



URUGUAY – 2009 BUSINESS ENVIRONMENT

Currency: Uruguayan Peso (UYU)

Foreign exchange control: No

Accounting principles/financial statements: IAS. Financial statements must be prepared annually.

Principal business entities: These are the corporation, limited liability company, branch of a foreign entity, free zone corporation and sole proprietorship.

Foreign ventures favour the corporation (sociedad anónima, or SA), the limited liability company (sociedad de responsabilidad limitada, or limitada) and a foreign company branch (sucursales de personas jurídicas del exterior). The SA is preferred for sizeable firms. Its capital must be represented by shares, with shareholders' responsibility limited to the shares subscribed. The SA is the only corporate entity that may issue shares to the public. The limitada form is also widely used, especially for smaller operations. Although the formation of a limitada is based on a partnership deed, a limitada is a legal entity distinct from its individual members; SAs may also be partners of a limitada.

RUC: Unique registry of taxpayers (RUC) is the computer registry in charge of the DGI – National tributary Administration - (Dirección General Impositiva) that contains the data of identification and the tributary obligations of the contributors of the administered tributes and/or collected by the DGI, of the tie information to its economic activities, as well as the information of its people in charge.

TAX ID NUMBER

R.U.C.: "Registro Único de Contribuyente"

The structure is as follows

RUC: 210-747-440-018

the first two numbers (21) are the localization code.

The third number up to the eighth number (074744) it is a sequential number developed by the system (nowadays it reaches up to 545,000 registered entities approximately)

The four last digits (0018) are the validation codes. Goes from 10 up to 19.

RUC in Uruguay has 12 numbers The RUC is the only taxpayer registry in all the country and it lasts only with the tax payer.

Corporate taxation:

Residence – A company is considered resident if it is established according to Uruguayan law.

Basis – Uruguay operates a territorial system, under which Uruguayan businesses and foreign entities carrying out business activities in Uruguay through a permanent establishment (PE) are taxed only on income sourced in Uruguay. Foreign-source income is exempt. Nonresidents without a branch or PE in Uruguay that derive certain types of income from Uruguay are taxed via withholding.

Taxable income – Taxable income comprises all income derived from activities carried out in Uruguay. Expenses that are necessary to produce the income may be deducted in calculating taxable income.

Taxation of dividends – Dividends received by a resident corporation are exempt from corporation tax; dividends received by a nonresident are subject to Nonresident Income Tax (IRNR) at a rate of 7%.

Capital gains – Capital gains derived by companies, including PEs of foreign companies, are taxed as ordinary income and subject to the standard rate of corporate income tax.

Losses – Tax losses may be carried forward for 5 years. The carryback of losses is not permitted.

Rate – 25%



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Surtax – No

Alternative minimum tax – No

Foreign tax credit – Uruguay does not provide for a foreign tax credit.

Participation exemption – No, but see under “Taxation of dividends”.

Holding company regime – No

Incentives – Exemptions or other benefits are available to taxpayers engaged in forestry, industrial promotion, tourism, free zones, etc.

Withholding tax:

Dividends – Dividends paid to a Uruguayan company or a PE of a foreign company are exempt. Dividends paid to a nonresident company are subject to a 7% withholding tax.

Interest – The withholding tax on interest paid to nonresidents is 3%, 5% or 12%, depending on the period of the loan.

Royalties – The withholding tax on royalties paid to nonresidents is 12%.

Branch remittance tax – No

Other taxes on corporations:

Capital duty – Capital duty is levied at 1.5% on the net worth of the entity. Payroll tax – No

Real property tax – The municipal authorities levy tax on real estate. The tax is deductible in calculating corporation tax liability.

Social security – An employer must withhold social security contributions on behalf of its employees

(18.125%) and is required to contribute a percentage of monthly payroll to the social security fund (12.625%).

Stamp duty – No

Transfer tax – Tax is levied on the transfer of real estate and is payable by both the buyer (2%) and the seller (2%).

Other – No

Anti-avoidance rules:

Transfer pricing – The transfer pricing rules are based on the OECD guidelines.

Thin capitalisation – No

Controlled foreign companies – No

Other – No

Disclosure requirements – No

Administration and compliance:

Tax year – The taxpayer's fiscal year or the calendar year applies.

Consolidated returns – No

Filing requirements – Entities are required to make monthly prepayments of tax, based on the tax liability of the previous year or on estimates of the current year's liability. A self-assessment tax return must be submitted within 4 months of the end of the accounting period, and final tax is payable by that date.

Penalties – A penalty of 5%, 10% or 20% of tax due is imposed for late payment. Surcharges also apply at a



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monthly rate of
0.8%.

Rulings – No

Value added tax:

Taxable transactions – VAT is imposed on the sale of goods, the provision of services and imports.

Rates – The standard rate is 22%; a reduced rate of 10% also applies and certain transactions are exempt.

Registration – Registration is compulsory for businesses. Nonresidents providing services in Uruguay must pay VAT and the tax is withheld.

Filing and payment – Corporate VAT taxpayers must file monthly VAT returns. Independent workers file bimonthly.

Source of tax law: Tax Consolidation Act 1996, as modified by Law 18.083

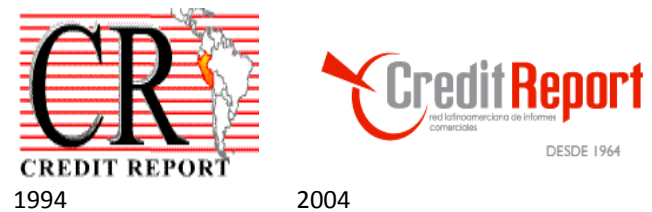
Tax treaties: Uruguay has concluded 2 tax treaties.

Tax authorities: Dirección General Impositiva (DGI)

International organisations: IMF, World Bank, WTO

For further information about this issue, please contact: info@crlacorp.com

 CREDIT REPORT through the years:



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