



Thinking beyond borders: Management of extended business travelers - Uruguay



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Key message

A person's liability to Uruguayan tax is determined by residence status for taxation purposes and the source of income derived by the individual. Both residents and non-residents are taxed on their Uruguayan-sourced income. If the Uruguayan-sourced income is obtained by a resident individual, the resident will be subject to personal income tax (Impuesto a la Renta de las Personas Físicas - IRPF) that, in the case of labor income, is levied at progressive rates on an individual's taxable income for the year; this is calculated by subtracting allowable deductions from the total assessable income. If the Uruguayan-sourced income is obtained by a non-resident individual, the non-resident will be subject to non-resident income tax (Impuesto a las Rentas de los No Residentes - IRNR) that, as a general rule, is levied at the flat rate of 12 percent.

1 Key message

As a rule all the Uruguay source income obtained by individuals will be subject to income taxes (IRPF or IRNR depending on the fiscal residence of the individual).

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Income tax

2 Income Tax

2.1 Liability for income tax

A person's liability for Uruguayan tax is determined by residence status. A person can be a resident or a non-resident for Uruguayan tax purposes. A resident of Uruguay generally refers to an individual who stays in Uruguay for more than 183 days during a calendar year or whose center of vital or economic interests is located in Uruguay.

A non-resident of Uruguay is generally someone who spends less than 183 days in Uruguay. Extended business travelers are likely to be considered non-residents of Uruguay for tax purposes, unless their center of vital or economic interest is located in Uruguay.

2.2 Definition of source

Employment income is generally treated as Uruguayan-sourced compensation where the individual performs the services while physically located in Uruguay. Income obtained from goods located in Uruguay, or rights used economically in Uruguay, is also considered Uruguayan-sourced income.

Beginning in the year 2011, there are certain exceptions to this rule:

- labor income obtained by resident individuals for the development of activities abroad under an employment relationship with local taxpayers is considered as Uruguayan-sourced income and, therefore, is taxable
- foreign dividends and interest received by resident individuals are considered as taxable.

2.3 Tax trigger points

Technically, there is no minimum threshold/number of days that exempts the employee from the requirements to file and pay tax in Uruguay. To the extent that the individual qualifies for relief in terms of the dependent personal services article of the applicable double tax treaty, there will be no tax liability.

2.4 Types of taxable income

For extended business travelers, the types of income that are generally taxed are employment and Uruguayan-sourced income and gains from taxable Uruguayan assets (such as real estate).

2.5 Tax rates

IRPF: Net taxable labor income is taxed at graduated rates ranging from 0 percent to 36 percent. The maximum tax rate is currently 36 percent on labor income earned over 8.524.260 Uruguayan pesos (UYU). Capital income, such as interest, dividends, and other capital income, is taxed at rates between 0,5 and 12 percent, depending upon the nature of the income and residency status.

IRNR: The rates of this tax are as follows:

Interests, from:

- a. Local bank deposits,

b. Obligations and other Debt Securities (publicly subscribed and listed on the Uruguayan stock exchange) issued by local entities.

c. Certificates of Participation (publicly subscribed and listed on the Uruguayan stock exchange) issued by financial trusts.

In national nominal currency with a fixed rate	For one year or less	5.5%
	For more than one year and up to three years	2.5%
	For more than three years	0.5%
	For one year or less	10%
In national currency with readjustment clause	For more than one year and up to three years	7%
	For more than three years	5%
In foreign currency	For three years or less	12%
	For more than three years	7%

Other incomes:

Interest and capital gains derived from Government bonds	0%
Dividends or profits distributed by local companies, and notional dividends ¹	7%
Dividends or profits distributed by local companies whose shares quote at the stock exchange	0%
Income obtained by resident entities which are domiciled or incorporated in countries/jurisdictions or jurisdictions with low or no taxation or which obtain benefits under a special low or no taxation regime, except dividends or profits paid or credited by Corporate Income Tax taxpayers	25% ²
Other incomes (including labor income)	12%

¹ From 01.03.17, net Uruguayan source income subject to Corporate Income Tax, obtained by resident enterprises since July 1st, 2007, which has not been distributed for four years or more, will be taxable as notional dividends at a rate of 7%.

² If income comes from real estate goods, located in Uruguay, the tax rate increases 5,25%.

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Social Security

3 Social Security

3.1 Liability for social security

There is a social security contribution system that covers all employees. All expatriates working in Uruguay temporarily or permanently, even for periods of less than 1 year, are subject to the social security system. Where social security contributions are being paid in their country/jurisdiction of origin, however, and Uruguay has entered into a social security treaty with that country/jurisdiction, the expatriate is exempt.

In calculating the amount of compensation subject to social security contributions, all remunerative items that the employee receives from the employer must be included. Nevertheless, certain items like food and health assistance and life and accident insurances have been declared exempt from employee social security charges if their aggregate amount does not exceed 20 percent of the worker's taxable remuneration.

The rates of contribution are as follows:

Type of insurance	Paid By		
	Employer	Employee	Total
Pension contributions	7.5%	15.0%	22.5%
Labor Reconversion Fund	0.1%	0.1%	0.2%
Health insurance	5.0%	3.0%, 4.5%, 5.0%, 6.0%, 6.5% or 8.0%	8.0%, 9.5%, 10.0%, 11.0%, 11.5% or 13.0%
Labor Credits Guarantee Fund	0.025%	0%	0.025%
Total percent	12.625%*	18.1%, 19.6%, 20.1%, 21.1%, 21.6% or 23.1%	30.725%, 32.225%, 32.725%, 33.725%, 34.222% or 35.725%

Source: KPMG in Uruguay

3.2 Pension fund contributions

Pension fund contributions are calculated as a percentage of salary, and under the general regime, this percentage will amount to 22.5 percent, of which 7.5 percent is borne by the employer and 15 percent is withheld from the employee. It is, however, worth noting that these contributions apply only to the portion of salaries that does not exceed approximately 6.400 US dollars (USD) monthly.

Accidents at work are insured separately at the sole expense of the employer. Other contributions to the social security system are as follows:

Labor Reconversion Fund

This amounts to 0.2 percent (0.1 percent borne by the employer and 0.1 percent by the employee).

Health insurance

This amounts to 8 percent of which 5 percent is borne by the employer and 3 percent, 4.5 percent, 5 percent, 6 percent, 6.5 percent or 8 percent is withheld from the employee (depending on the employee's salary and on the number of dependent children, covered spouse or common law partner).

Labor Credits Guarantee Fund

This amounts to 0.025 percent borne exclusively by the employer.

3.3 Totalization agreements

Uruguay has entered into formal social security totalization agreements with 29 countries/jurisdictions, including the 20 other Iberoamerican Organization countries/jurisdictions, to prevent double taxation and allow cooperation between Uruguay and overseas tax authorities in enforcing their respective tax laws.

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Compliance obligations

4 Compliance obligations

4.1 Employee compliance obligations

Income tax returns are due by June-August (as per the Tax Office annual calendar) following the tax year-end, which is 31 December. Taxpayers will be required, however, to file a return only to the extent that their tax liability was not satisfied through mandatory withholding.

4.2 Employer reporting and withholding requirements

Withholdings from employment income are covered under the Pay-As-You-Earn (PAYE) system. If an individual is taxable on employment income, including both residents and non-residents, the employer has a PAYE withholding requirement.

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Other issues

5 Other issues

5.1 Visa requirements

In general, only a valid passport is required to enter Uruguay on business. There are, however, some limited cases where a visa will be necessary prior to entry. Visas will be granted for 90 days. MERCOSUR nationals (individuals from Argentina, Brazil, Paraguay and Venezuela and of associate member countries/jurisdictions Bolivia and Chile) require only their identity cards. The type of visa required will depend on the purpose of the individual's entry into Uruguay.

5.2 Migration aspects

Foreigners who want to work in Uruguay must start residence procedures at National Direction of Migration, applying for a temporary or permanent residence.

These procedures should be started as soon as possible after the foreigner's arrival to Uruguay since local employers cannot hire or include in their payrolls foreigners who do not justify having started the corresponding procedure.

In the case of MERCOSUR nationals a simplified procedure applies (e.g. it is not required for the workers to justify their means of life in Uruguay).

5.3 Double taxation treaties

In addition to Uruguay's domestic arrangements that provide relief from international double taxation, double taxation treaties are in force and effect with Argentina, Belgium, Brazil, Chile, Ecuador, Finland, Germany, Hungary, India, Italy, Japan, Liechtenstein, Luxembourg, Malta, Mexico, Paraguay, Portugal, Rumania, Singapore, South Korea, Spain, Switzerland, United Arab Emirates, UK and Vietnam to prevent double taxation and allow cooperation between Uruguay and overseas tax authorities in enforcing their respective tax laws. Additional treaties are in the process of negotiation or approval and are expected to come into force and effect in the near future.

5.4 Permanent establishment implications

There is the potential that a permanent establishment (PE) could be created as a result of extended business travel, but this would depend on the type of services performed and the level of authority the employee has.

5.5 Indirect taxes

The standard value-added tax (VAT) rate is 22 percent imposed on the sale of goods, the provision of services, and on imports. Registration is mandatory. Non-resident entities providing services in Uruguay must pay VAT through withholding.

5.6 Transfer pricing

Uruguay has a transfer pricing regime. A transfer pricing implication could arise to the extent that the employee is being paid by an entity in one jurisdiction but performing services for the benefit of the entity in another jurisdiction, in other words, a cross-border benefit is being provided. This would also be dependent on the nature and complexity of the services performed. Uruguay's transfer pricing regime is based upon the Organisation for Economic Co-operation and Development (OECD) guidelines.

5.7 Local data privacy requirements

Uruguay's data privacy regime is contained in Act 18.331 (Personal Data Protection and 'Habeas Data' Action), which also covers employee data. In addition, Act 16.713 protects confidentiality of employment history and other labor records. The tax code and banking laws likewise have data privacy provisions that might affect extended business travellers to Uruguay.

5.8 Exchange control

Uruguay does not restrict the flow of Uruguayan or foreign currency into or out of the country/jurisdiction.

5.9 Non-deductible costs for assignees

Non-deductible costs for assignees include contributions by an employer to non-Uruguayan pension funds.

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