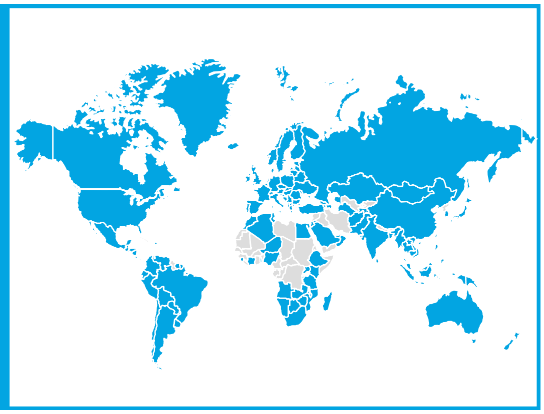
INPATRIATES
Uruguay
Tax facts for international assignees



INCOME TAX: WHO IS LIABLE

All individuals (tax residents or not) are subject to tax in Uruguay on income derived from activities developed, assets located, or rights economically used in Uruguayan territory.

Uruguayan tax residents are levied by the Income Tax on Individuals (IRPF) and non-residents are levied by the Income Tax on Non-Residents (IRNR).

An individual is deemed to be a tax resident in Uruguay when any of the following occur:

- The person stays more than 183 days in Uruguayan territory during a calendar year. Sporadic absences shall be taken into account unless the person provides evidence of fiscal residence in other country;
- The individual's main economic or vital activities or interests are located in Uruguayan territory, whether in a direct or indirect way.

It shall be presumed that the individual is tax resident in Uruguay if the spouse and underage children (that depend on the individual) have their usual residence in Uruguay.

Unless tax residency is claimed and proven in another country, it shall be presumed that the individual's main economic or vital activities or interests are located in Uruguay especially when the individual has an investment in Uruguayan territory in:

- Real estate - A value that exceeds USD 1.615.000 (equivalent to 15.000.000 Unidades Indexadas, June 2020 values), according to the calculation rules provided by the current regulations, or
- A company (directly or indirectly) - A value that exceeds USD 4,845.000 (equivalent to 45.000.000 Unidades Indexadas, June 2020 values), which includes projects or activities that have been declared as national interests.
- Real estate - A value greater than USD 380,000 (equivalent to 3,500,000 Unidades Indexadas, June 2020 values) made on or after June 1st, 2020, while having an effective presence in Uruguayan territory for at least 60 days in the calendar year. If no new acquisitions are made, the updated tax cost of each property will be considered, or
- A company (directly or indirectly) - A value greater than USD 1,615.000 (equivalent to 15,000,000 Unidades Indexadas, June 2020 values) made on or after June 1st, 2020, generating at least 15 new direct jobs in full-time dependent employment relationships. Jobs are deemed new when the employees are hired on or after June 1st 2020, not resulting from a decrease in jobs in related companies.

EMPLOYEES OF TAX-FREE ZONE USERS

Foreign personnel hired by a Tax-Free Zone User in Uruguay can choose to be excluded from the Uruguayan Social Security System.

Also, these employees, when having chosen to be excluded from the Uruguayan Social Security System, can also choose to pay the IRNR tax instead of the IRPF tax.

DOUBLE TAXATION TREATIES

If the inpatriate's country of origin has a double taxation treaty (DTT) signed with Uruguay, the provisions of DTT must be taken into account when determining the residency of the individual, and when determining which country may tax income obtained by such individual.

INCOME TAX RATES

IRPF Tax (Residents)

Inpatriates can work as employees or self-employed individuals. When working as employees, their employers act as surrogate accountable parties for the IRPF tax. This means that they are the only ones accountable before the Government for the taxes with respect to which they act as such. Self-employed individuals will need to pay their own tax (although employers may withhold a fixed percentage, depending on the amount of income) every two months.

IRPF tax levies salaries obtained by Uruguayan tax residents, according to applicable progressive rates (established with respect to the value of the BPC – Base de Prestacionesy Contribuciones–which changes on an annual basis).

There is a minimum amount for income (approx. USD 735 as of June 2020), If the individual earns less than that, no IRPF will apply. Certain expenses can be deducted from income. If the individual is an employee, these will consist mainly of social security contributions (the deductions are added and progressive rates are applied to them).

The rates for gross income are:

Range of values (BPC)	From (USD)	To (USD)	Applicable rate
0 to 7 BPC	0	735	0%
7 to 10 BPC	735	1,050	10%
10 to 15 BPC	1,050	1,575	15%
15 to 30 BPC	1,575	3,160	24%
30 to 50 BPC	3,160	5,250	25%
50 to 75 BPC	5,250	7,881	27%
75 to 115 BPC	7,881	12,090	31%
More than 115 BPC	12,090		36%

The rates for deductions are:

- If monthly gross income for the person equals or is less than 15 BPC (USD 1,575 June 2020 values): 10%.
- If monthly gross income for the person exceeds 15 BPC (USD 1,575 June 2020 values): 8%.

Self-employed individuals can also deduct a fixed rate of 30% of gross income.

If the individual is an employee, there is no obligation to file tax returns (unless the individual works for more than one company during the same year). If self-employed, returns should be filed annually.

For the IRPF tax, the law also establishes special rates for married couples filing jointly income.

IRNR Tax (Non-Residents)

IRNR tax levies salaries from Uruguayan sources, obtained by non-residents, according to a fixed rate of 12%, applicable to the earned income.

In this case, the employer will act as withholding agent in both scenarios, when the inpatriate works as an employee and when self-employed. Aditionally, there is no obligation to file tax returns for any of these scenarios.

Tax on Moveable Capital Located Abroad

IRPF tax levies income derived from moveable capital (for example, deposits, loans and any other capital or credit placement), whether from Uruguayan or from foreign sources. Consequently, if a Uruguayan tax resident obtains interest from a foreign source, this will be levied by IRPF.

However, foreign individuals who become tax residents in Uruguay may choose to pay IRNR for income derived from moveable capital located abroad. As this results in foreign source income not subject to IRNR, the individual will not pay income tax. This option applies to the year in which the foreign individual becomes tax resident in Uruguay, and to the following five years.

SOCIAL TAX RATES

A Uruguayan person can remain in the Uruguayan social security system while working abroad if the person is transferred on a temporary assignment (on the grounds of a Social Security Agreements).

Employee's Contributions:

General social security contribution: 15% of gross income.

There is a monthly maximum taxable earning amount of UYU 188,411 (approx. USD 4,382, this amount changes every year) for this contribution. Hence, employee's general social security contribution will amount to a maximum of UYU 28,261 (approx. USD 657) each month.

Health insurance: 3%, 4.5%, 5%, 6%, 6.5% or 8% of gross income.

There is no monthly maximum taxable earning amount for health insurance. The different rates that can apply refer to the particular situation of each employee are:

- 3%: applicable to monthly gross salaries that are lower than UYU 11,298 (approx. USD 262), and to employees that do not have a spouse, or if they do, said spouse pays health insurance (regardless of the existence of underage children in custody).
- 5%: for monthly gross salaries that are lower than UYU 11,298, and for employees that have a spouse, who does not pay health insurance (regardless of the existence of underage children in custody).
- 4.5%: for monthly gross salaries that are higher than UYU 11,298, and for employees that (i) do not have underage children in their custody, and (ii) do not have a spouse, or if they do, said spouse pays health insurance.
- 6%: for monthly gross salaries that are higher than UYU 11,298 and for employees that (i) have underage children in their custody, and (ii) do not have a spouse, or if they do, said spouse pays health insurance.
- 6.5%: for monthly gross salaries that are higher than UYU 11,298, and for employees that (i) do not have underage children in their custody, and (ii) have a spouse, who does not pay health insurance.
- 8%: for monthly gross salaries that are higher than UYU 11,298, and for employees that (i) have underage children in their custody, and (ii) have a spouse, who does not pay health insurance.

Tax on retributions: *0.01% of* gross income.

There is no monthly maximum taxable earning amount for health insurance or tax on retributions.

Employer's Contributions:

General social security contribution: 7.5% of gross income.

There is a monthly maximum taxable earning amount of UYU 188,411 (approx. USD 4,382, this amount changes every year) for this contribution. Hence, employer's general social security contribution will amount to a maximum of UYU 14,130 (approx. USD 329) each month.

Health insurance: 5% of gross income.

Tax on retributions: 0.125% of gross income.

There is no monthly maximum taxable earning amount for health insurance or tax on retribution.

SOCIAL SECURITY AGREEMENTS

Uruguay has signed social security agreements with Argentina, Belgium, Bolivia, Brazil, Canada, Chile, Colombia, Ecuador, Greece, Israel, Italy, the Netherlands, Paraguay, Portugal, Spain, Switzerland, and Venezuela.

These agreements allow foreign nationals to remain in their home country company pension scheme if they are transferred to Uruguay on a temporary assignment.

They also guarantee that periods of activity in both countries will be taken into account for the entitlement to social security benefits.

For further information and to register for future updates contact expat@bdo.global

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