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Uruguay

PRIVATE CLIENT

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This country-specific Q&A provides an overview of private client laws and regulations applicable in Uruguay.

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URUGUAY
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1. Which factors bring an individual within the scope of tax on income and capital gains?

In general terms, the Uruguayan tax system relies on the **source principle**, meaning that only income derived from a Uruguayan source will be taxed. The applicable regulations establish that income from activities developed, property located, or rights economically used within the country are considered to be of Uruguayan source.

Taxation on individuals is based on their residence in the relevant tax year. Currently, the legislation establishes four alternatives to configure the Uruguayan tax residence, which are:

I. Presence of at least **183 days** during a calendar year within the Uruguayan territory.

II. To be Uruguay the centre of **vital interests**

• This will be presumed if the taxpayer's spouse and minor children – if any – live in Uruguay.

III. To have in Uruguay the **main core or base of activities**.

• This will be presumed if the volume of income generated in Uruguay is greater to that obtained in any other country, except when only passive income derives from Uruguay.

IV. To be Uruguay the **centre of economic interests**:

• If one of the following conditions are met, the individual will be considered resident for tax purposes (unless the individual proves to be resident of other country):

- Investment of more than UI 15.000.000 (Indexed Units – approximately USD 2.260.000 in real estate in Uruguay.
- Direct or indirect investment of UI 45.0000.000 (approximately USD 6.780.000 in a company with projects or activities promoted by the Investment Law.
- Purchase of real estate property valued at least in UI 3.500.000 (approximately USD 530.000 and the individual is present in Uruguay for at least 60 days in a calendar year.
- Direct or indirect investment of UI 15.000.000 (approximately USD 2.260.000) in a company that creates at least 15 new full-time jobs during the calendar year.

Although Uruguay generally follows the territoriality principle of taxation, there is an exception for individuals in relation to certain foreign sourced passive income. Indeed, foreign sourced Income from movable capital, arising from deposits, loans, and in general, from any placement of capital or credit of any nature (dividends and interests) is taxable in Uruguay. Foreign sourced capital gains from the alienation of income producing assets (shares, financial instruments, any kind of property) are currently tax exempt.

2. What are the taxes and rates of tax to which an individual is subject in respect of income and capital gains and, in relation to those taxes, when does the tax year start and end, and when must tax returns be submitted and tax paid?

The taxes to which an individual is subject to with respect to income and capital gains are:

1) Personal Income Tax (Impuesto a la Renta de las Personas Físicas or IRPF) which levies income from employment/labour dependent or independent, at progressive rates ranging from 0% to 36% and income from capital at fixed rates, depending on the type of income. For instance, dividends are taxed at a 7% rate if they are from a Uruguayan source. Interests are taxed at fixed rates which vary from 3% to 12%; and capital gains are only taxed at a 12% rate when derived from a Uruguayan source. For capital gains derived from the

alienation of shares, net income is deemed to be 20% of the purchase price, achieving an effective tax rate of 2.4%.

Foreign-sourced interest and dividends received by a resident individual will be subject to taxation at a rate of 12%. This is, as mentioned above, an exemption to the territoriality principle only for individuals.

Furthermore, Uruguay has CFC rules which are applicable when a resident individual obtains foreign-sourced holding income from a low or zero-tax jurisdiction (BONT). Income will be considered derived from such jurisdictions when:

- the effective income tax rate for said income is less than 12%, or
- there is no automatic exchange-of-information treaty in force with the relevant jurisdiction.

In practice, the Uruguayan Tax Administration publishes a list which is updated frequently of those jurisdictions that are considered BONT.

If for **capital gains**, IRPF taxpayers must present a tax return and pay in August.

If for **labour,** dependent employees with a gross income of over 150.000 Indexed Units in the tax year (and subject to certain conditions), and all non-dependent employees not subject to withholdings (see section 3) must present tax returns between June and August. Payment is due in August and can be paid in 5 instalments (until December).

2) The Non-Resident Income Tax ("IRNR") is an annual tax that levies income from Uruguayan sources of any nature obtained by individuals and other entities not residing in Uruguay. Income is classified as:

- Income from business activities and similar income from the habitual sale of real estate.
- Employment/ Labour income.
- Capital income.
- Capital gains.

The general IRNR rate **is 12%**. In certain cases, it can be 7%, with the most common being dividends or profits distributed by Tax on Income from Economic Activities (hereinafter "IRAE") taxpayers to their non-resident shareholders or partners. This rent can be reduced due to a Double Tax Convention.

Non-residents must not be conducting business in the country through a permanent establishment. If so, they are subject to the IRAE for Uruguayan-sourced income they earn.

Taxes are settled annually and are generally due on December 31st of each year. However, regulations permit tax advances and withholdings for various types of income. For instance, in relation to rental income, the withholding tax rate is 10.5% and the taxpayer has the option to consider the tax withheld as definitive or to assess at the end of the year the rental income at a 12% rate.

The IRNR taxpayers do not have to present a tax return provided that – either via withholdings or local representative (as described in Point 3) – the payments are made monthly, after the taxable event. If the local representative makes one yearly payment, then a annual return will be due.

3. Are withholding taxes relevant to individuals and, if so, how, in what circumstances and at what rates do they apply?

The aforementioned taxes are levied via withholdings in certain cases.

Personal Income Tax (IRPF) is withheld for:

Income from movable capital, which include interests, deposits, loans, royalties, trademarks, patents, etc by Financial Institutions, Investment Fund Management Companies, corporate taxpayers, among others.

Rental income and other income from real estate paid to IRPF taxpayers by corporate taxpayers included in the Large Taxpayers Division and in the CEDE Group of the Tax Administration (large and medium taxpayers, respectively) and real estate management companies, among others. The WHT rate is 10.5% in the case of rental income and 12% in the remaining cases of income from real estate.

Income from capital gains from the sale or promise of sale of tangible and intangible assets. The rate varies according to the withholding agent (i) Notary Public at 20% (ii) auctioneers at a 2,4% and (iii) Investment Fund Management Companies at a 12% rate.

Income from labour/ dependent employment must be withheld by the employers in the rate corresponding to the salaries paid to each employee. If the employer is a member of the CEDE Group of the Tax Administration, income from non-dependent employment will be also subject to withholding.

Non-resident Income Tax (IRNR) whether 12% or 7%, is usually levied via withholdings through local companies that pay or credit taxable income to the non-

resident person. The withholding agents are the same as those as the IRPF, Financial Institutions, Investment Fund Management Companies, corporate taxpayers, Real Estate Management Companies, among others. When there is no designated withholding agent, the taxpayer must appoint a representative in Uruguay, who shall pay the tax directly.

4. How does the jurisdiction approach the elimination of double taxation for individuals who would otherwise be taxed in the jurisdiction and in another jurisdiction?

In relation to individual tax residents, there is a tax credit system applicable to foreign sourced dividends and interests for taxes directly paid or withheld abroad. Other type of income is exempted, so double taxation never arises.

Furthermore, Uruguay has an extensive network of international double tax treaties, with 25 countries. The treaties currently in force are: Argentina , Belgium, Brazil, Chile, Ecuador, Finland, Germany, Hungary, India, Japan, Italy, Liechtenstein, Luxembourg, Malta, Mexico, Paraguay Portugal, Rumania, Singapore, South Korea, Spain Switzerland, Vietnam, United Arab Emirates and the UK. Depending on the specific treaty and its applicability to the case, the withholding tax in question may not apply, or it may apply at a reduced rate.

Uruguay is a signatory of the OECD MLI (Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erotion and Profit Shifting) and the instrument is in force since 1/06/2020.

5. Is there a wealth tax and, if so, which factors bring an individual within the scope of that tax, at what rate or rates is it charged, and when must tax returns be submitted and tax paid?

There is an annual **Wealth Tax** (Impuesto al Patrimonio) applicable to certain Uruguayan-sourced assets. Foreign assets are tax exempt. As of 2023, **Individuals** are subject to progressive rates ranging from 0% to 2.75%, with the minimum non-taxable amount set at USD 155,000 (or USD 310,000 if election is made to be jointly taxed with the spouse). On the other hand, **Entities** are taxed at a flat rate of 1.5%.

The wealth tax is like a picture of the taxpayer's assets on December 31st of each calendar year or at the end of the tax period, in the case of entities.

Entities must present the tax return within 120 days of the fiscal year end (December 31). Payment is done through monthly advances and the remaining balance is paid with the tax return.

Individuals must present their Wealth Tax return in May. Payment is done through 3 advances of 20%, 30% and 50% calculated by the previous tax year and the remaining balance is paid with the tax return.

6. Is tax charged on death or on gifts by individuals and, if so, which factors cause the tax to apply, when must a tax return be submitted, and at what rate, by whom and when must the tax be paid?

In Uruguay, there is no specific gift tax. However, donations are considered as sales for tax purposes, and the donor is taxed on the difference between the fair market value of said good and the acquisition cost. This rule was included in the Tax Law to prevent abusive structures.

The only tax currently applied over estates in Uruguay is the Transfer Tax (Impuesto a las Transmisiones Patrimoniales or ITP), which levies tax on transfers of real estate property. The value of the property is that set by the municipal government (Dirección General del Catastro Nacional) and the tax rate is 4%. The ITP also applies to transfers at death, but at a tax rate of 3% paid by the heirs..

Heirs shall pay the ITP within a year of the passing and the Donors within 15 calendar day of the taxable event (gift).

7. Are tax reliefs available on gifts (either during the donor's lifetime or on death) to a spouse, civil partner, or to any other relation, or of particular kinds of assets (eg business or agricultural assets), and how do any such reliefs apply?

There are no tax reliefs on gifts and Uruguayan Law also prohibits donations and purchases among spouses. Furthermore, any donations made, cannot breach the forced heirship laws.

8. Do the tax laws encourage gifts (either during the donor's lifetime or on death) to a charity, public foundation or similar

entity, and how do the relevant tax rules apply?

The taxable base in the case of donations is the difference between the fair market value of said good, and the acquisition cost of the goods donated. Consequently, for IRPF purposes, the taxpayer will be the donor and not the beneficiary. This result will be subject to IRPF at a rate of 12%, except when the donation is made to a public entity.

Uruguayan Tax Law provides several benefits that encourage charitable giving, for example, granting donors the possibility to deduct the amount donated against their income tax calculation, or granting tax credits that can be used against taxes to be paid, but this applies only to corporate taxpayers.

In Uruguayan Corporate Tax Law, there is a special donation regime, with specific benefits, when the following requirements are met:

- the donation must be destined for a purpose specifically included in Article 79 of Uruguayan Corporate Tax Law (mostly education and health related purposes);
- the entity beneficiary of the donation must file an investment project stating how the funds will be used; and
- donations must be deposited in cash, in the Banco de la República Oriental del Uruguay, in a unique and special account created for this purpose, on behalf of the Ministry of Economy and Finance.

The taxpayer will be granted the following benefits when making this type of donation:

- tax credit for 75% of the amount donated to be used against Income or Wealth Tax; and
- the remaining 25% can be deducted as an expense for tax purposes.

9. How is real property situated in the jurisdiction taxed, in particular where it is owned by an individual who has no connection with the jurisdiction other than ownership of property there?

In relation to the possession of real estate or its alienation by a non-resident, several taxes shall be considered.

First, wealth tax. As previously mentioned, this tax levies on Uruguayan assets exceeding the minimum threshold set by law. For the computation of property values, the cadastral value is considered, which is typically lower than the acquisition/ market value. For individuals, the tax rates are progressive, outlined in the following table:

Individuals and Undivided Successions			Family Nucleus		
Taxable Amount (USD)		Rate	Taxable Amount (USD)		Rate
From	To		From	To	
1	120.300	0,70%	1	240.600	0,70%
120.300	240.600	1,10%	240.600	481.200	1,10%
240.600	481.200	1,40%	481.200	924.400	1,40%
481.200		1,50%	924.400		1,50%

If the property is owned by a corporation, foreign or Uruguayan, the tax rate is 1.5%.

Second, transfers of real estate properties are subject to ITP tax as follows:

- both transferor and transferee will be subject to taxation at a rate of 2% each; and
- where the transfer is caused by death, the applicable rate will be 3% for direct ascendants or descendant heirs.

The tax rate will be calculated with consideration for the cadastral value of each real property, which is in general lower than the market value of the assets.

Third, non-resident income tax (IRNR). Upon the sale of the property, the difference between the sale value of the property plus the Property Transfer Tax (ITP) and the purchase value, adjusted for improvements based on tax criteria, is calculated. If the difference is positive, the IRNR rate of 12% is applied. Also, as previously indicated, income from real estate property is also taxed at a 12% rate and in the case of rental income, there is a withholding tax or advance payment of 10.5% which can be the definitive rate. It is important to mention that if real estate is owned through a company which is considered a tax haven (BONT), then the rates are 30,25%.

Additionally, there are other property-related taxes:

- **Real Estate Tax** (“Contribución Inmobiliaria”): Between 1.2% and 1.8% of the cadastral value. This is a municipal tax.
- **Primary School Tax**: approximately 0.3% of the cadastral value.

10. Does your jurisdiction have any specific rules in relation to the taxation of digital assets?

From a tax perspective, no specific regulation has been issued so far regarding the tax treatment of digital assets and cryptocurrency. However, the tax treatment applicable to the transfer of these **assets** could be the same applicable to assets under the general rules, as they can be regarded as assets from a legal perspective.

As per the General Tax Directorate (DGI) Consultation N 6.419, regarding an exchange of real estate property for crypto currency, the DGI understood cryptocurrencies to be **intangible assets**. Therefore, and considering Uruguay to be the location of the assets (another point still not determined) its tax treatment would be as follows:

CONCEPT	IRPF/ IRNR	IRAE	WEALTH TAX
Asset Holing	N/A	According to the "subsequent valuation rule", a local intangible asset does not generate and foreign would generate foreign source income (possibly "pure capital" in addition).	N/A
Sale or Exchange	If considered Uruguayan source income, taxed as "capital gain" at 2.4%	Income from "capital gains" taxed provided that it qualifies as "business income from Uruguayan sources"	N/A

11. Are taxes other than those described above imposed on individuals and, if so, how do they apply?

Apart from the abovementioned, individuals also have to pay the Special Social Security Contributions (CESS). These taxes are intended to finance the benefits provided by the social security system (pension contributions, health insurance, contributions for subsidized services and the labour credit guarantee fund).

Employers act as withholders for their employees and shall make the following monthly payments:

- Retirement Fund – 15%
- National Health Fund (FONASA) – 3% with additional 1,5%, 2%, 3%, 3,5% or 5% considering the taxpayers family status (children and/or spouse in charge).
- Labour Reconversion Fund – 0,1%

12. Is there an advantageous tax regime for individuals who have recently arrived in or are only partially connected with the jurisdiction?

Taxation in Uruguay, generally, is limited to income originated within the territory. However, Uruguayan tax residents are also required to pay Personal Income Tax (IRPF) at a rate of 12% on income from movable capital held abroad (for example, interests and dividends).

Currently, Uruguay has an advantageous tax regime known as '**Tax Holiday**.' The "Tax Holiday" consists of allowing new tax residents to choose the regime they prefer to pay taxes on movable capital income abroad. Those people who have obtained the tax residence from the 2020 fiscal year onwards, will have the following options:

a. Be considered as a non-resident (IRNR) taxpayer for the fiscal year in which the change of residence is executed and for the following 10 years. In this way, income from movable capital abroad would no longer be taxed since it is only taxed within the scope of personal income tax (IRPF).

It should be noted that from the 10th year onwards, such tax resident should pay IRPF at the same rate of any other taxpayer (12%) on income from movable capital held abroad.

b. Pay IRPF in relation to income from movable capital from abroad at a rate of 7%, beginning in the tax year in which the tax residence is obtained and indefinitely.

13. What steps might an individual be advised to consider before establishing residence in (or becoming otherwise connected for tax purposes with) the jurisdiction?

Seek advice from local tax advisors and legal experts to understand the tax implications, residency requirements, and any legal obligations that come with establishing residency or connections for tax purposes, as well as the forfeiture of the existing tax residency.

14. What are the main rules of succession, and what are the scope and effect of any rules of forced heirship?

Uruguayan forced heirship laws in general terms determine that if the testator (i) has only one child, he/she can freely dispose of 50% of the estate, (ii) if two children he/she can freely dispose of 33% of their estate, and (iii) if three or more children they can freely dispose of up to 25% of their estate. The will must be signed as public deed before a Uruguayan notary public and witnessed.

The surviving spouse may have the right to receive a portion of the assets of the deceased. If the deceased had no direct descendants, the surviving spouse's portion shall be 25% of the estate assets. If the deceased had descendants, the surviving spouse's portion shall be equal to the forced heirship portion of one direct descendant.

If there are no heirs (direct or indirect) and the deceased has not drawn up a will, the ultimate heir will be the government (specifically, the Agency of Public Education).

15. Is there a special regime for matrimonial property or the property of a civil partnership, and how does that regime affect succession?

In Uruguay, the default marital regime is the "**conjugal partnership**", which means that the assets acquired during the marriage become the property of the conjugal partnership. Nevertheless, the assets received during the marriage by one the spouses via donation or inheritance are property owned only by such spouse.

The alternative type of marital regime is "**the separation of property"**. If done after the couple is married, they separate their assets by a judicial proceeding. If done before the marriage, they must execute a prenuptial agreement. This prenuptial agreement must be executed prior to the celebration of the civil marriage, by public deed issued by a notary and registered at the National Registry of Commerce in the Personal Acts section.

Uruguayan law prohibits donations and purchases among spouses. As a rule, one spouse cannot transfer marital property without the consent of the other spouse, except in certain situations, with a few exceptions, such as non-registrable assets (this excludes real estate and vehicles, among others).

16. What factors cause the succession law of the jurisdiction to apply on the death of an individual?

From a legal point of view and in accordance with Uruguayan rules of Private International Law, a succession has alienation-relevant elements when an individual dies leaving assets in different jurisdictions.

Uruguay enshrines the Germanic principle of plurality of succession. This means that multiple successions could be processed in each state where the deceased has left assets (lex rei sitae).

Uruguayan judges are competent to process succession where assets are located in Uruguay. In this case, said succession will also be governed by Uruguayan law with respect to the assets located in Uruguay, and it will determine who will be the heirs and the validity and effects of the will, among other aspects.

All such considerations are regardless of the place of death of the person whose succession is being considered. This means that, concerning all assets located in Uruguay at the time of the deceased's passing, Uruguayan succession rules will be applied, regardless of whether the deceased was a national or foreigner, or whether they resided in Uruguay or not.

When assets are not located in Uruguay, the applicable law for succession purposes will depend on the existence of international treaties. Given Uruguay's criterion of plurality of succession, it is necessary to initiate the succession process in each jurisdiction where the deceased holds assets. The solution for the plurality of succession is addressed in various international treaties, but in some jurisdictions, the "unitary succession" criterion is established, as is the case in several European countries. This can potentially lead to a conflict of laws. If there is no international treaty in place, the situation could be complicated since the judges of each state will apply their own Private International Law rules.

17. How does the jurisdiction deal with conflict between its succession laws and those of another jurisdiction with which the deceased was connected or in which the deceased owned property?

In our jurisdiction, the conflict between its succession laws and those of another jurisdiction connected to the deceased or where the deceased owned property is primarily addressed by the conflict of law rule, a fundamental aspect of international private law system. This rule aims to resolve potential conflicts arising from a private international relationship having points of

contact with multiple legal systems. It decides which connected legal system should regulate the relationship and which country's courts should resolve any related disputes.

The classic conflict of law rule is essentially location-based, seeking the place where the international private relationship is "situated" and applying the law of that place. This rule employs elements called points of connection, contact points, or connecting factors to reach the substantive state law. These points of connection can be broadly categorized into factual and legal connections. Factual connections involve easily understandable mentions of facts, such as the location of real estate or the person's residence. On the other hand, legal connections encompass aspects that require interpretation, presenting challenges in achieving a uniform interpretation internationally, including the domicile connection.

In cases of conflicting legislative application, particularly with countries adhering to the unitary succession criterion, contrary to Uruguay's plurality of succession criterion, challenges arise. As mentioned earlier, the governing rule for an international succession is the conflict of law rule to determine the applicable law. However, the content of this rule varies in each legislation.

18. In what circumstances should an individual make a Will, what are the consequences of dying without having made a Will, and what are the formal requirements for making a Will?

When speaking of succession planning, the Will appears as one of the most helpful tools. It makes it possible to decide how to distribute inheritance and often prevents conflicts between the heirs.

By definition, a Will is an act "by which a person disposes, according to the law, of all or part of their property for after their death." This is established in Article 779 of Law 16,603 of the Civil Code of Uruguay.

A Will is a personal and always written document. Furthermore, it is "essentially revocable." The law establishes that "Every Will is revocable at the testator's will until their death. Any waiver of this right shall be void…"

If a person dies without making a Will, the law will determine who receives the assets or debts of the deceased person.

Through the Will, the testator establishes the destiny of their estate, considering the legal limitations explained below.

The Will must be signed by the testator, a Notary, and the applicable witnesses.

There are two types of Wills in Uruguay. One is the open Will, where the person states how they want to distribute their assets in front of a notary and witnesses. The closed Will, on the other hand, is when neither the notary nor the witnesses know the testator's provisions.

Unlike other countries ruled by common law, where the right to dispose of assets after death prevails over forced heirships, Uruguay has forced heirship rules, irrespective of whether the person dies testate, intestate, or having established a testamentary trust. Forced heirship rules stipulate that the percentage of assets the testator can freely dispose of is determined by the number of dependent children. Matrimonial ascendants, that is, parents, are also considered forced heirs. In this latter case, the key factor is whether the testator is a legitimate or extramarital child.

Forced heirs exist in Uruguayan legislation to "protect the family." Example: A person decides in their Will to leave their entire estate to a friend despite having two children. In that case, the forced heirs must file a Will reform action before the applicable Uruguayan Court. In this way, they enforce their rights. These actions must be taken within four years. If they do not file them, then the Will will take effect, and every asset will go to the friend, following the example given.

19. How is the estate of a deceased individual administered and who is responsible for collecting in assets, paying debts, and distributing to beneficiaries?

The succession is the transmission of rights and obligations from the person who is no longer alive, i.e., the deceased, to their heirs. It is important to clarify that both assets and rights, **as well as debts and obligations, are transmitted**.

In general terms, the first consideration is whether the deceased person made a Will or not.

If no Will was made, the successors will be determined by the Civil Code, and therefore, they will be responsible for the obligations the deceased may have had, including those related to the probate process.

It is essential to note that when initiating the probate process, the inheritance can be accepted outright or with

the benefit of inventory.

Effects of Unrestricted Acceptance:

Liability: The heir is liable “ultra vires hereditatis” (beyond the inheritance) with their own assets.

Confusion: The heir’s assets are merged with the deceased’s, forming a single estate.

The benefit of inventory is a declaration of will, a right that every heir possesses, providing a means to limit their liability to the estate’s assets.

Effects of the Benefit of Inventory: Limiting the heir’s responsibility, as it only extends to the value of the estate’s assets.

If we are dealing with a testate succession, the testator may have designated a testamentary trust (which will be analysed in the next question) and/or appointed an executor. An executor is a person responsible for “distributing everything according to” the wishes of the deceased. The executor is a manager of the estate, regulated by law, with obligations to fulfil.

In that sense, the executor is a testamentary executor entrusted by the testator to execute or ensure the execution of their provisions and enforce the instructions imposed by the testator. This position is not incompatible with the status of heir or legatee. One or more executors may be appointed to execute the will. In the event no executor has been appointed or the designated executor is absent, it becomes the responsibility of the heirs to execute the testator’s provisions.

20. Do the laws of your jurisdiction allow individuals to create trusts, private foundations, family companies, family partnerships or similar structures to hold, administer and regulate succession to private family wealth and, if so, which structures are most commonly or advantageously used?

In our jurisdiction, the intestate succession governs the transmission of inheritance within family relationships, filling the gap when there is no explicit testamentary expression. While intestate succession preserves family wealth, individuals can also utilize the testamentary trust institution to assert control over their assets.

The testamentary trust introduces a fiduciary element, appointing a trustee to manage the assets after the testator’s death, ensuring their distribution aligns with the testator’s intentions. It allows the testator to designate a fiduciary who, upon the testator’s death, receives part or all of the assets for specific purposes, benefiting other parties. This is regulated under Law No 17.703, which was published on 4 November 2003 (hereinafter referred to as ‘Trust Law’).

According to Article 3 of Trust Law, a testamentary trust can be established either through an inter vivos act or a will. The testator retains the right to revoke or modify the trustee’s designation during their lifetime. As an intuitu personae contract, the functions assigned to the trustee are non-delegable. While the law doesn’t demand explicit acceptance of the role, tacit acceptance occurs when the trustee begins their duties or requests the heirs to deliver the assets constituting the trust. The beneficiary’s acceptance then finalizes the trust’s legal nature.

Uruguayan Trust Law provides four types of trusts according to their function:

Guarantee/collateral Trust: usually used for financing purposes, making recovery less expensive and much faster, and avoiding judicial proceedings. Assets are transferred so that the trustee holds them for a certain period, until a contractual obligation, guaranteed by the trust, becomes enforceable.

Investment Trust: usually used for construction purposes or real estate developments. This type of trust has the particularity that assets transferred to the trust must be invested by the trustee in risky, speculative operations, with the main objective of obtaining profits.

Financial Trust: usually used for project financing. The beneficiaries are holders of certificates of participation of the trust property, debt securities issued guaranteed with the trust assets or mixed nature rights. This vehicle is very helpful for securitising accounts receivable and to shield future cash flow. Only financial institutions or investment fund administrators are allowed to be trustees of Financial Trusts.

Management Trust: Usually used for estate and tax planning. Assets are transferred to the trustee to manage them and deliver the earnings to the designated beneficiary. All types of personal or real property, whether tangible or intangible, may be transferred as trust property.

Uruguayan Trust Law provides that if one trustee acts as such in more than five trusts in a calendar year, that person will be considered a professional trustee and, in consequence, they will be subject to registration and information requirements.

The testamentary trust falls under the category of Management type and serves as a useful tool for succession planning. In this scenario, the trust is established through a will, specifying the transfer of assets to a trustee. The guidelines for this trust should be defined within the testament. However, the entitlements of forced heirships cannot be restricted by a testamentary trust.

As for foundations, they are regulated under Law No 17,163 which was published on 10 September 1999 (hereinafter referred to as 'Foundation Law'). Foundations are legal entities recognised as such by the competent authority. They are created through the contribution of assets, rights or resources, made by one or more natural or legal persons with the main objective of general interest, without any profit purpose.

Although foundations are regulated under Uruguayan law, their use for estate planning is very limited in comparison with other jurisdictions.

21. How are these structures constituted and what are the main rules that govern them?

Trusts are defined as legal arrangements by which the trust property constitutes a set of property rights, or other real or personal rights, which are transmitted by the settlor to the trustee for the management of, or to be exercised in accordance with the terms and conditions of, the trust, for the benefit of a beneficiary (or beneficiaries) designated in the trust.

The trustee must return the property at the termination of the agreement or fulfilment of the condition to the settlor or transfer it to the beneficiary/beneficiaries in accordance with the terms and conditions under which it was created.

Trusts can be created by inter vivos acts or by will.

Uruguayan law 17,703 follows the traditional structure of the Anglo-Saxon trust and the Latin American trust, establishing that there are three subjects: the settlor (or trustor), the trustee, and the beneficiary. The settlor is the testator, that is, the person who, through their will, transfers the assets that will be subject to the trust, designates the subjects, and establishes the conditions and guidelines for the operation of the transaction. The trustee is then appointed by the testator, who assigns rights and obligations and leaves them the assets that constitute the subject of the trust, which must be administered according to the instructions of the will.

This system resembles the figure of the testamentary executor: both are appointed by the testator to carry out an asset management activity, following their instructions; they can be removed, and they can receive remuneration, but the executor does not acquire the fiduciary ownership of the assets, as the trustee does.

The trustee can be a natural or legal person, as there are individuals or companies that make the provision of trustee services a specialized profession. According to Uruguayan law, the natural person must have the legal capacity to engage in commerce. The trustee is only the legal owner of the assets; economic benefits go to the beneficiary, and furthermore, their fiduciary ownership or ownership is extinguished when the condition or resolutive term set by the testator to the trust is fulfilled.

The testator may appoint multiple trustees and designate substitutes in case any of the causes for the cessation of the trustee occur.

There are two important prohibitions related to the trustee:

- they cannot be the beneficiary, except for guarantee/collateral trust carried on by financial institutions; and
- they must be the ultimate holder of the trust property.

Obligations of the trustee:

The trustee has mandatory legal obligations, notwithstanding any additional obligations imposed by the testator:

- Administer the trust assets with the diligence and prudence of a good businessperson.
- Render accounts of their administration to the beneficiary (or beneficiaries) at least once a year, and the testator cannot exempt them from this obligation.
- The trustee cannot acquire for themselves the assets included in the trust, and the testator cannot exempt them from this prohibition. Upon the conclusion of the trust, either by fulfilling the term or condition, they must transfer the trust assets to the beneficiary, their successors, or the testator's heirs, as specified by the testator.

Additionally, Law 17,703 establishes specific prohibitions for the trustee: a) Guarantee or endorse in any way the results of the trust or the operations, acts, and contracts carried out with the trust assets for the settlor or beneficiary. b) Engage in operations, acts, or contracts with the trust assets for their benefit. c) Execute any other legal act or transaction with the trust assets in

which they have a personal interest, except with the joint and express authorization of the settlor's heirs and the beneficiary.

Causes of cessation of the trustee role:

- Judicial removal due to non-compliance with obligations, at the request of the settlor or trustor (in this case, the testator's heirs), and the beneficiary.
- Due to death or judicially declared subsequent incapacity if the trustee is a natural person.
- By resignation, if authorized by the testator settlor. The resignation takes effect after the transfer of the trust assets to the substitute trustee.
- By dissolution if the trustee is a legal person, due to bankruptcy or liquidation. The law adds other causes, such as the trustee losing the conditions required for engaging in commerce; removal by the settlor when they reserved this power in the constitutive act; and cancellation of registration by the Central Bank of Uruguay.

In summary, testamentary trust is a helpful tool for succession planning as the trust is originated by a will by which specific assets are to be transferred to a trustee in accordance with the rules established in the testament. However, **it is important to highlight that the rules of forced heirships cannot be limited by a testamentary trust.**

As for foundations, they can be constituted through two main methods:

A) By an act between living individuals, documented in a public instrument granted by the founder(s) or their representatives with a specific power of attorney.

B) By testamentary disposition.

In both cases, it is essential to establish the assets, rights, or resources explicitly and clearly being contributed and the purpose or purposes to which they are designated.

Foundations must receive recognition from the Ministry of Education and Culture, as explained below. If, at the time of the testator's death (in the case of an open will) or when opening a closed testament, the competent authority has not acknowledged the legal personality of the beneficiary foundation, the contributed assets will be placed under the custody of the person(s) designated by the testator for this purpose. In the absence of such designation, the executor or, in the absence thereof, the heirs or legatees will assume responsibility for the assets until the required recognition is obtained. The person in charge of the contributed assets to the foundation will be responsible for their preservation and immediate delivery once the required recognition is obtained.

In cases of contributing assets by testamentary disposition to future foundations, the recognition of their legal personality must be obtained within one year from the testator's death in the case of an open will or from the opening of the closed testament.

If, for any reason, recognition is not obtained within the specified period, the testamentary disposition will become void.

22. What are the registration requirements for these structures and what information needs to be made available to the relevant authorities? To what extent is that information publicly available?

In principle, a testament designating a testamentary trust or constituting a foundation must comply with the registration formalities with the General Inspection of Notarial Records of the Judiciary Power. In the specific context of Uruguay, where a testament is crafted before a notary public, the procedural steps encompass the notary public's crucial role in supervising the document's inception and managing its subsequent registration. This entails a meticulous process where the testament is formally recorded and inscribed with the General Inspection of Notarial Records. This meticulous registration procedure ensures compliance with legal requirements, providing an official record of the testament within the jurisdiction. The involvement of the General Inspection of Notarial Records adds an additional layer of oversight, reinforcing the transparency and legitimacy of the testamentary process in Uruguay. Moreover, in instances where a testament is prepared by a notary outside Uruguay, the document may undergo the apostille process for authentication. Once apostilled, the testament is then protocolized, a step that involves a formal recording or documentation process. Following this protocolization, the testament is eligible for registration, thereby fulfilling the necessary legal requirements. This comprehensive procedure ensures that the testament, whether executed locally or abroad, is properly recognized and recorded in accordance with the regulations and oversight of the General Inspection of Notarial Records within the Judiciary Power.

Testamentary trust comes into existence upon the individual's death. Once the fiduciary, whether a natural or legal person, foreign or local, acts, it is mandatory to

register the trust. This registration involves enrolment with the Tax Authority (Dirección General Impositiva) and the Social Welfare Bank (Banco de Provisión Social). It is noteworthy that, in the case of a corporate fiduciary, it is imperative to identify not only the trust but also the ownership chain of the fiduciary company.

Additionally, the trust must be registered with the "General Directorate of Registries" in the Personal Acts Registry. In this registry, the names and surnames of the settlor and trustee, along with their addresses, nationalities, and identification documents, must be specified.

If national or foreign legal entities are involved in the trust, the type of business, address, and registration in the Unique Taxpayer Registry of the DGI (General Tax Directorate) or the relevant tax entity according to the applicable jurisdiction should be indicated. Foreign companies acting as settlors are not obligated to establish branches in Uruguay.

In any case, the trust must identify the assets included in it and their subsequent destination.

The registration requirements for foundations involve the authorized individuals named in the testament, or alternatively, the executor(s), heirs, legatees, or the Public Ministry appearing before the Ministry of Education and Culture. They will request the recognition of the legal personality of the foundation, and for this purpose, the following documents and information need to be presented:

A) The relevant testament.

B) A detailed list of the assets, rights, or resources being contributed.

C) A draft of the foundation's statutes.

The recognized individuals must submit these documents to the Ministry of Education and Culture to initiate the registration process. As for the information that needs to be made available to the relevant authorities, it includes the specifics of the testament, a comprehensive inventory of contributed assets, and the proposed statutes outlining the foundation's objectives and governance structure.

Additionally, in accordance with laws 18,930 and 19,484, certain entities must identify and report to the Central Bank of Uruguay (BCU) the ownership of participations, as well as the ownership chain until reaching their ultimate beneficiaries. In this context, the law considers "ultimate beneficiaries" to be natural persons who directly or indirectly own at least 15% of the subscribed capital (or its equivalent), or the right to vote, or who in some way exercise the final control of the company.

23. How are such structures and their settlors, founders, trustees, directors and beneficiaries treated for tax purposes?

It is important to highlight that the Trust (fideicomiso) is a taxable person according to the Corporate Income Tax (IRAE) and Wealth Tax (Impuesto al Patrimonio), so income from Uruguayan sources and assets located in Uruguay are taxed.

If the settlor is an IRAE or IRPF taxpayer the contribution of assets to the Trust is also taxable. *The taxable income would be determined by the difference between the value of the assets transferred to the Trust and its cost of acquisition.* Also, the transaction may be subject to VAT (unless the sale of such assets is exempt).

Trust income which is paid to the beneficiaries is also taxable under IRPF at the rate of:

- 12% when paid out of regular income from foreign capital investment; and
- 7% in the remaining cases.

Furthermore, distributions arising from income not taxed by IRAE (foreign source or otherwise exempted income) will be exempt from IRPF (unless they are foreign dividends or interests) and also the Non-Resident Income Tax (IRNR). There are certain exceptions to this rule, but they would not apply for a non-tax resident beneficiary.

Regarding directors, if they are residents, they will be subject to IRPF if they are declared as remunerated directors. In that case, they will tax IRPF for the salary received as any employee does. Tax rate goes from 0% to 36%.

24. Are foreign trusts, private foundations, etc recognised?

Foreign foundations are recognised and can operate in the country only when they align with the objectives and principles outlined in Uruguayan legislation and receive recognition from the Ministry of Education and Culture. Foreign foundations operating in the country will have a one-year grace period to regularize their status.

Recognition of foreign trusts is not explicitly addressed by a national Private International Law rule. Instead, the treatment of such structures falls within the framework of general national legal provisions. Specifically, Articles 2398 and 2399 of the Uruguayan Civil Code play a

crucial role in determining the recognition and application of these entities.

Article 2398 establishes that the formalities and effects of international acts are subject to the laws of the place where they are performed. In the context of trusts, this implies that the existence, nature, validity, and effects of these entities would be governed by the law of the jurisdiction where they are established or enforced.

Article 2399 further designates the competent judges for these international acts, reinforcing the principle that the legal aspects of foreign trusts are determined by the laws of their place of enforcement.

The reliance on these general legal principles allows for the consideration and acknowledgment of such structures, with their legal characteristics being determined by the laws of the jurisdiction in which they operate. It's essential to emphasize that the specifics of the treatment may vary depending on the individual circumstances and the legal systems involved.

25. How are such foreign structures and their settlors, founders, trustees, directors and beneficiaries treated for tax purposes?

First, from a **Wealth Tax Perspective** (IPAT), the assets contributed to a foreign trust or private foundation, will no longer belong to the settlors/founders estate, so they will not be included in the annual tax return. It is important to bear in mind that foreign assets are not taxed in Uruguay by IPAT, but they absorb deductible passive. Therefore, in case settlors/founders has assets in Uruguay taxable by IPAT and loans granted with Uruguayan Banks (only admitted deductible passive) then eventual foreign assets shall be declared, and in order to accomplish this requirement, foreign companies must register in the tax collector Administration to be able to pay the corresponding corporate tax for its taxable assets.

In addition to this, if the Trust or Private Foundations has credits with Uruguayan companies, these companies will act as withholding agent for these kind of local assets, retaining the 1,5% of the asset or 3% if asset corresponds to a Trust operating in a low-tax jurisdiction, as long as the liability held by the Uruguayan company does not correspond to derivate financial instruments, imports and loans or deposits.

From an **Personal Income Tax** perspective (IRPF), the transfer of such assets into the trust or private foundation would only trigger a tax obligation if such assets were in Uruguay.

As previously mentioned, Uruguay has CFC/ anti-avoidance provisions that attributes the income generated by the Trust to the settlor, if there are no actual beneficiaries, and taxes it at a 12% rate, but only when the Trust belongs to a tax haven, as far as the settlor is a Uruguayan tax resident.

Foreign income received by individual residents will be subject to taxation if it is derived from passive investments. Furthermore, as already explained, Uruguay CFC rules apply when a Uruguayan tax resident obtains certain types of income abroad through an entity domiciled in a country of low or no taxation. If that is the case, said income will be attributed to the resident individual.

Distributions made by a foreign trust to a Uruguayan beneficiary will be subject to IRPF at a rate of 12%. Income derived from services rendered by a Uruguayan resident abroad and acting as a fiduciary of a foreign trust, will not be subject to taxation in Uruguay as it is considered foreign-sourced income.

26. To what extent can trusts, private foundations, etc be used to shelter assets from the creditors of a settlor or beneficiary of the structure?

The extent to which trusts, private foundations, and similar structures can be used to shelter assets from the creditors of a settlor or beneficiary depends on the legal framework of the jurisdiction in which these structures are established. In the case of Uruguay:

Trusts:

- Creditor Protection: Trusts in Uruguay can provide a degree of creditor protection, especially if properly structured. When assets are transferred to an irrevocable trust, they may be shielded from the settlor's creditors.
- Fraudulent Conveyance Rules: However, the effectiveness of such protection may be subject to fraudulent conveyance rules. If a court finds that the settlor transferred assets to the trust with the intent to defraud creditors, these transfers could be challenged.

Private Foundations:

- Legal Structure: Private foundations in Uruguay are legal entities with a separate patrimony. This separation can offer some protection against the personal debts of founders or beneficiaries.
- Fraudulent Conveyance Considerations: As

with trusts, fraudulent conveyance rules may be applicable. If a court determines that the establishment of a private foundation was an attempt to defraud creditors, it might set aside the foundation.

It's crucial to note that while these structures can provide asset protection benefits, they should not be used for fraudulent or improper purposes. Courts may scrutinize asset transfers and structures that appear to be set up with the primary intent of avoiding legitimate creditor claims. Additionally, international legal considerations and the laws of other jurisdictions where creditors may be based can impact the effectiveness of asset protection measures.

Although the use of trusts and private foundations in estate planning is limited in Uruguay, they are utilized in certain cases. Assets can be transferred into a trust by the settlor to safeguard them against potential family business risks, benefiting their children, spouse, or any third party. To fulfil this objective, the trust structure must be appropriately established, meeting specific criteria, such as being irrevocable and discretionary.

One of the most widely embraced approaches for asset protection planning under Uruguayan law involves the utilization of business organizations, specifically corporations and limited liability companies. Corporations allow for the representation of corporate capital through registered shares. Simultaneously, limited liability companies operate with a similar mechanism. These business entities present a robust legal framework adept at effectively addressing the multifaceted challenges associated with wealth preservation and risk management.

The hallmark of these structures lies in the segregation of personal assets from business liabilities. Consequently, the personal assets of the company's members, or owners, are typically shielded from the company's debts or legal obligations. This intrinsic feature of limited liability structures introduces an additional layer of protection, fostering a secure environment conducive to wealth preservation. Both corporations and limited liability companies offer settlors and business owners invaluable tools for safeguarding assets and executing strategic risk management.

27. What provision can be made to hold and manage assets for minor children and grandchildren?

According to the Uruguayan Civil Code, individuals achieve full legal capacity at the age of 18. In broad terms, parents hold legal authority to oversee and manage the assets of minors, known as "parental authority." Numerous rules and responsibilities are outlined for parents, encompassing aspects such as health, clothing, nutrition, education, and, more broadly, providing guidance.

Parents are recognized as the legal administrators of their children's assets, whether or not they have usufruct rights. The Civil Code imposes certain prohibitions on parents, such as:

- Constituting real rights on their children's assets or transferring real rights belonging to their children to assets of others without equal authorization.
- Purchasing, either directly or through another party, any kind of assets from their children, even in public auctions.
- Assigning credits, rights, or actions against their children, unless such assignments result from legal subrogation.
- Voluntarily remitting their children's rights.
- Engaging in private transactions with their children regarding the inheritance of a predeceased spouse or inheritances where they are co-heirs or legatees with them.
- Obligating their children as sureties for themselves or third parties.

Acts by parents against these prohibitions are deemed null and void.

Parents can agree that the mentioned administration be exercised by one of them, subject to exceptions provided by law.

Furthermore, the child has the administration of assets acquired through their civil, military, and ecclesiastical services, as well as those acquired through their work or industry, considering them emancipated or of legal age for this purpose. Additionally, parents will not administer assets donated or bequeathed by will to children under the condition that the parents do not administer them.

The court, at the request of relatives or the Public Ministry, may remove one or both parents from the administration of the children's assets if proven to be detrimental to the children's interests. In cases where both parents are removed, the court will appoint a special curator for administration.

It's essential to highlight the institution of tutelage, a legal instrument for the care of minors under 18 when parents cannot fulfil this responsibility, including cases of parental death. The tutor takes personal care of the child or adolescent and administers their assets.

The law allows parents to designate who will take care of their minor children if they are absent, through a testament ("testamentary tutelage"). Parents can appoint any person as a tutor without being limited to those established by law. If parents do not make any provisions, the court will generally appoint a tutor from among the closest relatives, considering the aptitude and security offered by the candidates, at the discretion of the judge.

If both parents are responsible for their children, each can make their testamentary tutelage. If one parent passes away, the provisions of their testament will not apply, and the surviving parent will take care of the children. Only after the passing of the second parent will the provisions of their testament come into effect. If both parents were to pass away simultaneously and had designated different tutors, the court will decide who will take care of the minors among those designated by both parents.

In any case, the tutor is responsible for the proper administration of the minor's assets. Therefore, they must prepare a judicial inventory of the assets before assuming the role, provide guarantees, and submit accounts of their administration at least every three years.

Finally, if parents believe that the most suitable person for the personal care of the children is not the best choice for asset administration, it is possible to complement the designation of the testamentary tutor with the establishment of a testamentary trust. This ensures the proper administration of assets, provides guarantees to the tutor, and ensures the fulfilment of the parents' wishes.

28. Are individuals advised to create documents or take other steps in view of their possible mental incapacity and, if so, what are the main features of the advisable arrangements?

No. Although there was a bill attempting to amend the Civil Code of Uruguay to include provisions on self-curatorship, it was never fully approved.

The project defined self-curatorship as the attribution to capable individuals of the possibility to designate who will assume the role of curator, in the event they are declared incapable in total or in part in the future. The main function of the "self-curators" is the opportunity given to the interested party to designate someone to act as curator in case of future incapacity. The project argued that there is no compelling reason to continue restricting the principle of autonomy of will, which prevents capable individuals from planning their personal and patrimonial future in the event of future incapacity.

Under the current regime, any adult may be declared legally incapable by a court, and the court must then appoint a curator for this person. The process must be initiated by a relative, the spouse, or the attorney general. In the case of mental incapacity, the judge must personally interrogate the individual and receive at least two medical reports.

In Uruguay, there are no special trusts for individuals with disabilities. However, an administration trust or a testamentary trust could be created to provide and care for disabled individuals, with the curator being appointed as the trustee.

29. What forms of charitable trust, charitable company, or philanthropic foundation are commonly established by individuals, and how is this done?

Foundations and civil associations are the most used vehicles for charitable purposes. The main feature of these types of legal entities is that they must be non-profit organisations. A foundation can be incorporated by a unilateral act of its founding member by will (mortis causa) or by gift (inter vivos). A civil association, on the other hand, must be incorporated by a multilateral act between its members that joins the different corporate bodies. Both entities are subject to the control of the Ministry of Education and Culture.

Article 69 of the Uruguayan constitution provides that institutions that pursue private education and cultural purposes are exempt from all national and municipal tax. Therefore, foundations and civil associations that pursue such interests are exempt from all taxes.

30. What is the jurisdiction's approach to information sharing with other jurisdictions?

Regarding the Common Reporting Standard (CRS), at the end of 2016, the Uruguayan parliament approved Fiscal Transparency Law No 19,484 which, among other important modifications, implemented the automatic exchange of financial account information in tax matters based on the OECD CRS.

Furthermore, the Uruguayan Parliament enacted Act No. 19.428 which ratified the Convention on Mutual

Administrative Assistance in Tax Matters (hereinafter "the Convention"), signed by Uruguay in Paris on June 1st, 2016. The Convention is one of the most complete and comprehensive legal instruments at international level for the mutual assistance between Tax Authorities, considering its forms of assistance and also its multilateral scope. Such characters turn the Convention into the underlying legal instrument that, in general terms, allow the automatic exchange of information on income from financial source. The Convention has a multilateral scope, binding Uruguay, in principle and simultaneously, with more than one hundred jurisdictions which are its participating parties.

Following the spirit of the regulations mentioned above, Uruguay has approved bilateral exchange relationships for the automatic exchange of Country-by-Country reports between tax authorities: Andorra, Argentina, Australia, Austria, Belgium, Brazil, Bulgaria, Canada, Chile, Colombia, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Guernsey, Hong Kong, Hungary, India, Indonesia, Ireland, Isle of Man, Italy, Japan, Jersey, Korea, Latvia, Liechtenstein, Lithuania, Luxembourg, Malaysia, Malta, Mauritius, Mexico, Monaco, Netherlands, New Zealand, Norway, Pakistan, Poland, Portugal, Russia, San Marino, Singapore, Slovak Republic, Slovenia, South Africa, Spain, Sweden, Switzerland and the United Kingdom.

The Fiscal Transparency Law was later regulated by Executive Decree No 77/017, establishing that financial institutions (including, but not limited to, banks, securities intermediaries and insurance companies in certain cases) must report the identity and residence of account-holders, and may require certain information from individuals for this report.

However, as from 2019, when the balance of the pre-existing accounts of non-residents and resident individuals and companies is less than approximately USD20,000, these accounts are exempt from being reported to the tax authority.

Furthermore, in November 2016, Uruguay adhered to the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information. Such agreement authorises the automatic exchange of information with all signing countries.

The adherence to this agreement is essential for the implementation of the automatic exchange of the Country-by-Country Report, developed under BEPS Action 13, which contributes to international co-operation on information exchange.

Moreover, as previously mentioned, Uruguay has an extensive network of international tax treaties for the purpose of preventing double taxation and fulfilling the country's commitments on fiscal transparency and exchange of information as well as CFC rules.

All these tax provisions and multinational transparency initiatives that have been implemented by Uruguay to comply with OECD directives, affect planning for clients in the following way: resident individuals can no longer get tax deferral on their foreign-sourced holding income by using offshore low-taxed entities.

Many HNWI who are looking for confidentiality regarding their financial assets and who mistrust governments and tax authorities, are migrating their bank accounts to the United States of America, since the USA does not adhere to the OECD CRS, and applies only FATCA policies to US nationals.

31. What important legislative changes do you anticipate so far as they affect your advice to private clients?

With the onset of 2024, new tax regulations have come into effect in Uruguay, bringing about significant changes. Below is a snapshot of some of the mentioned changes.

- Through the recent Law 20,124, various modifications have been consolidated at both the IRPF (Personal Income Tax) and IASS (Social Security Tax) levels.
- Another change in the Uruguayan tax system concerns fines for contravention due to the omission of submitting the audit report to the Tax Administration. In this regard, large taxpayers are obligated to annually submit the audit report of their financial statements. With the regulatory modification, fines for contravention due to late submission of the audit report are introduced. If the taxpayer fails to comply with the applicable deadline, the DGI is authorized to impose a fine equal to 1,000 times the value of the maximum contravention.
- **Global Minimum Tax:** This agreement of the Organization for Economic Cooperation and Development (OECD) was signed by 134 countries, including Uruguay. For Uruguay, this poses significant challenges for promotional tax regimes. The relinquishment of revenue through the application of promotional regimes in our country, could potentially result in a transfer of revenue to another country that ultimately applies the minimum global rate. It is not clear at the

moment how Uruguay will deal with this issue, but new regulations will certainly impact in sectors such as free trade zones, technology, or investment laws.

- Finally, it's noteworthy that agreements between Uruguay and Brazil and the United States are coming into force.
    - In the case of the agreement with **Brazil**, the double taxation agreement comes into effect, regulating the treatment of income and assets and establishing a mechanism to avoid double taxation. For business profits, it grants the right to the country where the company resides to tax income, unless it operates in the other country through a permanent establishment. For dividends and interest, the limits set in the agreement are higher than the rates applicable in Uruguay, so the agreement does not modify the current treatment. For technical services, the cap is set at 10% instead of the current 12%. Moreover, the agreement also outlines the way to avoid double taxation, allowing for the deduction of income or wealth tax generated by the income/wealth in the other state. This deduction cannot exceed the income or wealth tax generated by the respective income/wealth.
    - The tax information exchange agreement with the **United States** is still pending. It is not yet in force as it needs to be approved by Parliament, and then Uruguay must notify the United States of the completion of all necessary internal procedures for its validity.

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