

## Property Benefits and Figures for Real Estate Investors

### Tax and Offshore Investment in Uruguay

#### Taxes and Costs

Effective tax on Rental Income

Monthly income

US\$ 1,500: 10.3%

US\$ 6,000: 10.2%

US\$ 12,000: 10.2%

#### Rental Income Tax

Capital income, including rental income, earned by individuals is subject to 12% tax. The taxable income is computed by deducting municipal taxes, impuesto a primaria (property tax for basic to education), notary fees of the lease contract and administration costs from the gross rental income.

#### Net Worth Tax (Impuesto al Patrimonio -IP)

Individuals and families are (instead) taxed through the Net Worth Tax (Impuesto al Patrimonio), sometimes referred to as the "Property Tax", calculated annually on December 31 for individuals, households and undivided estates. The taxable base is the difference between taxable assets (including properties, assets and rights within the country) and deductible liabilities (debts with banks in Uruguay), and is fixed by assessment by the General Real Estate Registry.

A non-resident is taxable at a flat rate of 2% of the property's net worth value that exceeds the prescribed tax-free amount ("Mínimo no imponible" or MNI), which is UYP 2.080.000 (US\$ 104.000) for 2009. The tax-free amount is doubled for couples filing jointly.

The tax bands for the net wealth tax below are applicable to individuals and estates. For family units or couples filing jointly, the tax bands are doubled.

#### Impuesto al Patrimonio

Personas Físicas, Núcleos Familiares y Sucesiones Indivisas

#### Tasas

Personas Físicas y Sucesiones Indivisas			Núcleos Familiares		
Monto imponible		Tasa	Monto imponible		Tasa
Desde	Hasta		Desde	Hasta	
1	2.080.000	0,70%	1	4.160.000	0,70%
2.080.001	4.160.000	1,10%	4.160.001	8.320.000	1,10%
4.160.001	8.320.000	1,40%	8.320.001	16.640.000	1,40%
8.320.001	12.480.000	1,90%	16.640.001	24.960.000	1,90%
12.480.001	18.720.000	2,00%	24.960.001	37.440.000	2,00%
18.720.001	29.120.000	2,00%	37.440.001	58.240.000	2,00%
Over \$ 29.120.000		2,25%	Over \$ 58.240.000		2,25%

### **Property Tax (Contribución Inmobiliaria)**

Individuals owning immovable properties in Uruguay are subject to a property tax, imposed by departmental governments. The tax base is the local cadastral value of the property, as determined by the collection office (local tax authorities). The tax rates vary depending on the department. For the department of Montevideo, the country's capital and largest city, property tax is imposed at progressive rates ranging from 0.84% to 1.6275%, wherein the applicable rate applies to the whole taxable value. No other deductions are allowed, for both resident and nonresident property owners.

A tax for basic education (Impuesto de Primaria) is also levied on immovable properties in Uruguay, payable by the owners. The tax base is the cadastral value of the property as determined by the Cadastral Bureau. The tax rates vary from 0.15% to 0.30%, depending on the property value.

### **Corporate Route**

#### **Income Tax**

Companies earning Uruguayan-sourced income are subject to corporate income tax (Impuesto a las Rentas de la Industria y Comercio) at a flat rate of 25%. The taxable income is computed by deducting income-generating expenses from the gross income. Other allowable deductions include advertising costs, bad debts, commissions, gifts, goodwill, guaranties, interest expense, rents, representation expenses, research and development, remuneration (to owners, partners, directors), royalties and technical assistance, salaries and wages, service fees, social welfare, taxes on income-generating assets and activities, training costs, travel expenses, and depreciation expenses.

#### **Business Net Worth Tax (Impuesto al Patrimonio -IAP)**

The tax base for this tax is computed by deducting the company's total liabilities from its total assets. The tax rates vary from 1.5% to 3.5%, depending on the taxpayer's classification and the type of assets involved. The general tax rate is 2%.

#### **Capital Gains Tax**

Capital gains earned by individuals, even nonresidents, on the sale of property were not taxable in Uruguay until June 2007. Effective July 1st 2007, capital gains are taxed at a flat 12% rate. The taxable income is the difference between the sales price minus the acquisition cost, which is updated by taking into account the Consumer Price Index.

#### **Living There**

Resident individuals of Uruguay were not liable for income tax other than the net worth tax until June 2007. Under the Tax Reform Project, effective since 1st July 2007, imposes capital income tax and labor (earned) income tax. Capital income is taxed at a 12% rate while labor (earned) income is subject to progressive tax rates, from 0% up to 25%.