

INPATRIATES URUGUAY

Tax facts for International Assignees



INCOME TAX: WHO IS LIABLE/RESIDENCY

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. Whereas the Uruguayan tax residents are taxed with the Income Tax on Individuals (IRPF); the non-residents are taxed with the Income Tax on Non-Residents (IRNR).

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

- The individual stays **more than 183 days** in Uruguayan territory during a calendar year. Sporadic absences shall be taken into account unless the person provides a certificate of tax residence issued by another country;
- The individual's **main core of its activities** is located in Uruguayan territory. It shall be presumed that the individual is tax resident in Uruguay when the income obtained in Uruguay is higher than the obtained in any other country during the calendar year. For this comparison, each country must be compared individually with Uruguay.
- The individual's **vital interests** are located in Uruguayan territory. It shall be presumed that the individual is tax resident in Uruguay if the spouse and the underage children that depend on the individual have their usual residence in Uruguay.

Unless the tax residency is claimed and proven in another country, it shall be presumed that the individual is tax resident when the individual has an investment in Uruguayan territory in:

- **Real estate** - A value that exceeds 15.000.000 inflation-indexed units (equivalent to USD 2.015.000, August 2022 values), determined according to the IRPF criteria;

- **Real estate** - A value that exceeds 3.500.000 inflation-indexed units (equivalent to USD 503.500, August 2022 values), determined according to the IRPF criteria; and the individual has an effective physical presence of at least 60 days in Uruguayan territory during the calendar year.

- **A company (directly or indirectly)** - A value that exceeds 45.000.000 inflation-indexed units (equivalent to USD 6.045.000, August 2022 values), which includes projects or activities that have been declared of national interest according to the Promotion and Protection of Investment Act (Law 16.906). In order to determine the value of the company, Corporate Income Tax criteria must be applied.

- **A company (directly or indirectly)** - A value that exceeds 15.000.000 inflation-indexed units (equivalent to USD 2.015.000 values, August 2022 values), generating at least 15 new direct jobs in fulltime dependent employment relationships. Jobs are deemed new when the hired employees do not entail a decrease in jobs in related companies. In order to determine the value of the company, Corporate Income Tax criteria must be applied.

BREAKING RESIDENCY - EXIT PROCEDURES

From a tax residency perspective, there are no exit procedures that need to be taken (however, there are exit procedures from the legal residency standpoint).

Tax residency will need to be determined on December 31st of the year in which the inpatriate leaves Uruguay. If the individual is deemed Uruguayan tax resident for that year, an IRPF tax return will need to be filed. If not, the inpatriate will need to file an IRNR tax return.

DOUBLE TAXATION TREATIES

If the in-patriate's country of destination has a double taxation treaty (DTT) signed with Uruguay, the provisions of the 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 (residents)

Income derived from work is taxed in Uruguay according to its Uruguayan source, unless the person who obtains the income is an employee of an IRAE taxpayer (Income Tax on Economic Activities, the Uruguayan corporate income tax) or an employee of an IRPF taxpayer. In such cases, IRPF will also tax work derived from foreign source. Hence, if the in-patriate continues to be an employee of a Uruguayan company, income derived from work performed abroad will be taxed with the IRPF.

There is a non-taxable minimum for income (approximately USD 880 as of August 2022). If the individual earns less than this amount, no IRPF will apply.

Certain expenses can be deducted from the income. If the individual is an employee, these will consist mainly of social security contributions and a presumptive expense for each underage child that depends on the individual. Once all the deductions are calculated, they are included in the IRPF calculations at a fixed rate.

The monthly tax rates on gross income are:

Range of values (BPC*)	From (USD)	To (USD)	Applicable rate
0 to 7 BPC	0	880	0%
7 to 10 BPC	880	1.260	10%
10 to 15 BPC	1.260	1.890	15%
15 to 30 BPC	1.890	3.780	24%
30 to 50 BPC	3.780	6.300	25%
50 to 75 BPC	6.300	9.450	27%
75 to 115 BPC	9.450	14.500	31%
More than 115 BPC	14.500		36%

* Acronym that stands for *Base de Prestaciones y Contribuciones*, a unit used to calculate social security contributions and other taxes.

The rates for deductions are:

- If monthly gross income equals to or is less than 15 BPC (USD 1890 August 2022 values): 10%.
- If monthly gross income exceeds 15 BPC (USD 1890 August 2022 values): 8%.

Self-employed individuals can also deduct presumptive expenses that amount up to a fixed rate of 30% of the 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.

The IRPF law also establishes special rates for married couples filing jointly income.

• IRNR (non-residents)

IRNR taxes salaries of Uruguayan source at a fixed rate of 12% on the gross income. Contrary to the IRPF, the IRNR does not allow any deduction.

In this case, the employer will act as the withholding agent in both scenarios, when the in-patriate works as an employee and when self-employed.

IRNR taxpayers are not obliged to file a tax return.

TAX HOLIDAY

Apart from taxing the income of Uruguayan source, the IRPF also taxes income derived from moveable capital of foreign source -basically, dividends and interest- at a rate of 12%. Consequently, if a Uruguayan tax resident obtains income of this nature, it will be taxed with the IRPF.

However, the individuals who become tax residents in Uruguay have the following options regarding this kind of income:

- To be exempted from the IRPF for eleven years, starting the year in which the individual becomes tax resident; **or**
- To pay IRPF at a reduced rate of 7%, which will be applicable indefinitely.

EMPLOYEES OF FREE ZONE USERS

Foreign employees hired by a free zone user in Uruguay can choose to be excluded from the Uruguayan social security system. The employees that decide to be excluded can also opt to pay the IRNR for their labour income instead of the IRPF.

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 (within the framework of a Social Security Agreement).

Employee's contributions

General social security contribution: 15% of gross income.

There is a monthly maximum taxable earning amount of UYU 215.179 (approximately USD 5240 as of August 2022) for this contribution, which is updated annually by the Executive Power. Hence, employee's general social security contribution will amount to a maximum of UYU 32.277 (approximately USD 786) each month.

Health insurance: the rates vary between 3% and 8% of gross income. The different rates that can apply refer to the particular situation of each employee:

- 3%: applicable to monthly gross salaries that are lower than UYU 12.910 (approximately USD 315), 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).
- 4,5%: for monthly gross salaries that are higher than UYU 12.910, 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.
- 5%: for monthly gross salaries that are lower than UYU 12.910, and for employees that have a spouse, who does not pay health insurance (regardless of the existence of underage children in custody).
- 6%: for monthly gross salaries that are higher than UYU 12.910, and for employees that (i) have underage children in their custody, and (ii) do not have a spouse, or if they do, the spouse pays health insurance.
- 6,5%: for monthly gross salaries that are higher than UYU 12.910, and for employees that (i) do not have underage children in their custody, and (ii) have a spouse that does not pay health insurance.

- 8%: for monthly gross salaries that are higher than UYU 12.910, and for employees that (i) have underage children in their custody, and (ii) have a spouse that does not pay health insurance.

Labour Reconversion Fund: 0,1% of gross income.

There is no monthly maximum taxable earning amount for health insurance nor Labour Reconversion Fund purposes.

Employer's contributions

General social security contribution: 7,5% of gross income.

There is a monthly maximum taxable earning amount of UYU 215.179 (approximately USD 5240 as of August 2022) for this contribution. Hence, employer's general social security contribution will amount to a maximum of UYU 16.138 (approximately USD 393) each month.

Health insurance: 5% of gross income.

Labour Reconversion Fund: 0,1% of gross income.

Labour Credits Guarantee Fund: 0,025% of gross income.

There is no monthly maximum taxable earning amount for the last three contributions.

SOCIAL SECURITY AGREEMENTS

Uruguay has signed social security agreements with Argentina, Austria, Belgium, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, France, Germany, Greece, Israel, Italy, Luxembourg, the Netherlands, Paraguay, Peru, Portugal, Romania, Russia, South Korea, Spain, Switzerland, the United States 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 entitlement of social security benefits.

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

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