

ANNEX - REGULATORY FRAMEWORK AND TAX BENEFITS

In Uruguay there is an appropriate regulatory framework that benefits investors. Some regulations are common to all sectors and others are specific to the real estate sector.

GENERAL REGIME FOR THE PROMOTION OF INVESTMENTS (LAW NUMBER 16,906)

The main regime for the promotion of investments is provided under Law number 16,906, which declares of national interest the promotion and protection of investments made by national and foreign investors in national territory. The law is regulated by a series of decrees, and it classifies the fiscal incentives into two groups: general incentives for investments, and incentives related to specific investments.

The general regime for the promotion of investments had some recent modifications which make it even more beneficial. The following are the main benefits established in the Decree number 268/020 for the investment projects presented to COMAP¹:

- **IRAE (Corporate Income Tax) Exemptions: on 30 to 100 % of the investment for a minimum period of four years** and up to 25 years, depending on the amount of the investment and the score received in six indicators (or in the simplified employment matrix)²:
 - Employment
 - Exports
 - Decentralization
 - Cleaner technologies
 - R+D implementation
 - Sector indicator

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

¹Comisión de Aplicación de la Ley de Inversiones (Commission for the Implementation of the Investments Law). See [required documents to present and develop a project](#).

²The minimum required score is one point among all indicators (except for the decentralization indicator). See [indicators guide](#).

The exemption period can be suspended up to two fiscal years, consecutive or not.

- **VAT returns** for local purchase of materials and services for civil works, and movable property intended for the investment project.
- **Wealth Tax exemptions:**
 - On civil works for eight years in Montevideo and for ten years in the rest of the country
 - On movable property included in the eligible fixed asset investment for its entire useful life.
- **Exemptions of fees or taxes on imports, including VAT,** of fixed asset movable property and materials intended for civil works, declared non-competitive of the national industry.

Eligible investment

- Movable property intended for the activity of the company with a minimum total value of 500 UI (Indexed Units) per purchased item. Property intended for housing, vehicles purchased for lease by companies dedicated to leasing without a driver (except for electric vehicles for passengers) and non-utility vehicles³.
- Used goods that were purchased locally, and are directly or indirectly involved in the productive process, will be eligible, provided they were not subject to tax benefits in the past and no more than 3 years have passed since the first purchase in the country.
- For investments in renewable energies (photovoltaic solar panels), those that represent a maximum of 20 % of the total investment project presented will be eligible, provided they also score at least 2 weighted points in the Employment Creation indicator.
- Construction of **real estate or fixed improvements** to owned properties, excluding those intended for housing purposes and the fixed improvements to properties owned by third parties, provided a contract with a remaining period of three years is in place.
- Seedlings and implantation costs of trees and perennial fruit bushes.

³For further information, please see Decree number 268/020 page 3. In the case of vans and trucks considered as utility vehicles, their CIF value shouldn't exceed USD 30,000. For electric vehicles, their CIF value should not exceed USD 60,000.

- **Vehicles for passengers with electric motorization**(until August 2025)⁴.
- Intangible property defined by the Executive Branch.

Investment term

- The eligible investment can be made up to six months prior to the presentation of the application and within the following ten years.

Approval term

- The COMAP (Commission for the Implementation of the Investments Law) has 90 working days to make the recommendation to the Executive Branch. If the term has expired and COMAP has not issued a response, the recommendation to the Executive Branch shall be deemed implicit.

REGULATORY FRAMEWORK SPECIFIC TO THE SECTOR

OPPORTUNITIES IN AFFORDABLE HOUSING

Law number 18,795⁵ promotes private investment in affordable housing as of the granting of tax exemptions for housing construction, renovations, remodeling, or extensions in some pre-established areas of Montevideo and the rest of the country.

TAX BENEFITS FOR PROMOTORS

- Exemption of taxes levied on income generated from activities or projects that were declared promoted.
- Total deduction of the acquisition cost of real estate for promoted projects, with the purpose of establishing the income levied by the Economic Activities Income Tax.
- Wealth Tax exemption. Said property will be deemed as a levied asset to calculate liabilities.
- VAT exemption for the income resulting from promoted activities. The Executive Branch is entitled to grant a credit for the tax included in the purchase of goods and services intended to integrate the cost of said operations.

⁴ For further information, please see [Decree number 268/023](#)

⁵ Link to the Law: <http://bit.ly/1exjIR1>

- Wealth Tax exemption applicable to the assets affected by the provision of guarantee services mentioned in the previous paragraph. Said assets will be considered aslevied to calculate liabilities.
- IRPF (Personal Income Tax) exemption.

BENEFITS FOR THE BUYERS

- Mortgage Loans Guarantee Fund. The buyer may access a bank loan to purchase housing, with lower previous savings requirements.
- VAT exemption, applicable to the guarantee services related to the leasing and purchase of real estate intended for affordable housing.
- ANV (National Housing Agency) subsidy. The buyer may access a subsidy from the ANV on the amortization and interest installment of the bank loan they receive, to adjust it to their family income.
- Lease Guarantee Fund. For housing built under the VIS Law (Affordable Housing Promotion Law) that was leased out, the tenant may access a guarantee provided by the Lease Guarantee Fund from the Ministry of Housing and Land Planning (MVOT in Spanish).

MAIN MODIFICATIONS OF 2020

On April 16th, 2020, the Decree number 129/020 was signed, which establishes the modifications of the Law number 18,795 related to the construction of affordable housing. The new regulation supersedes some articles with the purpose of improving the conditions of access to housing, establishing tax benefits for the projects declared as promoted under this law and thus encourage the construction of housing for low- and medium-income sectors. It expands benefits for promoted projects and for those who buy housing to lease out.

Characteristics of housing:

- The promotion of 25 to 40 m² studio apartments is allowed.
- There is no limitation on the proportion of one-bedroom housing.

Characteristics of the projects:

- The inclusion of amenities is enabled.
- Up to 25 % of garages (not promoted) are enabled as individual property.

Exemptions are extended:

- The Wealth Tax is exempted (for three years after the housing is completed).
- It allows a two-year term after the works are completed for the refund of input VAT on direct costs of the construction work.

Trading conditions:

- There are no maximum sales prices and there is no obligation to allocate housing to be marketed by the MVOT.
- Price caps and differential exemption on the coast of Montevideo.

Benefits for the buyer:

- ITP (Property Transfer Tax) and output VAT exemption on the first sale, provided that it occurs within ten years after the works are completed.
- Furthermore, those who buy housing with leasing purposes may be exempted from income tax (IRAE, IRPF or IRNR (Non-residents Income Tax), accordingly) and the Wealth Tax, provided that the property has been leased for at least six months during the year.

PROMOTION OF LARGE-SCALE ECONOMIC PROJECTS

In August, 2023, the Decree number 248/023 was published, which incorporates modifications to the Large-scale Economic Projects regime, regulated by the Decree number 138/020, which is under the provisions of the Law number 16,906 of 1998, Law of Investments.

PROMOTED ACTIVITIES

- Construction for sale or lease of real estate intended for offices.
- Construction for sale or lease of real estate intended for housing.
- Development of private initiatives for residential developments using rural or suburban lands, including:
 - Development of necessary infrastructure and subdivision.
 - Development, subdivision, and construction (total or partial) of housing on these lands.

TAX BENEFITS FOR PROMOTORS

- Exemption of the Corporate Income Tax (IRAE). A new scale is established to define the IRAE exemption:
 - 5 % of the eligible investment, when the amount is in the range of UI (Indexed Units) 30 MM to UI 40 MM (approximately USD 6,120,000)
 - 10 % of the eligible investment, when the amount is in the range of + UI 40 MM to UI 60 MM (approximately USD 9,180,000)
 - 15 % of the eligible investment, when the amount is in the range of + UI 60 MM to UI 90 MM (approximately USD 13,770,000)
 - 20 % of the eligible investment, when the amount is in the range of + UI 90 MM to UI 205 MM (approximately USD 31,360,000)
 - 25 % of the eligible investment, when the amount is in the range of + UI 205 MM to UI 287 MM (approximately USD 43,910,000)
 - 30 % of the eligible investment, when the amount is in the range of + UI 287 MM to UI 574 MM (approximately USD 87,800,000)
 - 40 % of the eligible investment, when the amount is over UI 574 MM.
- Wealth Tax (IP) exemption. An IP exemption will be granted for the properties included in the promoted activity for a period of eight years if the project is located in Montevideo, and for 10 years if it is located in the rest of the country. The decree extends the benefit to the lands where the investments are made and adds the exemption of goods intended for common use areas, and said exemption will be for the term of their useful life.
- VAT refund. A credit shall be granted for the VAT included in the purchases of equipment, materials and services intended for civil work and movable property exclusively intended for common use areas.
- Taxes exemptions on the imports of equipment, machines and materials for civil work and movable property intended for common use areas, imported directly by the company whose project has been promoted, and property declared non-competitive of national industry, will be exempted from all taxes.

PROMOTION OF TOURISM PROJECTS, HOTELS, APARTHOTELS, INNS, MOTELS, AND TOURIST RANCHES⁶

The regulation is provided under Decree number 175/003 and its purpose is to grant tax benefits to the tourism sector, with greater tax benefits for those who make up a complex unit that attracts tourism demand (accommodation, cultural, commercial, and conference services, among others).

Promoted activities

- Construction of hotels, aparthotels, inns, motels, and tourist ranches.

Tax benefits

- **Corporate Income Tax (IRAE).** Accelerated amortization in five years.
- Wealth Tax (IP) exemption. An IP exemption will be granted for the real estate included in the promoted activity for a period of five years.
- VAT credit. A VAT credit will be granted for local purchases.
- Tax exemption on imports. VAT exemption on imports and 50 % on import taxes.
- Tourism projects (accommodation, cultural, commercial, for conferences, sports, recreational, leisure or health service activities) that make up a complex unit created to attract tourism demand, also have IP exemptions on civil works for 11 years, exemptions on local and import VAT and accelerated amortization in IRAE in 15 years for civil works and five for equipment.

PROMOTION OF CONDOMINIUM HOTELS PROJECTS

The regulation is provided under Decree number 404/010 and amending Decrees number 59/012 and 186/023. Condotels are defined as tourism enterprises developed by:

- A promoting company, which will build and sell or grant the right for use and/or usufruct of condominium units.
- An operating company, which will carry out tourism service activities.
- They may coincide with the corporation of the operating and promoting companies.
- All regulations are provided under Law number 16,906 of 1998, Law of Investments.

⁶ For further information, please see: [Investing in Uruguay](#).

Tax benefits

- Corporate Income Tax (IRAE). For the operating company according to the COMAP indicator matrix and amount. The IRAE generated by the units sold by the operating company is excluded from this exemption.
- Wealth Tax (IP) exemption. An IP exemption will be granted for real estate included in the promoted activity for a period of 11 years, for the equipment during its useful life; the land; the use and/or usufruct of the units assigned by the owners to the operator for 11 years.
- VAT credit. Included in local purchases of goods and services made by the promoting company for construction purposes.
- VAT exemption. On the imports made by the promoting company of the goods intended for construction.
- Tax exemption on imports. For promoting companies, for the imports of materials and goods for construction, who are required to choose one of the following regimes:
 - 100 % of taxes levied on the mentioned goods, declared non-competitive of national industry. Companies are required to pay all taxes levied on competitive goods of national industry;
 - 50 % of taxes levied on all the aforementioned goods.
- Credit for VAT included in the acquisition of the usufruct right and in local purchases of fixed asset property intended for equipment, made by the operator.