

URUGUAY

Keys to:

- Immigration and Residency
- The Property Purchase Process
 - Taxes and Banking

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LEGAL LANDMARKS

Key Issues

- ✓ Is my money safe in Uruguay?
- ✓ Can I take my money out of Uruguay at any time?
- ✓ Should I be worried about currency risk?
- ✓ How do I safely purchase a property?
- ✓ Do I fully own what I purchase?
- ✓ Should I worry about taxes?
- ✓ Can I obtain residency and move my belongings?
- ✓ Can I work or do business in Uruguay without restrictions?
- ✓ Is it easy to open a bank account?

Uruguay's Legal Landmarks

■ Investor Friendly Country:

- Foreign investors and local ones are treated equally
- No limitations to ownership of property by foreigners *
- No restrictions to enter/exit the country

■ Business rules are Investor Friendly:

- No currency exchange controls or forced conversion issues
- Foreign Currency can be used freely: Dollars, Euros, etc.
- No restrictions or taxes when transferring money into the country
- No restrictions or taxes when transferring money out of the country

Uruguay's Legal Landmarks (cont.)

- Confidentiality:
 - Strict banking secrecy and tax secrecy laws
- Solid Legal System:
 - Strong reputation for respect of contracts and private property
 - Independent and reputable Judiciary
 - Corruption is not an issue in the country
- Private Property rights are strongly protected:
 - Constitutional right, enforced
 - No history of expropriations
 - Title Insurance available

RESIDENCY AND IMMIGRATION

Obtaining Uruguayan Residency

- Simple process, but bureaucratic
- It takes 6 to 10 months to obtain resident status
- After 3/5 years, one can apply for citizenship/passport
- Steps to obtain residency:
 - First, **gather** all the necessary documents (abroad)
 - Then, **enter** Uruguay, as a tourist
 - Within 90 days (extendable for another 90 days), **submit** the application at DNM
- ✓ Once the request is submitted, the person may stay in the country indefinitely, as a “temporary resident”

What documents do I need?

- Most documents are obtained abroad:
 - Birth certificate
 - Marriage certificate *
 - Police record from country of origin and countries where the person has lived in the last five years (For U.S. citizens, this document is obtained in Uruguay, at the local Interpol office)
 - Documents that prove that one has income to support him/herself
- The documents that are obtained abroad require:
 - Legalization at the Uruguayan Consulate in country where issued
 - Legalization in Uruguay, at the Foreign Ministry
 - Certified translation in Uruguay
- Other requirements: in Uruguay (medical, pictures)

Proof of Income: the Key Requirement

- Residency applicants must prove that they have an income stream of at least USD 500 per month
- There are many options to prove this:
 - Pension from abroad
 - Mutual fund or Retirement fund income
 - Proceeds from the lease of a property abroad or in Uruguay
 - Income from a company, abroad or in Uruguay
 - Work contract in Uruguay
- The documents that prove the income source must be certified by a Notary, in Uruguay

Bringing One's Personal Belongings

- What can I bring free of import duties and taxes?
 - All of my household belongings
- When can I bring them?
 - When I submit my residency request, I'll ask for an authorization to bring my personal belongings, which I will take to the Uruguayan Customs Authority
 - The goods have to be brought in before the resident status is granted
- How do I bring my belongings?
 - By posting a bond with the Uruguayan Customs Authority, for the value of the eventual import duties and taxes

Bringing One's Personal Belongings (cont.)

- Who helps me bring my personal belongings?
 - A Customs Agent in Uruguay
 - My shipping agent in the country of origin
 - My attorney/the person handling my residency in Uruguay
- What documents must I produce to bring my belongings?
 - A list of the goods must be stamped at the Uruguayan Consulate in the country of origin, before shipping them
 - The DNM authorization for the Uruguayan Customs Authority
- A special case, Law 16.340, allows to bring a car free of import duties, but has many hurdles and is seldom used

Myths on Residency

- **Myth:** I need to be a permanent resident in order to own a house or to do business in Uruguay
 - **Truth:** Residency is not required to own an asset or do business in Uruguay
- **Myth:** I can bring a car free of import duties
 - **Truth:** Yes, but only under Law 16.340, which requires that I prove USD 1,500 of monthly income, plus ownership of a property that I won't be able to sell for 10 years, and other requirements
- **Myth:** Owning a property in Uruguay automatically qualifies me in order to obtain residency
 - **Truth:** No. Requirement is income proof, not ownership of assets

Tips on Residency

- ✓ Send your immigration lawyer copies of the documents you intend to submit, before travelling, so they can be verified
- ✓ Work on the wording of your income proof document with your immigration lawyer, to make sure it meets what is needed
- ✓ Send your immigration lawyer and customs agent the list of belongings you plan to bring, so they can verify whether the list is reasonable or not
- ✓ Open a bank account in Uruguay

THE PURCHASE PROCESS

The Property Purchase Process

- The three most important questions to get started:
 - Who can purchase property?
 - How can property be purchased?
 - What can you purchase?

- 3 A's
 - ✓ Anyone: There is no differential treatment, nor restrictions or impediments for foreign buyers of property.
 - ✓ Any way: individual(s), corporate vehicle (local or foreign). IRA.
 - ✓ Anything: No limitations (such as restrictions on borderline property, beachfront, etc.).

Structuring the Property Purchase

- The purchase process requires the assistance by a Notary Public (“*Escribano*”), appointed by the Buyer.
- The Notary Public’s role:
 - Analyzes the ownership history and other details to ensure you buy a clean title
 - Drafts the purchase document
 - Escrow agent for the deposit on the property
 - Records the purchase at the Property Registry
- Proof of Ownership: Public Property Registry recording

The Purchase Process: Steps

- 1) The buyer selects a property, and agrees on the price
- 2) The buyer appoints a Notary Public (from a law firm), who will draft the first document, the reservation document (“*Boleto de Reserva*”), which:
 - Secures the purchase, committing seller and buyer
 - Sets a Penalty if either party breaches the commitment
 - Sets the amount that is deposited simultaneously with signing of the Boleto de Reserva (usually 10% of the price), which stays in escrow with your own Notary
 - Allows 30-60 day window to verify the good standing of the deed
 - Sets the closing date: full price is paid and property is transferred

The Purchase Process: Steps (cont.)

- 3) After signing the “*Boleto de Reserva*”, the Notary:
 - Analyzes title/deed to make sure the buyer gets a clean title
 - Verifies information in Public Registry, tax situation, etc.
- 4) The Notary drafts the purchase document (“*Escritura de Compraventa*”)
- 5) The purchase document is signed, the property is transferred, and the price is paid (* or the first installment)
- 6) The Notary records the purchase in the Public Registry

Transaction Costs for the Buyer

- Transaction Costs total approximately 8-9% in Uruguay:
 - Real Estate Agent Fee: 3% plus VAT (22%) = 3.66%
 - Notary Public's Fee: 3% plus VAT (22%) = 3.66%
 - Deed Registration Stamp Duties ("Montepios"): 0.55%
 - Registry and Tax Certificates Stamp Duties: USD 300 on average
 - Property Transfer Tax: 2% of the Fiscal Value of the Property (which is usually substantially lower than the market value)

- The Transaction Costs when selling are lower:
 - Real Estate Agent Fee: 3% plus VAT (22%) = 3.66%
 - Property Transfer Tax: 2% of the Fiscal Value of the Property

Financing Your Purchase

■ Seller Financing:

- Usually Short-Term (less than 2 years)
- Interest rate: Usually Approximately 6-8%

■ Bank Financing with Local Banks (For Non-Residents):

- Up to 10 years
- Up to 50% of the Property's Value
- Interest Rate: approximately 9%
- Income Proof and other documentation required

* Note: These conditions are the current market ones

Tips and Suggestions When Purchasing Property

- ✓ Appoint a Notary Public from a respected Law Firm, who is bilingual and understands tax and estate matters, ownership through companies and laws in your country of origin
- ✓ Leave a Power of Attorney with your Lawyer/Notary so He/She can sign purchase documents on your behalf
- ✓ Decide on the best ownership structure with your Lawyer
- ✓ Make bank arrangements for closing / determine who receives your funds in Uruguay to make the payment

BANKING

FISCHER & SCHICKENDANTZ

Opening a Bank Account

- Uruguay's Banking system is a solid one:
 - Few banks, all foreign-owned plus one government bank (BROU)
 - Strict Banking Secrecy Laws
 - No history of forced conversion or freezing of deposits
- It's easy to open a bank account:
 - Foreign non-residents can open accounts in any currency
 - Only a few banks do not open accounts to U.S. citizens
 - No special requirements for foreigners:
 - ID (passport)
 - Proof of Address (utilities bill)
 - Bank reference letter plus local reference, proof of income source

FISCHER & SCHICKENDANTZ TAXES

Taxes in Uruguay

- Uruguay only taxes income generated in Uruguay (and some assets located in Uruguay)
 - Resident or not, a foreign citizen's income generated abroad (pensions, mutual fund, retirement fund, stocks, etc.) is never taxed
 - No need to disclose income generated abroad or assets abroad

- No inheritance tax

What Taxes Will a Foreign Citizen Face?

- Income tax on income from abroad: 0%
- Income tax on income generated in Uruguay:
 - Income tax on rental of a property in Uruguay: 12%
 - Income tax on salary from a job in Uruguay: 5-25% (average: 15%)
- Corporate Income Tax:
 - If one establishes a business that sells products in Uruguay: 25%
 - If one establishes a business in Uruguay, but which sells products and services abroad: tax can be 0%.

What Taxes Will a Foreign Citizen Face?

- Tax on assets that one owns:
 - If one owns a property valued below USD 400,000 (*): 0%
 - If one owns a property valued over USD 400,000 (*): 0.5% (est.)
 - Property taxes: Municipal and School tax: together, 0,7% (avg.)
- Capital gains tax (Example: when reselling a property):
 - 12% if the property is owned personally
 - 12% if the property is owned foreign corporation
 - 25% if the property is owned by a local corporation

How do taxes affect me? A Typical Example

A foreign couple buy a USD 300,000 property in Montevideo and rent it out for USD 20,000 for the whole year.

1) Asset Tax:

- The fiscal value is lower than the market value: USD 150,000 ...
- ...and the first USD 140,000 are untaxed (for a couple)...
- ...so the tax applies only to the excess over USD 140,000: to USD 10,000...
- ...and the rate is 0.7% for the first taxable 140,000. Tax is USD 70

2) Property Taxes:

- Municipal Tax: USD 1,300 (est.)
- Schooling Tax: USD 300 (est.)

3) Rental Income Tax:

- 12% minus allowable deductions which lower it to 10.5%: tax is USD 2,100

Remember:

✓ **EASY**

✓ **TRANSPARENT**

✓ **SAFE**



OUR CONTACT INFORMATION

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www.fs.com.uy



Further Information

www.fs.com.uy

www.uruguayinvest.com

Detailed presentations on:

Legal Landmarks and Taxes

The Property Purchase Process

Residency and Immigration

Or write to:

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FS Attorneys at Law: Who We Are

- Leading Full-Service Law Firm:
 - Clients: mostly foreign companies and individuals
- Staff:
 - Bilingual
 - Notaries Public, Attorneys, Tax Advisors
- Services (covering all of Uruguay):
 - Notary / Legal Assistance in the Purchase Process
 - Tax and Banking Advice
 - Company Formation
 - Title Insurance Advice
 - Immigration / Residency

FS Attorneys at Law: Who We Are

- Main office: Rincón 487, Piso 4, Montevideo, Uruguay
- References:
 - First American Corp. (world's largest title insurance company)
 - World Bank (www.doingbusiness.org)
 - Global law firms: Mayer, Brown, Rowe & Maw; White & Case;
 - Member Transatlantic Law International (www.transatlanticlaw.com)
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