FOREWORD

A country’s tax regime is always a key factor for any business considering moving into new markets. What is the corporate tax rate? Are there any incentives for overseas businesses? Are there double tax treaties in place? How will foreign source income be taxed?

Since 1994, the PKF network of independent member firms, administered by PKF International Limited, has produced the PKF Worldwide Tax Guide (WWTG) to provide international businesses with the answers to these key tax questions. This handy reference guide provides clients and professional practitioners with comprehensive tax and business information for 100 countries throughout the world.

As you will appreciate, the production of the WWTG is a huge team effort and I would like to thank all tax experts within PKF member firms who gave up their time to contribute the vital information on their country’s taxes that forms the heart of this publication. I would also like thank Richard Jones, PKF (UK) LLP, Kevin Reilly, PKF Witt Mares, and Kaarji Vaughan, PKF Melbourne for co-ordinating and checking the entries from countries within their regions.

The WWTG continues to expand each year reflecting both the growth of the PKF network and the strength of the tax capability offered by member firms throughout the world.

I hope that the combination of the WWTG and assistance from your local PKF member firm will provide you with the advice you need to make the right decisions for your international business.

Jon Hills
PKF (UK) LLP
Chairman, PKF International Tax Committee
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The PKF Worldwide Tax Guide 2012 (WWTG) is an annual publication that provides an overview of the taxation and business regulation regimes of 100 of the world’s most significant trading countries. In compiling this publication, member firms of the PKF network have based their summaries on information current as of 30 September 2011, while also noting imminent changes where necessary.

On a country-by-country basis, each summary addresses the major taxes applicable to business; how taxable income is determined; sundry other related taxation and business issues; and the country’s personal tax regime. The final section of each country summary sets out the Double Tax Treaty and Non-Treaty rates of tax withholding relating to the payment of dividends, interest, royalties and other related payments.

While the WWTG should not be regarded as offering a complete explanation of the taxation issues in each country, we hope readers will use the publication as their first point of reference and then use the services of their local PKF member firm to provide specific information and advice.

In addition to the printed version of the WWTG, individual country taxation guides are available in PDF format which can be downloaded from the PKF website at www.pkf.com

PKF INTERNATIONAL LIMITED
APRIL 2012

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PKFI is the 10th largest global accountancy network and its member firms have $2.6 billion aggregate fee income (year end June 2011). The network is a member of the Forum of Firms, an organisation dedicated to consistent and high quality standards of financial reporting and auditing practices worldwide.

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Please visit www.pkf.com for more information.
STRUCTURE OF COUNTRY DESCRIPTIONS

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- CAPITAL GAINS TAX
- BRANCH PROFITS TAX
- SALES TAX/VALUE ADDED TAX
- FRINGE BENEFITS TAX
- LOCAL TAXES
- OTHER TAXES

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- DEPRECIATION
- STOCK/INVENTORY
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- DIVIDENDS
- INTEREST DEDUCTIONS
- LOSSES
- FOREIGN SOURCED INCOME
- INCENTIVES

C. FOREIGN TAX RELIEF

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E. RELATED PARTY TRANSACTIONS

F. WITHHOLDING TAX

G. EXCHANGE CONTROL

H. PERSONAL TAX

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES
# INTERNATIONAL TIME ZONES

**AT 12 NOON, GREENWICH MEAN TIME, THE STANDARD TIME ELSEWHERE IS:**

### A
- Algeria .......................... 1 pm
- Angola .......................... 1 pm
- Argentina ........................ 9 am
- Australia -
  - Melbourne ....................... 10 pm
  - Sydney .......................... 10 pm
  - Adelaide ........................ 9.30 pm
  - Perth .......................... 8 pm
- Austria .......................... 1 pm

### B
- Bahamas .......................... 7 am
- Bahrain .......................... 3 pm
- Belgium .......................... 1 pm
- Belize .......................... 6 am
- Bermuda .......................... 8 am
- Brazil .......................... 7 am
- British Virgin Islands ........... 8 am

### C
- Canada -
  - Toronto ........................ 7 am
  - Winnipeg ........................ 6 am
  - Calgary ........................ 5 am
  - Vancouver ........................ 4 am
- Cayman Islands .................. 7 am
- Chile .......................... 8 am
- China - Beijing .................. 10 pm
- Colombia ........................ 7 am
- Croatia .......................... 1 pm
- Cyprus .......................... 2 pm
- Czech Republic .................. 1 pm

### D
- Denmark .......................... 1 pm
- Dominican Republic ............... 7 am

### E
- Ecuador .......................... 7 am
- Egypt .......................... 2 pm
- El Salvador ........................ 6 am
- Estonia .......................... 2 pm

### F
- Fiji ............................. 12 midnight
- Finland .......................... 2 pm
- France .......................... 1 pm

### G
- Gambia (The) ...................... 12 noon
- Georgia .......................... 3 pm
- Germany .......................... 1 pm
- Ghana ............................ 12 noon
- Greece .......................... 2 pm
- Grenada .......................... 8 am
- Guatemala ........................ 6 am
- Guernsey .......................... 12 noon
- Guyane .......................... 7 am

### H
- Hong Kong .......................... 8 pm
- Hungary .......................... 1 pm

### I
- India ............................ 5.30 pm
- Indonesia .......................... 7 pm
- Ireland ............................ 12 noon
- Isle of Man ........................ 12 noon
- Israel .......................... 2 pm
- Italy .......................... 1 pm

### J
- Jamaica .......................... 7 am
- Japan .......................... 9 pm
- Jersey ............................ 12 noon
- Jordan .......................... 2 pm

### K
- Kazakhstan ........................ 5 pm
- Kenya .......................... 3 pm
- Korea .......................... 9 pm
- Kuwait .......................... 3 pm

### L
- Latvia .......................... 2 pm
- Lebanon .......................... 2 pm
- Liberia ............................ 12 noon
- Luxembourg ........................ 1 pm

### M
- Malaysia .......................... 8 pm
- Malta .......................... 1 pm
- Mauritius .......................... 4 pm
- Mexico .......................... 6 am
- Morocco ............................ 12 noon

### N
- Namibia .......................... 2 pm
- Netherlands (The) ................. 1 pm
- New Zealand ...................... 12 midnight
- Nigeria .......................... 1 pm
- Norway .......................... 1 pm

### O
- Oman .......................... 4 pm

### P
- Panama .......................... 7 am
- Papua New Guinea ................. 10 pm
- Peru .......................... 7 am
- Philippines ........................ 8 pm
- Poland .......................... 1 pm
- Portugal .......................... 1 pm
- Puerto Rico ......................... 8 am

PKF Worldwide Tax Guide 2012
Q
Qatar ....................... 8 am

R
Romania .................... 2 pm
Russia -
  Moscow ................... 3 pm
  St Petersburg .......... 3 pm

S
Sierra Leone ............... 12 noon
Singapore ................... 7 pm
Slovak Republic ............ 1 pm
Slovenia .................... 1 pm
South Africa ................. 2 pm
Spain ......................... 1 pm
Sweden ....................... 1 pm
Switzerland .................. 1 pm

T
Taiwan ........................ 8 pm
Thailand ...................... 8 pm
Tunisia ........................ 12 noon
Turkey ........................ 2 pm
Turks and Caicos Islands ...... 7 am

U
Uganda ........................ 3 pm
Ukraine ....................... 2 pm
United Arab Emirates .......... 4 pm
United Kingdom .......... (GMT) 12 noon
United States of America -
  New York City ............. 7 am
  Washington, D.C.......... 7 am
  Chicago ..................... 6 am
  Houston ..................... 6 am
  Denver ...................... 5 am
  Los Angeles ............... 4 am
  San Francisco ............ 4 am
  Uruguay .................... 9 am

V
Venezuela .................... 8 am
Vietnam ...................... 7 pm
**URUGUAY**

Currency: Peso

**Dial Code To:** 598  

**Dial Code Out:** 010

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**A. TAXES PAYABLE**

**CORPORATE TAX**

Corporations and individuals are subject to corporate income tax (IRAE) on their net income of Uruguayan source originating from industrial, commercial and agricultural activities at a rate of 25%.

IRAE is levied on resident legal entities and permanent establishments of non-resident entities. Non-residents with no permanent establishment in Uruguay are subject to a specific tax on income of non-residents (impuesto a la renta de los no residentes). However, certain types of companies or companies with income superior to certain amount cannot choose and are always subject to IRAE.

The tax year is the same as the commercial year of the company, provided that adequate accounting records are kept. Otherwise, the fiscal year is the calendar year. In either case, companies must file their tax returns by the end of the fourth month following the end of their tax year end.

Advance tax payments are made on account of the final liability for the relevant tax year. If the total advance payments exceed the final liability, a refund is made by means of credit certificates, which may be used to pay the taxpayer’s future taxes but may not be repaid.

Dividends, profit distributions or remittances paid or credited abroad by taxpayers subject to IRAE are also subject to a withholding tax at the rate of 7%.

**CAPITAL GAINS TAX**

Capital gains are subject to the same fiscal treatment as normal taxable income and must be included in the same tax return.

**BRANCH PROFITS TAX**

Branches of foreign corporations are subject to IRAE and IMEBA at the same rate as resident companies. Dividends, profit distributions or remittances paid or credited abroad by taxpayers subject to IRAE are also subject to a withholding tax called IRNR at the rate of 7%. Repatriations of branch profits to a head office outside Uruguay are subject to this tax.

**SALES TAXES/VALUE ADDED TAX (VAT)**

Imports and the supply of goods and services in Uruguay are subject to VAT at the basic rate of 22%. Land, cattle and non-industrial agricultural products are exempted. Certain essential goods and medicines, as well as new building are subject to the minimum rate of 10%. A monthly payment is due on sales of the previous month. Tax included in the purchases of merchandise, services and fixed assets is deductible from the tax billed to customers.

**FRINGE BENEFITS TAX**

Corporations and individuals are subject to social security taxation on all salaries and fringe benefits paid to employees, at the rate of 7.5% plus 5% of medical care. Additionally, employees are subject to a withholding of 21% on the amounts received. Both percentages are due monthly on amounts paid for the previous month.

**LOCAL TAXES**

Two principal municipal taxes are in force. The main one -- ‘real property contribution’ -- is due to municipal authorities on land and buildings located in their area. It represents a percentage (generally 1.5%) of the cadastral value and is due yearly over three to six payments. The second tax is payable by owners of buildings on a monthly basis for the services rendered by the local authority. This amount is adjusted periodically according to current inflation.

**OTHER TAXES**

A very important federal tax is the net worth tax, due annually by corporations and individuals. Corporations that pay IRAE are subject to the tax at a standard rate of 1.5% on their net worth, calculated on the difference between taxable property and deductible liabilities. Agricultural activities are exempted from this tax.
The net worth personal tax return must be payable each year in May, on the basis of net worth as of 31 December of the previous year.

B. DETERMINATION OF TAXABLE INCOME

CAPITAL ALLOWANCES
Depreciation of assets used in business activities must be computed at a maximum annual percentage. In principle, depreciation is calculated under the straight-line method. Key depreciation rates include the following:

<table>
<thead>
<tr>
<th>Asset</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Machinery and equipment</td>
<td>10%</td>
</tr>
<tr>
<td>Automobiles</td>
<td>10%</td>
</tr>
<tr>
<td>Buildings in urban areas</td>
<td>2%</td>
</tr>
</tbody>
</table>

TERRITORIALITY
Uruguay taxes income on a territoriality basis rather than a worldwide basis. Hence, overseas income is not taxable.

STOCKS/INVENTORY
On the basis of original costs in local currency, companies are free to choose between FIFO or average cost. The method chosen cannot be changed without the agreement of the Tax Authority.

CAPITAL GAINS AND LOSSES
No special tax rules apply to capital gains or losses. They must be included in the tax return together with the current income.

INTEREST DEDUCTIONS
Interest paid to banks, financial institutions and companies that pay IRAE is deductible without limitations. Interest paid to individuals or to financial institutions located abroad is deductible up to a limited percentage that is established for the fiscal year by the Tax Authority.

LOSSES
Losses resulting from the tax return are deductible from gains of the next five years and, up to that date, are revaluated according to inflation coefficients.

FOREIGN SOURCED INCOME
Foreign source income is not taxable in Uruguay, except for financial income of resident individual taxpayers.

FREE TRADE ZONES
Strategically located within Mercosur, Uruguay offers a very liberal treatment for free trade zones. Those areas of the national territory with a distinctive economic regime enjoy customs and tax exemptions and are excluded from the jurisdiction of the state monopolies. All types of export focused activities such as commercial, industrial or service oriented activities may be developed in free trade zones.

OTHER
An inflation adjustment must be calculated applying the inflation coefficient for the period on the difference between assets (except fixed assets) and liabilities at the beginning of the exercise. If the difference is positive, the adjustment originates a deductible loss and, if it is negative, a taxable income.

C. FOREIGN TAX RELIEF
Foreign tax relief is not available under Uruguayan fiscal law because overseas income is not taxable.

D. CORPORATE GROUPS
There are no special tax rules relating to corporate groups.

E. RELATED PARTY TRANSACTIONS
Taxation of related party transactions must be calculated on the basis of the current local prices, independently of the agreement between the parties. Uruguay applies transfer prices regulations according to OCED model.

F. WITHHOLDING TAX
Dividends, profit distributions or other remittances paid or credited by taxpayers subject to IRAE are subject to withholding tax at the rate of 7%.
Interest paid is subject to withholding tax at the following rates:

- 3% on interest paid by financial institutions out of deposits in domestic currency or indexed units with more than a one-year term
- 3% on interest on bonds with a term of more than three years issued through a public offer and quoted on the stock exchange
- 5% on interest from one-year term deposits or deposits of less than a year
- 12% on other interest.

Royalties paid by taxpayers to non-residents are subject to a withholding tax of 12%. Technical assistance fees paid to individuals or corporations abroad are also subject to a 12% withholding tax.

G. EXCHANGE CONTROL

No exchange controls are in force in Uruguay. All remittances to foreign countries can be carried without limitations through banks, financial institutions and authorised currency exchange houses.

H. PERSONAL TAX

Residents of Uruguay are subject to income tax ‘impuesto a la renta de las personas físicas’ (IRPF) on their Uruguayan-source income. The only exception is that from 1 January 2011 income deriving from financial assets located abroad will also be subject to this tax. Income subject to IRPF includes income from dependent or independent personal services, pensions, income from capital, and capital gains. Income tax is assessed under a schedular system, based on the nature of the income, which is classified in the following categories:

- Category I: income from capital and capital gains
- Category II: income from dependent or independent personal services and pensions.

Salaries and other remuneration derived by individuals from dependent personal services are subject to individual income tax as applicable in respect of Category II. Income from Category II (income from work) is subject to individual income tax at progressive rates:

<table>
<thead>
<tr>
<th>Taxable income (BPC)</th>
<th>Tax rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 60</td>
<td>0%</td>
</tr>
<tr>
<td>61 to 120</td>
<td>10%</td>
</tr>
<tr>
<td>121 to 180</td>
<td>15%</td>
</tr>
<tr>
<td>181 to 600</td>
<td>20%</td>
</tr>
<tr>
<td>601 to 1,200</td>
<td>22%</td>
</tr>
<tr>
<td>Over 1,200</td>
<td>25%</td>
</tr>
</tbody>
</table>

Individuals are subject to individual income tax on dividends, interest and royalties under the rules applicable to Category I. As mentioned above, income deriving from assets located abroad are subject, to IRPF at the rate of 12% from 1 January 2011. Dividends and profit distributions are subject to tax at the rate of 7% provided that they are paid out of profits subject to IRAE (otherwise they are exempt from tax).

Interest is subject to tax at the rates of:

- 3% on interest paid by financial institutions out of deposits in domestic currency or indexed units with more than a one-year term
- 3% on interest from bonds with a term of more than three years issued through public offer or on the stock exchange
- 5% on interest from one-year-term deposits or deposits of less than a year
- 12% on other interest.

Royalties are subject to tax at the standard rate of 12%.

Income from immovable property is subject to tax at the standard rate of 12%. For leases of immovable property, housing agency commission, the real estate tax and the primary education tax are deductible for purposes of determining taxable income. Individuals are subject to individual income tax on capital gains under the rules applicable to Category I at the standard rate of 12%.

I. TREATY WITHHOLDING TAX RATES

To date, Uruguay has signed general treaties to avoid double taxation with Germany, Hungary, Spain and Mexico. Uruguay has signed treaties with Portugal, Switzerland, France, Belgium, Lichtenstein, Malta, South Korea, Finland, India and Ecuador. All these treaties are subject to the approval of Parliament. Uruguay has also signed treaties with Paraguay and Chile to avoid taxation on airline companies.