

REGULATORY FRAMEWORK AND TAX BENEFITS – AGRICULTURE SECTOR

Uruguay has an adequate regulatory framework that benefits investors. Some regulations are of a general nature for all sectors and others are specific to the Agriculture Sector.

General Investment Promotion Regime (Law 16,906)

The main investment promotion regime is framed under Law No. 16,906, which declares of national interest the promotion and protection of investments made by domestic and foreign investors in national territory. The Law is regulated by a number of decrees and classifies tax incentives into two groups: general incentives for investment and incentives for specific investments.

The general investment promotion regime has undergone some recent modifications that make it even more advantageous. The following are the main benefits under [Decree 268/020](#) for investment projects submitted to COMAP¹:

- » **Corporate Income Tax (IRAE) exemptions:** from 30% to 100% of the investment for a minimum period of four years and a maximum of 25 years, depending on the amount invested and the score obtained in six indicators (or in the simplified employment matrix)²:
 1. Employment
 2. Exports
 3. Decentralization
 4. Cleaner technologies
 5. Incorporation of R&D
 6. Sector indicator

The IRAE exemption may reach up to 90% of the tax payable in each fiscal year included in the promotional tax declaration, so the minimum effective IRAE rate is 2.5%.

The exemption period may be suspended for up to two consecutive fiscal years or not.

- » **VAT refund** for the local purchase of materials and services for civil works and personal property for the investment project.
- » **Wealth Tax exemptions:**

¹ Commission on the Application of the Investment Law. See [documents required to draw up and submit a project](#).

² A minimum of one point must be obtained among all indicators (except decentralization). See [Indicator Guide](#).

- » On civil works, for eight years in Montevideo and for ten years in the Interior of the country.
 - » On movable fixed assets included in the eligible investment, for their entire useful life.
- » **Exemptions from import duties or taxes, including VAT** on movable fixed assets and materials for civil works, which are declared non-competitive with domestic industry.

Eligible investment

- » **Movable property** destined to the activity of the company with a minimum total value per item purchased of 500 UI³ (Indexed Units). Property intended for household use, vehicles acquired to be leased by companies whose activity is leasing vehicles without a driver (except electric passenger vehicles) and non-utility vehicles are excluded⁴.
- » **Used goods** purchased locally, directly or indirectly involved in the production process, will be eligible, provided that they have never been subject to tax benefits before and they are not older than 3 years from the date of first purchase in the country.
- » In the case of investments in renewable energies—photovoltaic solar panels—, those that account for up to 20% of the total investment project submitted will be eligible and must also score at least 2 weighted points in the Employment Generation indicator.
- » The construction of **properties or fixed improvements** in self-owned properties, excluding those destined for housing and fixed improvements in properties owned by third parties, provided that there is a contract with a minimum remaining term of three years.
- » Seedlings and the costs of planting multi-annual fruit trees and shrubs.
- » **Passenger vehicles with electric motor** (until August 31, 2023)⁵.
- » Intangible assets as defined by the Executive Power.

Investment term

- » The eligible investment may be made up to six months prior to filing the application and within the following ten years.

³ As of March 28, 2022, it is equivalent to USD 63 (UI=\$5.30; Exchange Rate=\$41.79).

⁴ For more information, see Decree No. 268/020, page 3. The CIF value of utility vehicles, pick-up trucks and vans shall not exceed USD 30,000. In the case of electric vehicles this shall not exceed USD 60,000.

⁵ For more information, see Art. 23 of [Decree No. 268/020](#), page 14.

Approval term

- » COMAP has 90 working days to make the recommendation to the Executive Power. If upon expiration of this term, COMAP has not issued a decision, it will be deemed as an implied recommendation to the Executive Power.

General Export Incentives

TEMPORARY ADMISSION

Temporary Admission allows the introduction of foreign goods from outside the national customs territory, free of taxes, for a specific purpose other than consumption (on a non-permanent basis) to be re-dispatched within a certain period of time, either on an “as is” basis or after having undergone a certain transformation, processing, repair, or value addition, with effective employment of labor.

Manufacturing companies can introduce duty-free raw materials and intermediate inputs for the product to be exported.

Machines and equipment of any origin, which enter temporarily for repair, maintenance, updating or use, are also covered by this regime.

EXPORT TAX REFUNDS

In the case of production and export activities, an export tax refund may be obtained (to be combined with temporary admission), depending on the product’s tariff classification. It can range from 3% to 6% of the FOB value exported. The benefit can be obtained by proving that the product reaches 20% of the National Added Value. Wood products in general benefit from a 6% refund.

REFUND OF VAT PAID ON INPUT PURCHASES

For non-exporting companies, VAT paid on purchases is recovered by deducting it from the VAT invoiced on sales made within the national territory, paying the State only the difference. In the case of exports (of goods and services⁶) the tax is not invoiced, so the VAT included in the purchase of inputs is refunded directly at the company's request. The Tax Authority (DGI) issues credit certificates that may be used to pay other taxes.

⁶ Decree No. 220/998 lists the operations included in the item “exports of services”.

Soil and Water Regulation

The use of soil and water is regulated by Law No. 15,239, which declares the use and conservation of water and soil for agricultural purposes to be of national interest. At the same time, in Uruguay, irrigation for agricultural purposes has been declared of general interest in Law No. 16,858. Both laws have complementary regulations⁷.

The transformation that has taken place in the Uruguayan agriculture sector in the last decade has generated greater risk of soil erosion. In this context, the implementation of Plans for the Responsible Use and Management of Soils is aimed at preventing and controlling soil erosion and degradation⁸. These regulations contribute to Uruguay's objective of having sustainable agricultural and livestock production systems.

On the other hand, Law No. 17,283 regulates the management of waste resulting from the use of chemical or biological products in agricultural, horticultural and forestry activities, and is regulated by Decree 152/013.

Trading Incentives

As regards trading activities, there is a resolution that establishes a specific framework for the trade of goods or services, as long as they do not enter or are not supplied from Uruguay. The trading services themselves must be delivered from Uruguay. In this case, 3% of the net profit is considered to be of Uruguayan source. IRAE (25%) is applied on this 3%, which gives an effective rate of 0.75% on the profit⁹.

⁷ Relevant regulations:

- Decree No. 333/004 and Decree No. 405/008 that regulate Law No. 15,239, and Law No. 18,564 that introduced modifications.
- Decree-Law No. 14,859 which approves the Water Code.
- Decree No. 335/004 which establishes the competent bodies in water-related matters.
- Decree No. 404/001 that regulates Law No. 16,858.
- MGAP Resolution of May 14, 2003.

⁸ Source: Statistical Yearbook OPYPA 2014.

⁹ Resolution 51/997.