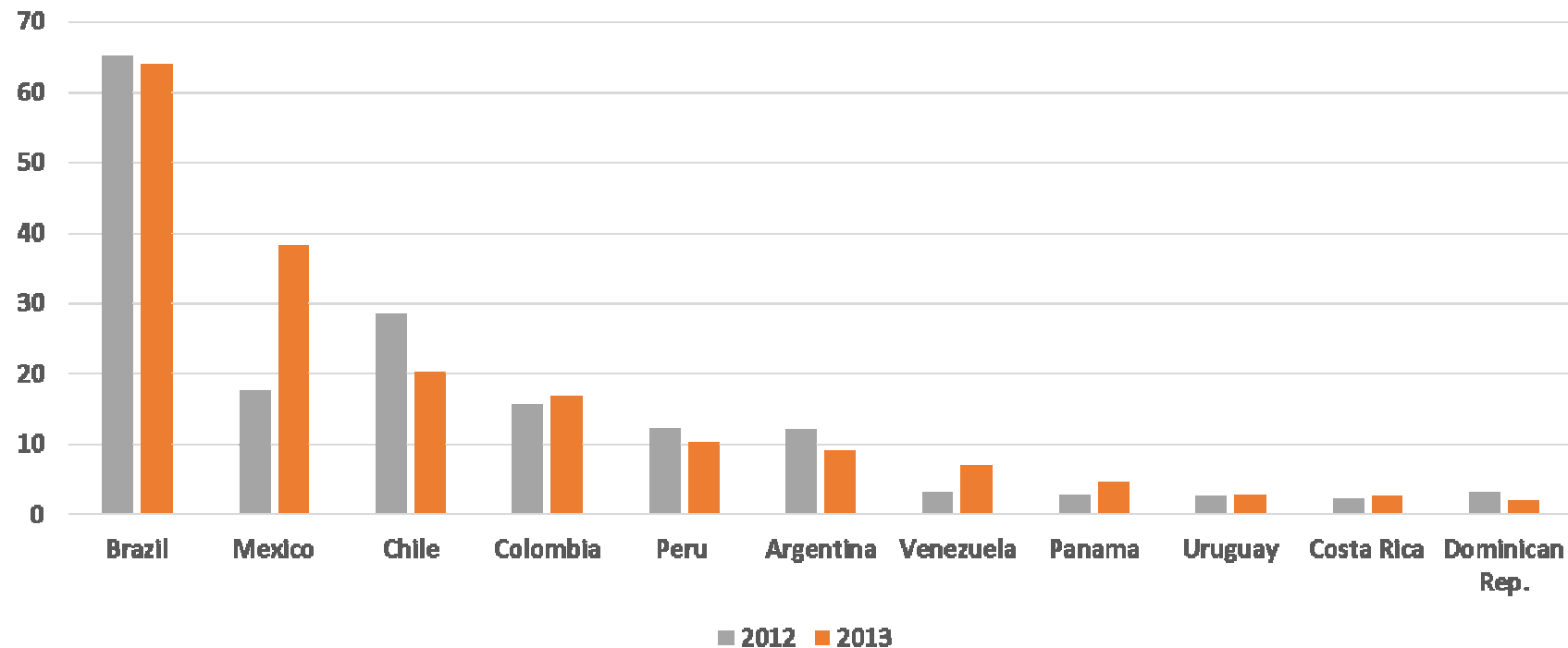


I. Foreign Investment in Latin America and the Caribbean

- Foreign Direct Investment (“FDI”) boomed in Latin America and the Caribbean over last decade.
- In 2013, FDI amounted to USD 188 billion, thus reflecting an increase of 6% vis-a-vis 2012.
- South America represents 69% of FDI in Latin America and the Caribbean.

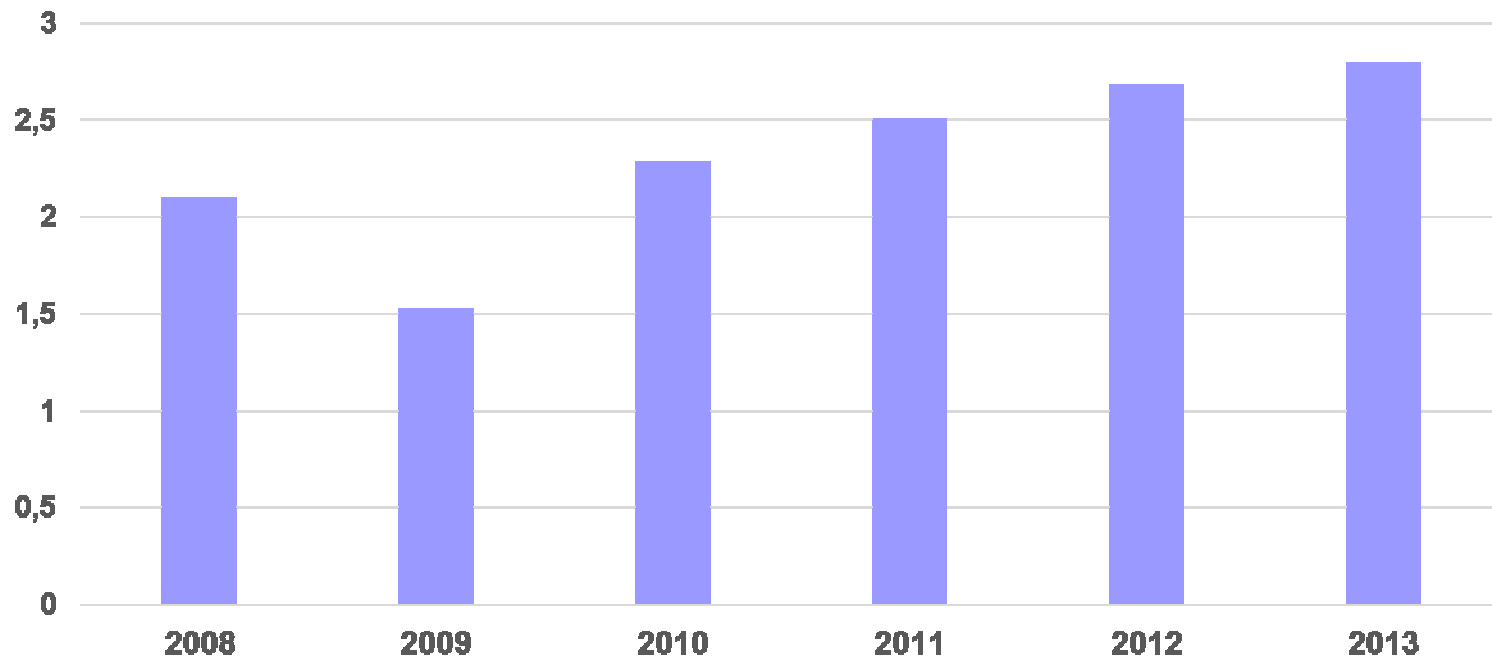
I. Foreign Investment in LatAm

Main destination of FDI (in Bill US\$)



Source: Commission for Latin America and the Caribbean (ECLAC)

II. FDI in Uruguay



In 2013 Uruguay evidenced the highest level of FDI in recent times, in the sum of USD 2.8 billion.

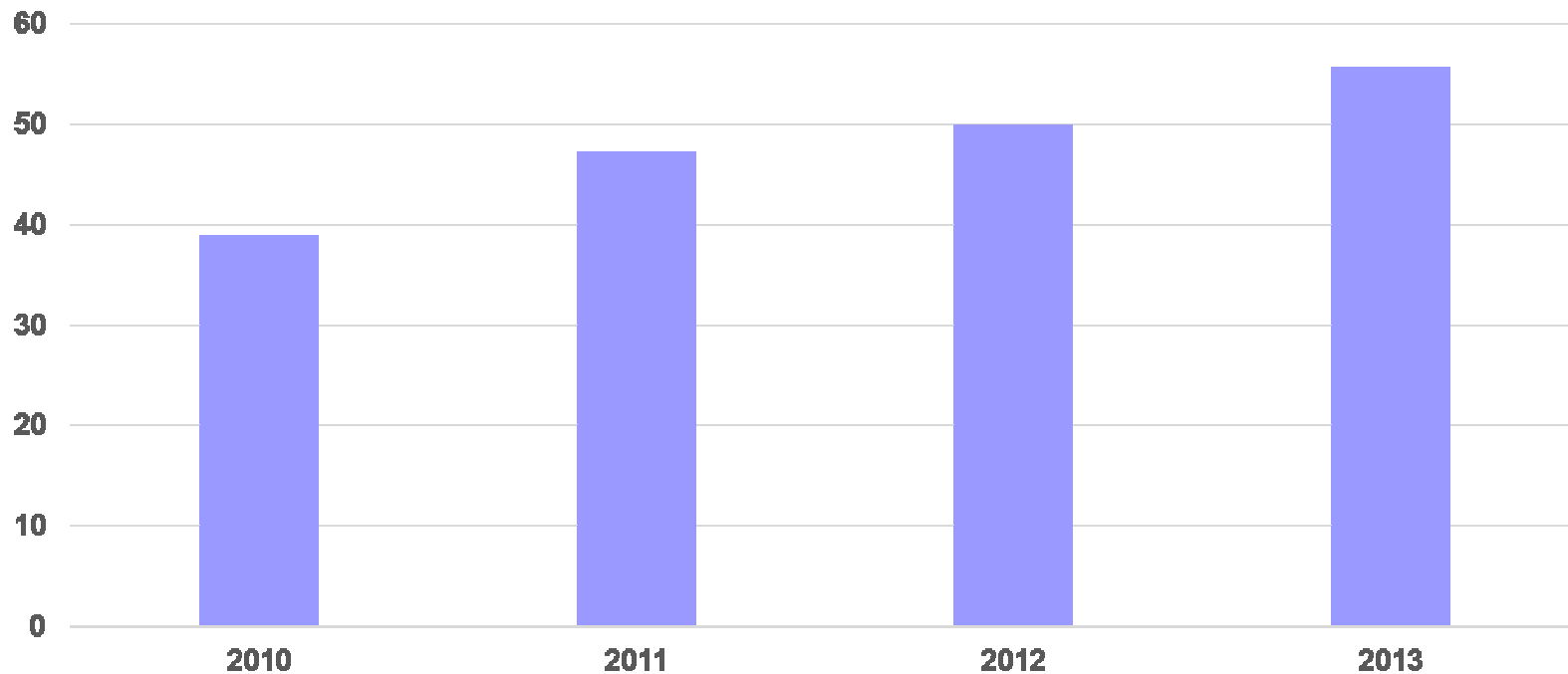


III. Investment Climate

- The “most democratic” country in Latin America according to “The Economist”. Ranks 18 worldwide.
- First Latin American country in terms of the lowest corruption levels in the public sector, according to “Transparency Internacional”.
- Index of Economic Freedom: 3rd place in LatAm (“Heritage Foundation”).
- Prosperity Index 2010: 30th place, first among Latin American countries (“Legatum Institute”).
- Global Peace Index: 24th place, first among Latin American countries (“Institute for Economics and Peace”).

IV. Uruguay - Economy

GDP in 2013 reached USD 46 billion: 4.4% annual growth





V. Free Zones

Activities Allowed

- Marketing
- Deposit
- Storage
- Assembly
- Disassembly
- Handling
- Installation and operation of manufacturing premises
- Provision of financial and professional services
- Banking activities
- Others



V. Free Zones

Tax Treatment

- Exemption on entry and exit of goods (not including the Uruguayan territory)
- Exemption on the activities undertaken in the Free Zones (corporate income tax included) (except for social security contributions affecting national personnel)
- Exemption on remittance of dividends abroad
- Uruguayan State guarantee, under liability for damages, the maintenance of these exemptions



V. Free Zones

Restrictions

- Free Zones Users must employ at least 75% of Uruguayan citizens (percentage may be reduced upon authorization of the Executive Branch)
- Products exported to another MERCOSUR country are subject to the same MERCOSUR Common External Tariff applied to imports from non MERCOSUR countries



VI. Free Ports

- Areas next to port locations where special tax and customs rules apply.
- The movement of goods in the Free Ports is free. No permits nor formal procedures are required.
- Maintenance and transfer of assets within Free Ports is tax exempted.
- Destination of the goods that enter the Free Ports can be changed without any problem.



VI. Free Ports

- The activities to be met at the Free Ports cannot mean changes in the nature of the product or merchandise.
- Those activities shall be limited to warehouse operations, repackaging, marking, classification, grouping, consolidation and deconsolidation, handling and portioning.



VII. Special Incentives

➤ Industrial Parks:

Privately or publicly owned land with full-services for the installation and exploitation of productive ventures. Owners of industrial parks and their operators can access to the Investment Act.

➤ Custom Deposits:

Areas privately administered where merchandises can circulated in transit. Merchandises can be landed and re-embarked at any time free from import and export duties. No VAT within the Custom Deposit.



VII. Special Incentives

➤ Temporary Admission:

Allows entrance of items (for manufacturing/assembling purposes) free from import taxes, for further re-export. Maximum term for re-export: 18 months.

➤ Tax Refund:

Exporters are refunded for the internal taxes which are part of the cost of the exported good. Amount varies per product: percentage over the FOB price.



VII. Special Incentives

➤ International Trading:

Optional regime to establish the locally-sourced income:

- a) International trading of goods (products may not pass through the Uruguayan territory); and
- b) Intermediation of services, as long as the services are rendered abroad and utilized abroad.


Taxable income: 3% over the balance between the sale price and the acquisition price.



VIII. Income Tax Exemptions

Certain Activities Expressly Exempted:

- Maritime or air transportation companies: For foreign companies, conditioned upon reciprocity.
- Activities over transit merchandises: activities conducted abroad and/or in custom spaces, customs warehouses and free zones, by non residents, with foreign-origin merchandises not to be used or destined to the Uruguayan territory.
- Forestry: artificial protective woods and woods of high quality.
- Biotechnology and bio-informatics: Exemption subject to the condition that these activities are fully exploited abroad.



IX. Holdings - Uruguayan Platform

- Principle of the source (for companies).
- Foreign sourced income remains untaxed in Uruguay.
- Dividends remitted abroad: taxed only where dividends pertain to taxed income.
- Dividends distributed by holding companies with foreign based participations: untaxed.



X. Investment Protection and Incentives

Law N° 16.906 (7 January 1998)

- Declared of national interest the promotion and protection of national and foreign investment.
- Equal treatment between national and foreign investment guaranteed by law.
- No previous foreign investment registry is required.
- The State undertakes to provide fair and non-harmful treatment to investments (ungrounded and discriminatory measures are prohibited).
- The State guarantees free remittance abroad of capital and dividends; free conversion into foreign currency is secured by law.



X. Investment Protection and Incentives

Certain Sectors Declared “Promoted”

- Services and intangible assets rendered or transferred to free zone operators (by foreign companies or individuals) (Decree N° 311/005).
- Call centers (Decree N° 207/008).
- Activities in the electronic and navy industries (Decree N° 532/009).
- Agricultural machinery and equipment (Decree N° 346/009).
- Electricity generation by means of renewable sources (Decree N° 354/009).
- Condo-hotels (Decree N° 404/010).
- Exploration of hydrocarbons on offshore areas (Decree N° 68/013)
- Shared Services Centers (Decree N° 251/014).



X. Investment Protection and Incentives

Investment Projects Declared “Promoted”

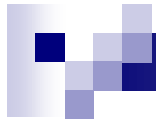
- Eligibility for the benefits: Companies whose investment projects have been declared promoted, or companies which operate in lines of activity which the Executive Branch has declared “promoted”.
- Application assessed by an Advisory Committee (employment generation, territorial distribution, exports encouragement, clean technologies, R+D).
- The Executive Branch declares the project “promoted”.
- Short terms: 60 business days for the Advisory Committee to opine.



X. Investment Protection and Incentives

Tax Benefits:

- IRAE (Corporate Income Tax): between a minimum of 20% and a maximum of 100% of the invested amount, with a cap of 60% of the payable tax within the fiscal years included.
- Exemption term: minimum of 3 years (as from the fiscal period where a taxable income is obtained).
- IP (Net Equity Tax or Wealth Tax): (a) exemption over movable assets which become part of the fixed assets (during the entire life-span of the assets); (b) exemption over civil works up to eight years in Montevideo (and 10 years in the country side).
- Import duties: exemption of import duties over movable assets destined to become part of the fixed assets and materials to be used in civil works (VAT included).
- VAT: tax credit for the acquisition of assets in the local market place.



Thank you,

Jonás Bergstein



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