



DESPACHANTES DE ADUANAS Y LOGÍSTICA

## INVESTMENT PROMOTION REGIME

Investments in Uruguay are declared **of national interest by law**. Foreign investors enjoy the same incentives and benefits as national investors, there being no discrimination whatsoever.

## REGULATIONS

The investment promotion regime is established in **Law 16.906 of December 22nd, 1997** and declares the promotion and protection on investments made in the Uruguayan territory of national interest.

### Regulatory Decrees:

**Decree 092/998** of April 21<sup>st</sup>, 1998, **Decree 455/007** of November 26<sup>th</sup>, 2007, **Decree 002/2012** of January 9<sup>th</sup>, 2012, **Decree 299/015** of November 9<sup>th</sup>, 2015 and **Decree 143/018** of May 22<sup>nd</sup>, 2018.

**These resources provide a distinction between two types of tax incentives: The general and specific ones.**

## GENERAL INCENTIVES

The beneficiaries of these tax incentives are **taxpayers of Tax on Business Activities and Tax on the Disposal of Agricultural and Livestock Assets, who conduct Industrial or Agricultural and Livestock activities and also cooperatives.**

The tobacco industry is not included.

## BENEFITS

For these cases, the law establishes the **automatic granting of benefits for the purchase of the following assets:**

- Personal property used directly for the production cycle: industrial machinery, industrial facilities, agricultural machinery and utility vehicles.
- Equipment for electronic data processing and personal property for its functioning.

### The automatic benefits are the following:

- Exemption of Net Worth Tax of the abovementioned assets, which are considered encumbered assets for the deduction of liabilities for the tax calculation.
- Exemption of Net Worth Tax for both cattle and sheep male and female breeders, and dairy cattle which comply with the provisions established by

decree No. 59/998. – Exemption of the Value Added Tax (VAT) on the import and VAT refund for the local purchases of these assets.

- Exemption of Specific Domestic Tax (IMESI) on the import of such assets.

Furthermore, it enables the **Executive Branch to grant other tax benefits** to intangible assets, such as: brands, patents, industrial designs, privileges, copyrights, goodwill, trade names and concessions granted for the prospecting, crops, extraction or development of natural resources, other assets, procedures, inventions or creations that incorporate technological innovation and involve technology transfer.

## INCENTIVES FOR SPECIFIC INVESTMENTS

### BENEFICIARIES

Companies from any sector which are taxable persons of the Tax on Business Activities and that present an investment project that is promoted by the Executive Branch.

### PROJECT CLASSIFICATION

The following will qualify as eligible investments:

- Personal property used directly for the activity of the company (except for non-utility vehicles and personal property for houses).
- Construction of real property or fixed improvements in owned or third parties' real properties, whose contract have a remaining term of minimum 5 years (except for improvements on houses).
- Seedlings and implementation costs of trees and multiannual fruit plants.
- Electric vehicles for passengers, used directly for the company's activity. Their motorization shall be exclusively electrical.

### BENEFITS

The benefits are the following:

- **Net Worth Tax:** concerning personal assets of the fixed asset, the exemption of the Net Worth Asset is applied in the cases when other benefits cannot be applied.



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Civil works: exemption of Net Worth Tax on civil works up to 8 years if the project is located in Montevideo and 10 years if it is in the rest of the country.

- **Tax on Business Activities:** Exemption of the Tax on Business Activities for a maximum amount and term resulting from applying indicators.

The benefit of Tax on Business Activities exemption is subject to the score obtained in the indicator matrix elaborated by the Committee on the Application of the Investment Law. The indicators on which the project matrix is based are the following:

- ✓ Job creation.
- ✓ Decentralization.
- ✓ Exports increase.
- ✓ Use of clean technologies.
- ✓ Increase in research and development and innovation.
- ✓ Sectoral Indicator.

Micro and small companies, whose investments are of up to 3,500,000 Indexed Units, will obtain an extra 20% on the benefit of the Tax on Business Activities.

Users of industrial parks and scientific/technological parks will obtain an extra 15% on the exempted portion of the Tax on Business Activities.

- **VAT:** VAT refund on exporters regime for the local purchase of materials and services used for civil works.
- **Fees and duties on imports:** Exemption of fees and duties on imports, including VAT, of personal property for fixed assets and materials used for civil works, that are not exempted by other regimes and that are declared non-competitive with the national industry.