Uruguay – Plans Afoot to Change Tax Holiday by Investment Rules

On August 31, 2025, Uruguayan President Yamandu Orsi announced proposed changes to tax residency and related tax holiday rules that would require new foreign residents to invest significantly more—either in real estate or a government-backed innovation fund—to qualify for existing tax breaks on offshore income.[1]

WHY THIS MATTERS

The proposed reforms by the Uruguayan government significantly increase the financial threshold for foreign nationals seeking tax residency via the purchase of property in Uruguay, propose a new path for obtaining tax residency by means of a qualifying investment, and offer extended tax exemptions. These changes, if enacted into law, could affect individuals' relocation decisions and tax plans in cases where they are evaluating Uruguay as a potential jurisdiction for residence and tax planning.

Context

Since late 2020, Uruguay has granted tax holidays on offshore income to over 2,300 new foreign residents, many of whom qualified by purchasing property worth at least approximately USD 559,000, and spending two months per year in the country.

Tax holidays on offshore income remain available for residents who live at least half the year in Uruguay, even without property or fund investments.

Key Highlights

Increased Property Investment Requirement

Effective January 1, 2026, the minimum investment for qualifying property will rise by approximately USD 2 million, in addition to the current USD 559,000 threshold, for new residents seeking tax holidays.

New Innovation Fund Investment Alternative to Obtaining Tax Residency

- New residents may alternatively invest USD 100,000 annually for up to 11 years in a government-backed innovation fund supporting local companies.
- The fund will issue securities that can generate profits and allow capital withdrawal; it is not a donation.

Other Paths to Obtaining Tax Residency Through Investment

- Investing at least USD 2.4 million in a local business grants tax residency, but the tax holiday is not automatic.

To access the new tax regime, individuals must not have been tax residents in Uruguay during the two immediately preceding fiscal years and must not have previously applied the existing tax holiday regime, except in cases expressly provided for in the proposed legislation.

Strategic Objectives

The eligibility requirements are intended to target the incentives at genuinely new residents who have not benefited from prior exemptions. The reforms aim to redirect capital toward venture capital, start-ups, and productivity-enhancing investments.

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Steps to Consider

In the light of potential upcoming changes, organizations as well as individuals affected by the update may wish to monitor legislative developments closely, re-assess Uruguay's viability as a destination for tax-driven relocation in light of their plans, means, and objectives; organizations may wish to inform clients or employees of the increased financial commitments and alternative investment mechanisms.

If individuals – including international assignees or business travelers – and assignment program managers have any questions or concerns about the existing rules and changes described above, conditions and eligibility requirements, the application process, . potential impacts, and appropriate next steps, they should consult with their qualified tax professional or a member of the GMS tax team with KPMG in Uruguay (see the Contacts section).

FOOTNOTE:

1 (In Spanish) *Ministerio de Economía y Finanzas, Proyecto de Ley* (August 31, 2025).

Also see K. Parks, "Uruguay Wants Rich Expats to Pay More to Qualify for Tax Breaks," *Bloomberg Daily Tax Report* (September 30, 2025).

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Contact Us

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