



# FERRERE

BOLIVIA | PARAGUAY | URUGUAY

## Investing in **URUGUAY**

2026

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## 1. BUSINESS ENTITIES

Sociedades Anónimas, Sociedades de Responsabilidad Limitada and Sociedades por Acciones Simplificadas can carry out business while insulating shareholders against company debts. At times, foreign investors choose to conduct business through a local branch.

Choosing the right type of entity depends on multiple factors, including the number of shareholders, the activity to be carried out, taxation and record-keeping, among others.

### 1.1. Organization

In short, incorporating a Sociedad de Responsabilidad Limitada requires choosing a name and checking its availability, making capital contributions, agreeing on the provisions of the articles of association and filing it with the Registry of Commerce and posting an extract, all of which usually takes between 60 and 90 days.

In the case of Sociedades por Acciones Simplificadas, it is possible to opt for the incorporation of a SAS: i) with the standard by-laws (which guarantees that the company is incorporated within a period of approximately 10 days from the presentation before the Registry of Commerce), or ii) that it is tailor made (estimating for it a time of incorporation of 45 days).

The most viable alternative to have an operational Sociedad Anónima quickly (one week) is to acquire it in a pre-incorporated form. The acquisition of pre-incorporated companies is a common practice in Uruguay. These companies are recently established and are acquired with a statement from the founding shareholders regarding the absence of other assets and liabilities other than those necessary for the constitution of the company.

### 1.2. Capital

**Sociedades Anónimas:** Unless otherwise required by the Law or set forth in their by-laws, Sociedades Anónimas may carry out any sort of business. Sociedades Anónimas may be public or privately owned, and in both cases, after incorporation, all of a company's share capital may be owned by a sole shareholder. Share capital shall be expressed in local currency and represent at least 25% of a company's authorized capital at the time of incorporation. Shares may be issued in either nominative, book-entry or bearer form. Preferred shares granting special voting and economic rights may be agreed.

**Sociedades de Responsabilidad Limitada:** Usually considered a hybrid entity combining characteristics of Sociedades Anónimas and partnerships, it is the company type in which small and medium-sized business are usually organized. They shall be formed by at least two and up to fifty partners, including legal entities. Shares are represented by nominative quotas which may be freely transferred between partners but are subject to approval in the event transferred to third parties.

**Sociedades por Acciones Simplificadas:** Shares shall be issued in nominative or book-entry form, none of which may be publicly traded. As opposed to Sociedades Anónimas and Sociedades de Responsabilidad Limitada, this company type allows for formation by a sole shareholder.

### 1.3. Restrictions on Foreign Ownership and Control

There are no restrictions with respect to citizenship or domicile of shareholders and directors of companies, except for certain specific activities that are considered to be in the national interest (including radio broadcasting and long-distance bus lines), which must be exclusively owned by Uruguayans, while aviation companies must be comprised by a majority of Uruguayan capital.

### 1.4. Shareholders Meetings

**Sociedades Anónimas:** Management of company affairs may be either entrusted to a sole-director or a board, except for public companies in which case the latter is mandatory. Directors may be individuals or legal entities, local or foreigners. A statutory Annual General Meeting shall be held within six months following the financial year-end to go over the company's annual report, financial statements, dividend distribution project and board's management of company affairs. Extraordinary meetings may be called whenever necessary. Meetings shall take place in Uruguay and shareholders may be represented by proxy. Sociedades Anónimas are required to keep books and records of transactions in due course.

**Sociedades de Responsabilidad Limitada:** This type of company may be member-managed, allowing for management by several members, depending on the circumstances. Similarly to Sociedades Anónimas, statutory meetings shall be called within six months following the financial year end with a similar agenda. Depending on the type of resolution and the number of partners, resolutions may require a simple majority or unanimous consent. Profits shall be distributed as provided in the articles of association and may not necessarily follow an equity criterion.

**Sociedades por Acciones Simplificadas:** General Meetings may be held locally or overseas, personally or through remote communication means. Management may be entrusted to a sole-director or a board.

### 1.5. Board of Directors

The Board of Directors of closed corporations can be comprised by an administrator or a board of directors, except for open corporations which are required to have a board. Both individuals and legal entities can be administrators or board directors of the company, except for certain specific activities in which the performance of an individual is mandatory (banks, insurance and reinsurance companies).

Directors can hold office for unlimited consecutive terms. There are no restrictions as to nationality or residence of the directors or their capacity as shareholders. The board of directors may meet abroad if so established in the company's bylaws. In open corporations directors must meet at least once a month.

The Board of Directors has the authority to decide with respect to all matters included in the corporate purpose, with the only exception of the restrictions imposed by law and those set out in the bylaws.

Directors are jointly and severally liable vis-à-vis the company, the shareholders and the creditors of the company for all violation of laws, decrees or bylaws committed with their knowledge or without their objection. Likewise, pursuant to several provisions, directors are personally liable vis-à-vis tax authorities for unpaid taxes, under certain circumstances.

Uruguayan law does not make any distinctions between directors and officers of companies. Only board members can be appointed as chairman, vice chairman, treasurer and secretary of the company.

## 1.6. Control

Companies can establish internal control systems by appointing a controller or a control board. In order to be a controller or member of the control board it is not necessary to be a public accountant.

However, it is mandatory for open corporations to have a controller.

The Corporate Oversight Authority has direct regulatory oversight of closed corporations in cases of amendment of bylaws, changes in capital, dissolution or request for calls to shareholders meetings, or when so required by more than 10% of the shareholders. Open corporations are subject to broader control by the Corporate Oversight Authority. Annual financial statements of open corporations must be approved by the Corporate Oversight Authority and published in the Official Gazette and in another newspaper.

Companies that at year-end have total assets or net income exceeding a certain threshold must file their financial statements for the business year with the Corporate Oversight Authority, within 180 days following the company's year-end. If this obligation is not fulfilled the company will not be able to distribute earnings for the business year.

## 1.7. Branches

Branches can perform acts included in the parent's bylaws. In order to establish a branch in Uruguay, the parent must: (i) allocate branch capital, on which there are no limits; (ii) appoint one or more legal representatives and grant same sufficient authority; (iii) establish domicile in Uruguay; (iv) file its bylaws and the parent's resolution to establish a branch in Uruguay in the National Trade Registry; (v) publish an extract of the bylaws in the Official Gazette and in another newspaper; (vi) appoint and communicate to the tax authorities a legal representative residing in Uruguay, which can be the legal representative himself or another.

For the purposes of establishing a branch the investor must obtain the following documentation, apostilled or legalized at a Uruguayan Consulate:

- ▶ Certified copy of parent's bylaws;
- ▶ Certified copy of instrument drawn up by the competent body approving establishment of a branch in Uruguay;
- ▶ Certificate of goods standing of parent;
- ▶ Power of attorney in favor of the branch representative in Uruguay.

Disclosure of ultimate beneficial ownership: All of the abovementioned shall disclose with the Central Bank the identity of shareholders and corporate chain of ownership up to their "ultimate beneficial owners", understood as those individuals who directly or indirectly hold at least 15% of a local company's share capital (or equivalent) or voting rights or otherwise exercise control over the company.

Notwithstanding the above, companies whose shares are listed on stock exchanges or owned by foreign investment funds or trusts may be exempted, provided the latter are in compliance with similar provisions in their country of origin and an agreement of information exchange between both is in effect.

## 2. EXCHANGE REGULATIONS

No exchange controls are presently in effect in Uruguay. Since September 1974 foreign exchange market operations have been completely free on the basis of fluctuating rates determined by supply and demand. The purchase and sale of foreign currency and payments made abroad in foreign currency are not subject to any restrictions. Payment for imports may be made in foreign currency held either abroad or in the country, or by purchasing such currency within the country. Exporters may freely keep the foreign currency proceeds from their export sales.

There are no legal obstacles to commercial or financial agreements being drawn up in foreign currency. Legal enforcement of contracts may be made either in local currency or in the foreign currency originally agreed upon by the parties.

## 3. INTERNATIONAL TRADE

There are no restrictions on the importation of goods into Uruguay, other than for petroleum, pharmaceuticals, medical products, and certain sensitive products. The importation of used goods is likewise not limited, except in the case of cars, trucks, and motorcycles.

Processing of imports requires is simple and takes only a few days. However, some goods may be imported under abbreviated procedures that can be completed after the goods have actually been brought into the country.

Imported goods, with the exception of capital goods, IT and telecommunications technology, sugar products, automotive industry products, and those contained on a list of some 100 products subject to exceptional regimens, are subject to the MERCOSUR Common External Tariff. The maximum duty currently applied under the Common External Tariff is 35%, and duties generally range between 10% and 16%.

Imports are subject to VAT and an Aggregate Tariff Rate, which consists of various duties and charges. The Aggregate Tariff is calculated on the basis of GATT valuation rules. Valuation of used goods is based on the price of similar new products, less a deduction for the time of usage, with the exception of capital goods, IT and telecommunications technology, which are valued at transaction value.

### 3.1. Temporary Admission of Inputs

Temporary admission of inputs for the export industry (raw materials, spare parts, components, engines, packaging, dies, etc.) is subject to a very favorable regimen. Under this system, imported goods are exempt from all customs and other import taxes. The importation of these goods for up to 18 months is normally authorized in less than a week, and authorization to import under this regimen may not be denied by the authorities on grounds of existence of local production of the same goods.

At the end of the authorized temporary admission period, the inputs imported must have been re-exported, either in the form they were imported or as inputs for other export goods. In exceptional cases, the goods may be permanently imported into the country, by paying the regular customs and import duties. In general, when the temporary admission period ends, the inputs must be exported, either in the form in which they were imported or as inputs for other export goods. If they are not so exported they can be permanently imported into Uruguay, with payment of import duties plus applicable penalties and surcharges. Additionally, if the import is

made in the last six months of the temporary admission period, authorization by the Ministry of Industry, Energy and Mining will be required, along with verification of the merchandise.

### **3.2. Temporary Admission of Capital Goods**

Authorization for the temporary importation of industrial equipment and tools is subject to the discretion of the Ministry of Economy and Finance, and may be granted for periods not exceeding 24 months (although it is possible to obtain renewals).

These authorizations are granted on a case by case basis and the procedure to obtain them may take from three to six months. As authorization is discretionary, the request should constitute part of an overall industrial project submitted to the government.

Customs and other import duties are suspended during the validity of the temporary importation, and are completely waived once the goods are re-exported to a third country or to one of the Uruguayan free trade zones.

There are no regulations limiting temporary importation of used capital goods or other types of used equipment. The goods may also be permanently imported into the country, by paying the applicable customs and other import duties.

Machinery and equipment whose temporary importation has been authorized may be used to produce for the domestic market.

### **3.3. Free Trade Agreements and Customs Unions**

Uruguay is a member of MERCOSUR, a Customs Union comprising Argentina, Brazil, Paraguay, and Uruguay. As a consequence of this Agreement, third- country imports not included on the "List of Exceptions" for Uruguay are imported subject to the MERCOSUR Common External Tariff described above.

Uruguayan exports to Argentina, Brazil and Paraguay are completely free from tariffs and similar duties in the country of importation. The tariff exemption, however, is subject to a set of Rules of Origin that make the MERCOSUR regimen inapplicable to products with high non- MERCOSUR content. In general terms, the special MERCOSUR treatment applies in principle to goods totally obtained or manufactured using products of the party states, and then certain criteria are established to establish when the goods are considered to be of MERCOSUR origin or not.

## **4. LABOR LEGISLATION**

### **4.1. Minimum Salary Requirements**

Salaries are negotiated by Salary Boards by branch of economic activity. This obligatory collective bargaining process involves participation of the Ministry of Labor, along with labor and management organizations. The agreements reached by the Boards are extended by decree to all companies included in the respective area of activity.

The agreements set minimum wages by job category, percentages of increases, and other working conditions. If there is agreement of the parties, other working conditions can be negotiated at Salary Boards.

### **4.2. Working Hours**

The normal working day is eight hours, with a maximum of 48 hours per week for industrial workers and a maximum of 44 hours per week for commerce and office workers. These

limitations are not applicable to managers, administrators, and executive personnel. Overtime is paid with a 100% surcharge when performed during business days, and a 150% surcharge when performed during holidays.

### **4.3. Vacation**

All workers have the right to twenty business days of vacation after each year of work. After the fifth year of service, they have the right to one additional business day of vacation for every four years of service.

Vacation may not be accumulated and should be taken by the worker in the year following that in which it is generated. Workers have the right to be paid an additional "vacation salary" prior to taking their vacation, equivalent to 100% of their net vacation pay.

### **4.4. Annual Bonus**

All workers are entitled to payment of an annual bonus ("aguinaldo") before each December 20, equivalent to 1/12 (one-twelfth) of the aggregate sum collected by the employee during the entire year. In practice this payment is made in two installments, with the first half being due in June and the second before December 20.

### **4.5. Termination of Employment**

If the worker's employment is terminated by the company's decision without cause, the worker has the right to receive compensation equal to one month's salary for each year (or fraction thereof) of service, up to a maximum of six months' remuneration. This amount increases significantly in the case of dismissal during pregnancy or illness or occupational accident. The statute of limitations for labor claims is one year following termination of employment, with five years retroactivity.

### **4.6. Foreign Personnel**

Foreign citizens may work freely in Uruguay once they obtain a resident visa. Such visas are granted only after the foreign citizen has provided evidence of good health and of source of income, and the government has verified the candidate's criminal record with Interpol and the authorities of the countries where the applicant has lived in the previous five years. In practice, applicants are allowed to work while the resident visa is being processed.

### **4.7. Union Activity**

Unions are not subject to specific regulations, although they are recognized the right to establish and to operate freely. Collective bargaining is regulated.

Workers' right to strike is protected by law, and workers are likewise protected against dismissal for union activities. In particular, the law establishes nullity of dismissal due to union reasons.

The limits of lawful labor union activities are not precise, but major conflicts are restricted to a fairly limited number of areas.

In Uruguay opposition to legal regulation of strikes is strong. In practice the only limitation has consisted of the Government's right to impose the obligation to maintain minimum levels of essential services.

## 5. INSURANCE

In 1993 Law 16,426 was passed to approve demonopolization of the insurance market. The Law established free choice of insurance companies to cover all types of risks, except for on-the-job accidents and occupational illnesses.

The law requires insurance and reinsurance companies wishing to operate in Uruguay to set up business as Uruguayan corporations and obtain authorization from the Executive branch and approval from the Superintendency of Financial Services of the Central Bank of Uruguay.

Local risks must be covered by Uruguayan insurers. Noncompliance with this obligation implies joint and several liability of the insurance company, the insured, and brokers in the transaction for (i) any taxes that would have been applicable had the insurance been provided locally, and (ii) any monetary penalties as set by the Superintendency of Financial Services.

Uruguayan insurers may contract reinsurance with companies not established in Uruguay and compute such reinsurance for purposes of establishing technical reserves and minimum capital, to the extent that the foreign reinsurers have an international risk rating equal to or higher than A- made by an international risk rating agency determined by the Superintendency of Financial Services.

## 6. FINANCIAL ACTIVITIES

The Financial Intermediation Law (FIL) regulates incorporation and functioning of public and private entities who act as financial intermediaries. Financial "intermediation" is defined as the regular and professional execution of mediation between supply and demand of credit instruments, currency or precious metals. Such activities are subject to the rules contained in the FIL and its regulatory decrees, as well as to the regulations issued by the Central Bank of Uruguay.

Under the FIL different forms of financial institutions may be incorporated: banks (public or private), financial entities, investment banks, financial cooperatives, purchase plan management companies, and securities brokers.

## 7. INVESTMENTS FUNDS

### 7.1. Overview

The Investment Funds law was passed in September 1996. The law defines Investment Funds (IFs) as independent entities composed by contributions made by individuals or legal entities for their investment in securities or other assets.

IFs are not companies and must be managed by a fund manager. IFs may have a limited duration and a maximum amount, or be unlimited. Their assets may consist of securities registered with the Securities Registry of the Central Bank of Uruguay (BCU), foreign securities, time or demand deposits, etc.

The assets constituting an IF are the joint property of the contributors and remain undivided during the fund's existence. IF equity cannot be held liable for debts of fund contributors or fund managers.

IF shares may be represented by bearer, registered or book-entry securities.

## 7.2. Investment Fund Managers

Investment Fund managing companies must fulfill the following requirements:

1. They must be corporations having registered or book-entry shares and inform the Central Bank (BCU) as to share ownership;
2. Their sole purpose must be management of the IF;
3. They must have BCU authorization to operate;
4. They must have a controller or other internal auditing body.

Managing companies represent IF investors collectively as regards their interests and vis-à-vis third parties. A single company may manage more than one IF, but in such case it must ensure the total independence of each IF's equity, and maintain separate accounting records.

Managing companies, their representatives, directors, managers, administrators, controllers and auditors are jointly and severally liable for damages they may cause to fund shareholders due to noncompliance with legal and regulatory provisions.

## 7.3. Investment Limits

Since one of the reasons for existence of IFS is portfolio diversification so as to minimize risk, the law grants BCU the power to set maximum percentages that IFS can invest in securities of a single issuer or economic group.

## 8. CONSUMER PROTECTION

The Consumer Relations Act No. 17,250 came into force in August 2000. This law applies only to company relations with end users of products or services.

The Act makes a statement of basic consumer rights, with special emphasis on protection of health and safety, and indicates the minimum information the supplier must furnish to the consumer prior to or at the time of purchase of products or services.

The Act includes provisions on advertising and establishes that the supplier is bound vis-à-vis the consumer by all information disseminated in advertising.

It prohibits misleading advertising and, while authorizing comparative advertising, it places the burden of proof of truthfulness on the advertiser. As in most consumer protection legislation, Uruguayan law grants consumers a period (five business days) to change their minds regarding Internet, telephone, mail or door-to-door purchase of products or services.

It prohibits inclusion of abusive clauses in adhesion contracts and establishes that consumers may petition the courts for annulment of such clauses. It defines certain abusive commercial practices, including failure to supply products or services when available, delivering unsolicited products or services to the consumer, and making the consumer appear to be the contract initiator when that is not the case.

Unlike more modern legislation, the Act does not establish joint liability of all suppliers for manufacturing defects, and holds the importer and the manufacturer liable in the first degree, followed by the distributor and retailer. Products may be sold with no guaranty if the consumer is informed of this fact.

Recently, Law 18,507 created an abbreviated judicial proceeding for consumers to bring claims against companies, for amounts up to 100 Adjustable Units.

## 9. TAXATION

The General Tax Administration (DGI) collects most national taxes other than municipal, customs or social security taxes, which are collected by other government agencies.

The most relevant taxes are: Business Income Tax (IRAE); Personal Income Tax (IRPF); Nonresident Income Tax (IRNR); Net Worth Tax (IP); and the Value- Added Tax (VAT).

### 9.1. Business Income Tax (IRAE)

#### 9.1.1. General introduction

Business Income Tax (IRAE) is levied at a rate of 25% on Uruguayan-source business income deriving from economic activities of any kind.

Uruguayan-source income is derived from activities carried out, assets located or rights economically used in Uruguay, regardless of nationality, domicile or residence of the parties involved in the transactions or their place of execution. Foreign-source income earned or obtained by local taxpayers is not subject to this tax.

#### 9.1.2. Admitted expenses

In general, net income subject to IRAE is determined by deducting from gross taxable income all expenses necessary for obtaining and maintaining such income.

Deductibles include only expenses that for the other party (resident or nonresident) constitute income subject to business or personal income tax, and in the proportion resulting from applying to the expense the ratio between the maximum rate applicable to the other party's income and the 25% IRAE rate.

While certain expenses are not subject to this proportionality rule, there are others that can be computed one and a half times for their real amount. Regulation sets forth that certain expenses are not admitted in terms of the IRAE liquidation. Among these, we can find utilities destined to capital or reserves increase, losses derived from illegal operations, sanctions due to non-compliance with tax regulation, costs incurred in to obtain untaxed incomes and goodwill amortization.

#### 9.1.3. Tax Losses

Tax losses from previous fiscal years can be carried forward for IRAE purposes for up to five years as of the fiscal year in which they were generated.

#### 9.1.4. Transfer Pricing

In the case of transactions between taxpayers and related parties or parties located in no or low tax jurisdictions, transfer pricing rules should be taken into account.

When transactions with related persons or entities diverge from normal market prices -which must be proven by tax authorities- transaction prices will be adjusted per the most appropriate methods depending on the type of transaction.

To this effect, the following methods apply: (i) comparable prices between independent parties, (ii) resale prices set by independent parties, (iii) cost plus benefits, (iv) distribution of earnings, and (v) net margin of the transaction.

### **9.1.5. Permanent Establishment**

The 2006 tax reform law introduced the concept of permanent establishment of nonresident entities. The law embraces international standards and considers that a permanent establishment exists when a nonresident person carries out all or part of its activities through a fixed place of business in the country.

A permanent establishment exists as of when a company starts to perform its activities through such fixed place of business, and the concept management offices, branches, offices, factories, mines, oil wells, quarries, construction works, projects or installations exceeding three months.

## **9.2. Personal Income Tax (IRPF)**

### **9.2.1. General introduction**

Personal Income Tax (IRPF) is levied on Uruguayan-source capital gains and labor income, as well as certain foreign-source capital gains obtained by Uruguayan tax resident individuals.

### **9.2.2. Investment income**

Investment income includes earnings deriving from holdings and transfers of real and personal property, and is taxed at a general rate of 12% with certain exceptions (3% or 5% on certain interest, and 7% on dividends or profits paid by IRAE taxpayers). IRPF is also applicable -at a 12% rate- on income deriving from deposits, loans and placements of capital or credit with foreign entities.

### **9.2.3. Earned income**

The tax is applicable to income obtained from services rendered in Uruguay as an employee or independently. In the case of employees of Uruguayan companies, IRPF is applicable to services rendered in Uruguay and abroad.

While the Personal Income Tax (IRPF) is an annual tax with progressive rates ranging from 0% to 36%, estimated payments must be made throughout the year.

Deductions allowed are not very significant and are limited to health care expenses for children and social security contributions, up to a set ceiling.

This tax can also be computed by household. In that case the basis for computation is the joint income of the spouses or live-in partners, to which a different rate schedule is applicable. Depending on household income it may be more convenient to compute taxes using this possibility.

## **9.3. Non Resident Income Tax (IRNR)**

### **9.3.1. General introduction**

All Uruguayan sourced income obtained by nonresidents (other than those obtained through a permanent establishment in Uruguay) are taxed by Non- Resident Income Tax (IRNR) at a general flat rate of 12% on gross income. Income obtained by entities resident, domiciled or located in low or no-tax jurisdictions (LNTJs) is taxed at 25%. Labour income, including the one from rendering personal services as an employee or as an independent worker, is taxed at this flat rate. Technical service fees related to obtaining income of local source are deemed to be

Uruguayan sourced, even when the service is rendered outside Uruguay. As of January 1st, 2016, income from advertising services and income derived from the mediation, lease, use, assignment of the use, or disposal of image rights from athletes registered with Uruguayan resident federations are also deemed to be Uruguayan sourced regardless of where services are rendered or rights exercised. As of January 1st, 2017, rules aimed to discourage the use of LNTJs entities are effective:

- ▶ Income derived from the transfer of shares or interest in entities from LNTJs whose assets located in Uruguay exceed 50% of their total investments is deemed to be Uruguayan sourced (thus taxable) for IRAE purposes. Similar provisions apply to resident individuals and to non-resident taxpayers.
- ▶ Discouraging the use of intermediary entities that reside in LNTJs, when a resident individual participates in their capital, passive income and/or capital gains received by these entities will be assigned as deemed dividend, thus taxed in the hands of the individual beneficiaries.

### **9.3.2. IRNR withholding**

The Uruguayan government and Uruguayan companies paying foreign companies or nonresident individuals for goods and services must withhold this tax.

## **9.4. Net Worth Tax (IP)**

### **9.4.1. General introduction**

Net Worth Tax (IP) is an annual tax levied on net worth located in Uruguay, including all assets located, placed or economically used in Uruguayan territory minus a short list of liabilities stipulated by law.

Business companies, foreign company branches, and other closed credit investment funds, individuals and other companies subject to IRAE pay IP at a rate of 1.5%.

IRAE taxpayers can deduct the amount paid for this tax against payment of up to 50% of IP generated during the fiscal year.

For assets belonging to individuals who are not IRAE taxpayers, IP is applied annually at progressive rates ranging between 0.2% and 0.50%, according to a scale (rates are 0.7% to 1.5% for non-resident individuals who are not IRNR taxpayers).

### **9.4.2. Exempt assets**

Certain assets are exempt from this tax, including:

- ▶ Industrial machinery and facilities
- ▶ Net worth applied to farm operations of resident entities having registered shares and nonresident individuals
- ▶ Merchandise deposited at free ports or free trade zones, owned by individuals or legal entities residing abroad.

### **9.4.3. Deductible liabilities**

There are some restrictions for deducting liabilities. Companies, except for banking or financial institutions, can deduct certain liabilities, such as:

- ▶ Monthly average of loans applied for at local banks and financial institutions.
- ▶ Debts with international lending agencies of which Uruguay is member.

- ▶ Debts with goods and services providers, except for loans, investments, guarantees, import price balances.
- ▶ Debts with government corporations.
- ▶ Debts documented in debentures or other listed negotiable obligations.
- ▶ Debts with the National Development Corporation.

Financial entities are taxed at a rate of 2.8% and may deduct all liabilities, without the foregoing restrictions.

Individuals, households and indivisible successions can only deduct the monthly average of debts with local banks, financial institutions, and credit card issuers.

For the purposes of determining taxable net worth of individuals and legal entities, only deductible liabilities exceeding the sum of (i) assets located abroad plus (ii) exempt assets may be computed.

#### **9.4.4. IP withholding**

IRAE taxpayers must withhold IP on debts with individuals or legal entities abroad at December 31, except for foreign currency deposits, loans and import debts.

Bearer securities and debentures, savings certificates and similar bearer instruments are subject to Net Worth Tax withholding at a rate of 3.5%.

### **9.5. Value Added Tax (IVA)**

#### **9.5.1. General introduction**

VAT is levied on the domestic circulation and importation of goods, on the provision of services within national territory, and on value added by construction on real property.

VAT taxpayers include those carrying out activities subject to IRAE, those remunerated for personal services, and university professionals.

The general VAT rate is 22%. However, for a limited number of basic need products and services a minimum rate of 10% applies. By way of example, this minimum rate applies to certain goods included in the basket of basic goods, healthcare services, medicine, travel packages and hotel services.

The taxable item is the consideration received for provision of goods or services.

#### **9.5.2. Exports of goods and services**

Exportation of goods and services is subject to a zero rate system to allow for recovery of VAT included in the acquisition of goods and services directly or indirectly applied to the goods and services to be exported. Any VAT credit in favor of the exporter can be returned by credit certificates or allocated to payment of other taxes payable by the exporter.

Executive Branch regulations establish a restrictive list of services considered "service exports" and thus included in the zero rate system. By way of example, the list includes:

- ▶ Consultancy services provided in relation to activities undertaken abroad.
- ▶ Services for design or development of software to be used abroad.
- ▶ Assignment of software use and exploitation rights in favor of persons abroad.
- ▶ Services provided abroad by International Call Centers.

- ▶ Quality control services, advisory services, commission agent activities provided exclusively to persons abroad relating to export of goods and services.
- ▶ International freight for the export of goods, ship maintenance or provisioning; insurance and reinsurance for exported or imported goods, freight for transportation of goods abroad.
- ▶ Data processing services if data corresponds to activities carried out, goods located or rights used abroad insofar as the processed product is used exclusively abroad.
- ▶ Services that must be provided exclusively within free trade zones.

### 9.5.3. Exemptions

The sale of certain goods and services are VAT exempt, such as: farm machinery and accessories, fuel except for fuel oil and diesel oil, lease of real property, banking transactions, etc.

Also exempt are crude oil imports and collective passenger transportation vehicles, among others.

### 9.5.4. VAT Withholding

Companies contracting with persons abroad for services that are provided in Uruguay must withhold VAT at a rate of 22%.

### 9.6. Land Conveyance Tax (ITP)

Transfer of real property rights is subject to a 4% tax, payable by the buyer and seller at a rate of 2% each on the adjusted land registry value. This tax is applied not only to the regular sale of real property but also to transfers deriving from do-nations, payments in kind, capital contributions to corporations, etc.

When real property is transferred due to the death of a direct heir or testamentary beneficiary a 3% rate is applied.

### 9.7. Excise Tax (IMESI)

This tax is levied on the first conveyance, under any title, made by the manufacturer or importer of certain goods in the local market, such as: vehicles, beverages, tobacco, perfumes, cosmetics, and fuel. Likewise, IMESI taxes own use of taxed goods and importation of such goods by non-taxpayers.

This tax is not levied on exports or subsequent sales. Rates vary depending on the item and are generally set by the government within maximum limits determined by law.

Rates apply on real or notional values set by the Executive Branch every two months taking into account current sales prices.

### 9.8. Consular Tax

This tax is levied on imported goods at a rate of 2% applied to the CIF price of the products.

The Consular Tax does not apply to:

- i. Goods brought in under temporary admission (inputs entering the country without paying import taxes for subsequent re-exportation);
- ii. Imports of capital assets for exclusive use in the industrial, farming and fishing sectors (e.g., industrial machinery, farm machinery); and
- iii. Crude oil imports.

## 9.9. Tax on the Alienation of Farm Assets (IMEBA)

IMEBA is levied on the first conveyance, under any title, made by producers to IRAE taxpayers, government and municipal agencies and on exports of farm goods such as: wool, leather, livestock, cereal, milk, seeds, and forestry products, among others, and exports of certain farm products.

The following transactions made by IRAE taxpayers are likewise subject to IMEBA: manufacture, own consumption or transfer of the aforementioned goods, whether self-produced or imported.

## 10. INVESTMENT LAW

### 10.1. Overview

Law 16,906 ensures foreign investors the same treatment as Uruguayan investors, as well as free transfer of capital and profits in freely-exchangeable currency. This, however, does not mark a change from the situation prior to the law, since Uruguay had not applied exchange restrictions or controls for over twenty years.

The investment law and its amendments and regulations provide for two types of benefits:

- a. Automatic benefits applied in general to all investors
- b. Benefits that may be granted to companies or specific activities that are declared "promoted activities" by the Executive Branch.

### 10.2. Covered Investments

For purposes of automatic and non-automatic benefits, investments include:

Purchases of personal property used in production, including, industrial and farm machinery and facilities, utility vehicles, goods, procedures, inventions and creations incorporating technological innovations.

### 10.3. Automatic Tax Benefits

Taxpayers may benefit from the exemptions indicated in this section without having to obtain a Government pronouncement.

#### 10.3.1. Net Worth Tax Exemption

Exemption from Net Worth Tax (IP) is applicable to the acquisition of movable property to be used directly in the production cycle and equipment for electronic data processing.

#### 10.3.3. Business Income Tax (IRAE) Exemption

Exemption from this tax applies for up to a maximum of 40% of the investment made during the year, income applied to acquisition of assets such as machinery and facilities for industrial, commercial, service and farm activities. Similarly exempt is the acquisition of utility vehicles, movable assets for furnishing and refurbishing hotels, motels and inns, as well as machinery, facilities and equipment for production innovation and specialization.

Exemption applies on up to 20% of income invested in the year in construction and expansion of hotels, motels and inns, and construction or expansion of buildings for industrial or farm use.

In both cases the period for computation of the benefit extends over three years, i.e., that of the investment and the two following years.

#### 10.4. Non-automatic tax benefits (for IRAE or IMEBA taxpayers)

Significant tax benefits can be granted to investments projects promoted by the Executive Power. To qualify for these benefits, the investor must file an application with the Bureau of Investor Assistance, which monitors the evaluation process for said projects. After filing, the Application Commission (COMAP) evaluates whether the applicant qualifies for the promotional status declaration, in accordance with objective evaluation criteria, and then submits its conclusions to the Executive Power.

The tax benefits the Executive Branch can grant through this procedure include:

- ▶ Exemption from duties and other import taxes (VAT) and charges on imported machinery and capital goods required for the approved project, in case they are declared in non-competition with the national industry;
- ▶ Exemption from Income Tax (depending on the amount of the investment and the project);
- ▶ Net Worth Tax: personal property included in the project is exempt for their entire useful life. Real property (construction or repair) is exempt for eight years in the case of property located in Montevideo and ten years for property located in the interior. Land is not covered.
- ▶ Reimbursement of VAT included on purchases of goods and services exclusively for civil works.

Large-scale projects (investments exceeding US\$ 700,000,000 approximately) receive special treatment.

Moreover, in the context of the Investment Law, together (or solely) with other relevant legislation, the investment and the development of certain sectors/activities has been promoted, by means of granting different tax benefits. The main promoted sectors/activities are the following:

- ▶ Call centres
- ▶ Shared service centres
- ▶ Forestry
- ▶ Software
- ▶ Biotechnology
- ▶ Energy generation
- ▶ Tourism and accommodations
- ▶ Maritime and air navigation Vehicles and auto-parts
- ▶ Biofuels and hydrocarbons
- ▶ Communication industry
- ▶ Graphic industry
- ▶ Scientific and technological innovation
- ▶ Agricultural machinery
- ▶ Industrial solid waste
- ▶ Housing

#### 10.5. Mergers or Demergers

The investment law provides that the Executive Branch may exempt mergers and demergers from IRAE, VAT and ITP.

# 11. FREE TRADE ZONES

## 11.1. General

Free Zones are duly isolated public or private areas within national territory that enjoy certain tax exemptions and other benefits specified by law, for the purpose of engaging in all types of industrial, commercial and service activities, including:

- a.** Commercialization of goods, warehousing, storage, preparation, conditioning, selection, classification, division, assembly, disassembly, handling or mixing of merchandise or raw materials of national or foreign origin;
- b.** Installation and operation of manufacturing establishments;
- c.** Provision of all types of services not restricted by national rules, both within free zones and from them to third party countries;
- d.** Provision of the following telephone and IT services both to non-free national territory and to third party countries, respecting government monopolies and exclusivities and/or public concessions:
  - d.1.** International call centers, excluding those whose sole or main destination is national territory.
  - d.2.** Electronic mailboxes.
  - d.3.** Distance education.
  - d.4.** Issuance of electronic signature certificates.
- e.** Other activities, including banking activities, approved by the Executive branch.

## 11.2. Free Zone Users

To enjoy the tax benefits afforded by the free trade zone regime it is necessary to establish or acquire a free zone company and obtain user status.

Free Zone Users are individuals or legal entities who acquire the right to engage in any of the activities included in the Free Zone regimen in such areas.

Although the law provides for two categories of users (direct and indirect), it does not establish differences as to the benefits and tax exemptions, or as to the legal obligations corresponding to each of them. Direct users acquire the right to operate in a Free Zone by means of a contract signed with the Free Zone operator. Indirect users acquire the right to operate in a Free Zone by means of a contract signed with a direct user.

Once a free zone company has been acquired it must arrange a direct or indirect user contract, which is to include the conditions for setting up business and must be approved by the General Office of Trade - Free Trade Zones Area. To obtain approval of the contract it is necessary to file a detailed description of the activity to be undertaken, business and investment plan, and list of personnel hired.

The Free Zones Area of the General Office of Trade will authorize direct or indirect user contracts when the information included in the business plan clearly shows that the company

will perform the activity covered by the contract from the free trade zone, contributing to fulfillment of the objectives set forth in the Free Trade Zone Law.

Such requirements will be understood to have been met when the contract and the business plan unequivocally show that the planned activity simultaneously meets the following minimum conditions:

- i.** General direct or indirect employment in the free zone;
- ii.** Activity to be conducted in free zone, using or taking advantage of facilities provided by the operator or direct user, as applicable;
- iii.** Tax domicile is in free zone.

### **11.3. Tax exemptions and other benefits**

Merchandise entering or leaving Free Zones from or to any third party country are not subject to customs duties or taxes.

Free Zones are not subject to current or future requirements regarding obligatory inclusion of local components in manufactured goods, or other limitations with respect to entry or exit of goods from Free Zones, with the exception of those relative to control. Moreover, there legally-protected full freedom for entry and exit from Free Zones of securities, national and foreign currencies, and precious metals for any purpose, and the holding, sale, circulation and conversion or transfer thereof.

Legal monopolies granted to industrial and commercial utilities (electricity, fuels, communications, insurance) are not applicable in Free Zones. Additionally, government corporations providing inputs or services to Free Zone users may establish special promotional rates.

Free Zone users also benefit from a generic exemption from all current or future taxes on companies or sole proprietorships, with respect to activities performed in Free Zones. The government guarantees by law, under liability for damages, the maintenance of all tax exemptions and other benefits during effectiveness of the user contract.

Exoneration does not cover special Social Security contributions for Uruguayan personnel. Foreign personnel working in Free Zones do not have to make Social Security contributions if they opt out of the Uruguayan system in writing.

### **11.4. Restrictions**

Companies established in Uruguayan Free Zones may export to any destination, including the MERCOSUR countries. Nevertheless, exports to MERCOSUR countries are treated as imports to third party countries (that is, non- MERCOSUR countries), and consequently are subject to the Common External Tariff. Additionally:

- a.** Companies set up in Free Zones cannot engage in industrial, commercial or service activities in non-free Uruguayan territory.
- b.** A minimum of 75% or 50% of the persons employed by a company in Free Zone activities must be native or naturalized Uruguayan citizens in order to maintain Free Zone user status and the exemptions, benefits and rights granted by law. This percentage may be reduced upon Executive Branch authorization.

The preferential treatment granted to Uruguayan exports by other countries in relation to certain products or for limited volumes or quantities will be applied preferentially to industries exporting such products and already operating in non-free zones.

## 12. SOCIAL SECURITY

The social security administration (BPS) is the public agency responsible for the social security system, who collects all contributions from companies and their employees and maintains an up-to-date record of the employment history of each worker. Affiliation to the social security system is mandatory except for foreign workers rendering services in the free zones. The social security system includes the following benefits: pensions, unemployment, sickness and maternity/paternity.

### 12.1. Pension Fund Administrators (AFAPs)

AFAPs are the financial institutions that manage social security funds. AFAPs must be registered-share corporations whose sole corporate purpose is the administration of a single Pension Fund. Both state-owned and private financial institutions may form AFAPs. The Executive Branch, advised by the Central Bank, is responsible for the authorization of AFAPs.

The pension system divides workers into three levels according to their pay. Workers in the first level are included in the so-called “intergenerational solidarity system”, which is a distribution system with pensions paid by the BPS social security administration. Workers in other levels are included in the mandatory individual savings regime, which is an individual capitalization system administered by Pension Fund Administrators (AFAPs) through which personal accounts and the amounts to be received by the worker are related directly to the contributions paid into his or her personal account.

Workers who are included in the first level may opt to contribute up to 50% of their pay to the individual savings system (AFAP) but for the remaining 50% they must contribute to the intergenerational solidarity system (BPS).

Workers with salaries that exceed approximately USD 4,400 may opt to pay or not on remunerations exceeding this amount. Total contributions are paid to BPS, which then transfers the corresponding payment to the AFAPs.

The worker will receive a pension paid by the BPS, plus an annuity for life (paid by an AFAP).

### 12.2. Contributions

Monthly employers must pay contributions and have to withhold and pay employee contributions, which are applied on all remunerations paid to the worker, regular and permanent, either in cash or kind.

Contribution rates related to industry and commerce are as follows:

#### EMPLOYER:

1. Retirement: **7.5%**
2. Health: **5%**
3. Labor Retraining Fund: **0.1%**
4. Labor Credit Guarantee Fund: **0.025%**

## EMPLOYEE:

1. Retirement: **15%**
2. Health: **3%, 4.5%, 5%, 6%, 6.5%** or **8%** depending on remuneration level and family situation)
3. Labor Retraining fund: **0.1%**

## 13. INDUSTRIAL & INTELLECTUAL PROPERTY

Uruguay has extensive and long-standing legislation on industrial and intellectual property. In recent years it has adapted its legislation to the requirements set forth in the chief international treaties.

### 13.1. Copyrights

Law 9,937 of December, 1937, as drafted in subsequent laws (mainly, Law 17,616 of January 2003) protects the rights of authors, artists, performers, phonogram and software producers, and broadcasters.

The law distinguishes between economic and moral copyrights. Economic copyrights can be freely assigned or transferred, provided this is done in writing. Moral rights, such as paternity, integrity and disclosure, cannot be assigned or waived, except in cases especially provided for by law.

Copyright protection covers works produced both locally and abroad. Protection is afforded even in the absence of registration.

Copyright regulations include rules permitting confiscation of illegally reproduced work, and fines and criminal penalties for illicit reproduction for profit. Judicial actions have been particularly effective in cases of software piracy.

Uruguay has ratified the main international treaties on the subject, including:

- ▶ Berne Convention for the Protection of Literary and Artistic Works, approved by decree-law 14,910 of July 1979.
- ▶ Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations, approved by decree-law 14,587 of October 1976.
- ▶ Agreement on Trade-Related Aspects of Intellectual Property (TRIPS), approved by law 16,671 of December 1994.
- ▶ Universal Copyright Convention, approved by law 16,321 of October 27, 1992.
- ▶ WIPO Copyright Treaty, approved by law 18,036 of October 2006.
- ▶ WIPO Treaty on Interpretation or Execution and Phonograms, approved by law 18,253 of February, 2008.

### 13.2. Trademarks

Law 17,011 of September 1998 regulates protection of trade and service marks. This act supersedes the 1940 law on trademarks (Law 9,956) and includes provisions of the GATT

Uruguay Round Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). The Act regulates the following aspects:

It protects trade and service marks for a period of ten years following their registration, renewable indefinitely.

The law provides that trademark rights may be licensed to third parties through license agreements which must be filed with a special registry.

It provides that mark rights are acquired only upon registration pursuant to law, although users of nonregistered marks are allowed to assert their rights vis-à-vis those seeking to register their marks with the Registry.

The law creates the Industrial Property Bulletin for all publications required in connection with trademark registration applications and trademark rulings.

It changes the term for bringing objections against new trademark registration applications from 20 to 30 days as of the date following publication of the mark in the Bulletin.

Annulment of an already registered mark on the grounds indicated in the law may be requested at any time.

The law provides the possibility of the true holder's bringing action for recovery of its mark in the event that an agent, representative, importer, distributor or licensee registers the mark in its own name rather than the holder's.

It adds the possibility of registering the following as marks:

- ▶ Non-visible identifications such as audible signs.
- ▶ Slogans.
- ▶ Generic or common use marks with a secondary meaning.
- ▶ Collective marks: The law defines collective marks as those used to identify products or services produced by members of an association or collective (e.g., industrial or producers associations). These marks may be used only by members of the association and cannot be transferred to third parties.
- ▶ Certification marks: The new law defines certification marks as signs that certify common characteristics, quality, components, nature or method used in a service or product. Only public or private entities duly authorized for certification purposes may be holders of such marks.
- ▶ The law also protects "Indications" and "Denominations" of origin.

According to Law Nº 19.149 of October 2013, it is mandatory to use of the registered trademark. Cancellation actions for non-use are available.

At international level, Uruguay has ratified the following treaties:

- ▶ Paris Convention for the Protection of Industrial Property, approved in decree-law 14,910 of July 1979.
- ▶ Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), approved in law 16,671 of December 1994.
- ▶ MERCOSUR Protocol for Harmonization of Intellectual Property Rules, approved in law 17,052 of December 1998.

### 13.3. Patents and Industrial Designs

Law 17,164 of September 1999 protects inventors' and owners' rights to inventions, utility models and industrial designs.

In the case of patents on inventions, protection is for a 20-year non-renewable period from the date of application. This law amends law 10,089 of 1941 in order to incorporate the TRIPS agreement in national legislation. Utility models and industrial designs are protected for a 10-year period from the date of application, which can be extended once for an additional 5 years.

For the first time in Uruguay the law permits patenting of medicinal products. Nevertheless, the law regulates compulsory licensing for use of patents not used by their owners, as well in cases of refusals to deal, anti-competitive practices, and for reasons of general interest.

The law introduces major changes in the previous regime which are the result of inclusion of the TRIPS agreement in national legislation and the product of lengthy negotiations among all sectors involved.

It expressly excludes patenting of discoveries, scientific theories, mathematical models, plants and animals as found in nature, marketing, advertising and raffling methods, literary and artistic works, computer programs, biological or genetic materials as found in nature, etc.

The law permits patenting of microorganisms, food products, chemical products and agricultural chemicals.

A chapter of the law specifically regulates inventions made in the course of an employment relationship, and grants the patent holder the right to bring civil and criminal actions against patent infringers.

Internationally, primarily the Paris and TRIPS conventions mentioned above are applicable.

## 14. CAPITAL MARKETS

Law No.18,627 regulates the securities market and thus governs issuance, regulation and trading of securities. Following is a summary of its main aspects of interest to investors.

### 14.1. Private Offerings

Private offerings of securities involve securities not traded on the stock exchange, whose placement does not entail any advertising whatsoever. Privately issued securities must be placed directly with identified individuals or legal entities. Such issues must include express evidence of their private nature.

Private offerings do not have to be filed with the Securities Market Registry. The issuer must expressly clarify that the securities have not been filed with the Superintendency of Financial Services (SSF).

### 14.2. Public Offerings

Offerings are public when acquiring, selling or exchanging securities involves communications addressed to the general public or to certain sectors or specific groups, or when the securities are traded on a securities exchange. Invitations extended to an institution's clients on a generalized basis are considered public offerings, even if no advertising is involved.

Public offerings require prior filing of the securities and their issuer with the Securities Market Registry. Applications for listing of securities with the Registry must be made by the issuer, and the SSF has the obligation to rule on each application. The SSF has the authority to set different requirements according to the type of security, issuer and/or investor to whom the offering is addressed.

To evaluate listing of securities the SSF reviews the prospectus for the issue, which will govern the issue if it is authorized and will be the only prospectus that can be used in markets.

It is possible to request filing of securities issuance programs to be implemented over a maximum of five years. Upon registering the program the issuer must indicate the maximum amount to be issued in the different series over the course of the program. This type of filing facilitates the issuance of each series, for which only supplements to the initial filing prospectus must be registered.

### 14.3. International Offerings

Issuers may choose the law and jurisdiction applicable to securities offered inter-nationally, in both private and public offerings. In such offerings, the issuer must explicitly indicate the international nature of the offering. Regardless of choice of law, securities holders have the right to bring action in the jurisdiction of the issuer's domicile. Once jurisdiction is established and the parties have appeared before the pertinent courts, jurisdiction cannot be changed.

### 14.4. On-going Information Regimen for Issuers of Securities in Public Offerings

Issuers of securities in public offerings are required to provide on an on- going basis, with the frequency established for each case, a series of own and third-party reports in relation to their activity, management and functioning. In particular this information includes:

- ▶ Accounting and management information, including audited financial statements, annual report by the Board of Directors and control board, and updated risk rating;
- ▶ All essential facts or information regarding the issuer of the securities offered, as well as any relevant event occurring in its business or any decision by its administrative and control bodies that could affect quotations for the securities and/or investor decisions;
- ▶ Information on dividend distribution.
- ▶ Information on shareholders meetings.
- ▶ Information on issues made, amounts actually issued, and payments made by issuer as amortization, interest, dividends or similar

## 15. TRUSTS

### 15.1. Trusts

Law 17,703 passed in 2003 established the concept of trusts in Uruguay. Basically they are a way to apply assets (money, credits, personal and real property) to a certain transaction and protect them from various risks. The assets delivered to the trust cease to be the property of a particular person.

Trusts have proven to be highly useful vehicles for administering assets, channeling public and private investments, privatization and public concession processes, establishment of guarantees, business crisis solutions and, more recently, for portfolio securitization.

Uruguayan law requires trusts to be established by execution of an agreement between the party transferring assets to the trust and the party responsible for managing them. The agreement must be filed with the General Registry Office of the Ministry of Education and Culture in order to be enforceable vis-à-vis third parties.

## 15.2. Types of Trusts

**Financial trust:** the beneficiaries hold trust participation certificates, debt securities guaranteed by trust assets, or mixed instruments granting credit rights and participation rights to the remainder.

**Management trust:** the trustor transfers certain assets or rights to the trustee so that it may carry out safe-deposit, conservation and collection of proceeds thereon.

**Investment trust:** a type of management trust in which in addition to asset management the trustor seeks to apply assets to certain activities for economic gain.

**Collateral trust:** such trusts are established to guarantee trustor or third- party obligations with trust assets.

**Testamentary trust:** upon trustor's death the trustee will receive all or part of the trustor's assets with a view to their application to certain purposes.

## 15.3. Projects carried out through trusts

Some projects that can be carried out through trusts are:

- a. Projects for investment in public works or services:** In such cases the trust allows the concessionaire to finance the project while isolating the credits deriving from the works or services (tolls, public utility rates) from its own net worth, for protection from other creditors, and provide a secure guarantee for credit reimbursement. Such vehicles avoid the credit access difficulties concessionaries can face when they do not have sufficient guarantees.
- b. Debt refinancing:** Companies can use the trust to guarantee refinancing agreements with their creditors. Creditors find it attractive when debtors isolate their assets for the exclusive purpose of paying their debts.
- c. Liquidation of companies:** In such cases the trust fulfills the same guarantee function as in other corporate liquidations aimed at orderly liquidation of net worth.
- d. Realization of investments:** The trust can be used to have an investment specialist, such as a bank or other financial entity, acquire assets to obtain optimum yield.
- e. Inheritance planning:** The trust allows persons to allocate their assets to a specific purpose following their death. The application can be allocation to the benefit of a charitable institution of income obtained from lease of a real property. This type of trust must respect the portion of assets that by law pertains to the family of the deceased.
- f. Liquidation of companies:** In this case the trust fulfills a function as guarantee, to ensure orderly liquidation of companies.
- g. Administration of institutions:** The trust is also a useful mechanism for en-trusting administration of parks, sports clubs, scientific institutions, etc., to experts.

## 16. ANTITRUST

### 16.1. General

The purpose of the competition law (CL), as enacted by Law 18,159 (2007), is to foster the welfare of current and future consumers and users, through promotion and protection of competition, encouragement of economic efficiency, and freedom and equality of market access by companies and products.

The CL applies to all national and foreign public and private legal entities and individuals engaged in for-profit or non-profit economic activities in Uruguayan territory.

The CL also has extra-territorial application: it is binding upon those engaging in economic activities abroad insofar as such activities have total or partial effects in Uruguayan territory.

### 16.2. Prohibited Conduct

The CL prohibits abuse of a dominant position as well as all individual or concerted practices, conducts or recommendations whose effect or purpose is to restrict, limit, hinder, distort or prevent current or future competition in the relevant market. Such illicit conduct includes:

- a.** Directly or indirectly imposing or arranging purchase or sales prices or other transaction conditions in an abusive manner.
- b.** Unjustifiably limiting, restricting or arranging the production, distribution and technological development of goods, services or factors of production, to the detriment of competitors or consumers.
- c.** Unjustifiably applying to third parties unequal conditions in cases of like provisions, thereby putting them at a significant disadvantage vis-à-vis the competition.
- d.** Subordinating the execution of contracts to acceptance of side or supplementary obligations that, given their nature or commercial use, have no relationship with the object of such contracts.
- e.** Coordinating participation or abstention in the case of public or private calls for bids or prices.
- f.** Preventing competitors' access to infrastructures essential for production, distribution or commercialization of goods, services or factors of production.
- g.** Unjustifiably hindering market access by potential participants.
- h.** Unjustifiably establishing zones or activities where one or more economic agents operate exclusively, with the others abstaining from doing business therein.
- i.** Unjustifiably rejecting the sale of goods or provision of services.
- j.** The practices listed above, when decided through associations of economic agents.

Said practices are prohibited under the “rule of reason”, meaning that the investigated parties can bring efficiency justifications.

Certain horizontal agreements between competitors, such as price fixing and market divisions, are prohibited per se.

New subjects are also governed by the CL: the Uruguayan State, in all economic activities it performs, and directors or administrators of companies or entities, provided they have actively

contributed to the prohibited practices. Controlling legal entities and their representatives can also be held liable.

### **16.3. Prior oversight of economic concentration**

The CL introduced a prior oversight system for mergers and acquisitions by companies having a certain market power.

According to the CL, as amended by Law 19,833 of 2019, when the transaction results in a change in the company's control structure and when gross annual billings in Uruguay of the parties to the transaction exceeds approximately US\$ 72 million in any of the last three fiscal years, authorization by the enforcement agency is required. The law provides for certain exceptions to the filing requirement.

### **16.4. Enforcement agencies**

The CL created the Commission for Promotion and Protection of Competition as the body competent on the subject as of the outset of 2009. It operates as an agency of the Ministry of Economy and Finance. Merger control in regulated sectors fall within the competence of their regulatory agencies (Central Bank, URSEA - Regulatory Agency for Energy and Water Services, URSEC - Regulatory Agency for Communications Services).

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## BOLIVIA

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### **Santa Cruz**

Edificio Manzana 40  
Torre 2 - Of. 2003, Piso 20  
Av. San Martín, 3er y 4to anillo  
Tel.: + (591) 7762 6061

### **La Paz**

Edificio Santiago de Compostela  
N° 1319, Piso 4, Calle Gabriel  
Rene Moreno.  
San Miguel, Calacoto  
La Paz, Bolivia  
Tel.: + (591) 7876 7197

### **Cochabamba**

Edificio Nucelo Design  
Av. América Este esquina  
Av. Melchor Urquidi,  
Cochabamba, Bolivia  
Tel.: + (591) 7011 7971

## PARAGUAY

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### **Asunción**

Torres del Paseo  
Santa Teresa N° 2106  
Torre 1, Nivel 25  
Asunción, Paraguay  
Tel.: +(595 21) 318 3000

## URUGUAY

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### **Montevideo**

Edificio Ferrere  
Juncal 1392, CP 11000  
Montevideo, Uruguay  
Tel.: +(598) 2 900 1000

### **Aguada Park**

Paraguay 2141  
Oficina 1004  
Montevideo, Uruguay  
Tel.: +(598) 2 927 2360

### **Colonia**

Baltasar Brum 571  
CP 70000  
Colonia, Uruguay  
Tel.: +(598) 4 523 1517

### **Tacuarembó**

25 de Agosto 234  
Apto. 601. Edificio Litoral  
CP 45000  
Tacuarembó, Uruguay  
Tel.: +(598) 4 633 1111

### **Punta del Este**

Calle 18 (Baupres)  
y calle 28 (Los Meros)  
CP 20100  
Maldonado, Uruguay  
Tel.: +(598) 4244 1287