

## **1. INVESTMENT PROMOTION**

### **1.1 Investment Act**

Investment Law No. 16,906 guarantees equal treatment of domestic and foreign investors and free transfer abroad of capitals, profits and other investment-related amounts in free-convertible currency. The State also guarantees fair treatment of investments and commits itself to refrain from setting forth unjustified or discriminatory provisions that may adversely affect such investments.

Law 16,906 grants two types of benefits:

- Those generally applicable to investors developing industrial, agricultural or farming activities, charged with Industry and Commerce Income Tax (IRIC), Tax on Agricultural and Farming Income (IRA) and Tax on Disposal of Agricultural and Farming Property (IMEBA) (section 6).
- Those granted by the Executive to specific firms or activities.

#### **1.1.1 General and automatic benefits.**

Taxpayers specified in section 6 of Law No. 16,906 may benefit from the exemptions that will be further specified for the following property:

- a) Personal property directly allocated to the production cycle
- b) Electronic data processing equipment
- c) Fixed improvements allocated to industrial, agricultural and farming activities.
- d) Intangible assets such as trademarks, patents, industrial models, privileges, copyrights, goodwill, trade names and concessions granted for prospecting, cultivating, extracting or exploiting natural resources.
- e) Other property, procedures, inventions or creations incorporating technological innovations and implying technology transfer, as resolved by the Executive.

Tax benefits applicable to the acquisition of this property are:

- 1) Net Worth Tax (IP) exemption for fixed assets included in subparagraphs a) and b), acquired after the effective date of the Act. This exemption will not apply in case of notional appraisal of said assets.
- 2) Exemption from Value Added Tax (VAT) and Internal Special Tax (IMESI) charging the importation of the fixed assets referred to in the foregoing subparagraph, and refund of VAT paid at the time of acquiring said assets in the domestic market.

#### **1.1.2. Non-automatic tax benefits**

This Act empowers the Executive to grant, on a general basis, the following benefits to taxpayers defined in section 6:

- 1) IP exemption for property included in subparagraphs c) to e) of paragraph 1.1.1. For the purpose of deducting liabilities, this property will be considered as taxable assets.
- 2) Accelerated depreciation system for the purposes of IRIC, IRA and IP for property included in the foregoing subparagraphs a) to e)

### 1.1.3. Promotion of Specific Investments

These tax benefits for investment projects may be granted to industrial, agricultural, farming, business and service activities provided said investment projects are promoted by the Executive.

To be eligible for these benefits, investments should:

- a) incorporate technology that may improve competitiveness;
- b) increase and diversify exports, especially those adding higher value;
- c) generate productive employment;
- d) facilitate productive integration;
- e) encourage the activities of micro and medium-scale enterprises;
- f) contribute to geographical decentralization and be oriented to industrial, agro-based industrial and service activities.

Following are tax benefits that may be granted:

- Exemption from any type of impost (taxes, fees or contributions)
- Up to 60%-exemption from employer's contributions to the Social Security Fund for labor incorporated in the goods produced for export.
- Exemption from any tax imposed on corporate income and its distribution.
- Exemption from Real Property Transfer Tax for the acquisition of real property.
- Exemption from charges (surcharges, taxes, duties) and port dues on imports of industrial equipment not competing with the Uruguayan industry.

## **1.2 Industrial Promotion Act**

Law No. 14,178 of Industrial Promotion and the above mentioned Investment Act set forth a special promotion system for private investments in any industrial sector or activity, corporate group or enterprise complying with goals that have been declared of national interest by the Executive.

The declaration of national interest implies promotional benefits such as direct credit assistance to purchase goods and raw materials, to cover start-up costs and imports, etc., and tax benefits such as total or partial exemption from taxes, fees or contributions, and also from import duties imposed on imports.

## **1.3 Foreign Trade Zone System (Law No. 15,921)**

1. Law No. 15,921 and Regulatory Order No. 454/988 constitute the legal framework of Foreign Trade Zones in Uruguay. These provisions set forth

Foreign Trade Zone organization, exemptions benefiting Foreign Trade Zone users and, in general, all issues connected with Foreign Trade Zone organization and operation. Section 65 of second Urgency Law No. 17,292 of January 29, 2001 modified the wording of Section 2 of the previous law, as far as foreign trade zone activities are concerned.

## 2. Foreign Trade Zone legal definition

Section 2 broadly defines Foreign Trade Zones as public or private efficiently fenced and isolated areas within the national territory, authorized by the Executive for the development of the following activities under tax exemptions and other benefits specified in the law.

## 3. Activities included

Any industrial, business or service activity may be developed. The activities listed in the laws by way of example are:

a) Marketing of goods (except those set forth in section 47: “weapons, gunpowder, ammunitions and other warfare material, as well as material declared as opposing the Executive’s interests”), deposit, storage, packaging, selection, classification, fractioning, assembly, disassembly, handling or mixing of goods or raw materials of foreign or Uruguayan origin. Pursuant to section 36, goods of foreign origin entering the Uruguayan territory should be immediately carried to the respective Foreign Trade Zone.

b) Installation and operation of manufacturing plants.

c) Provision of all kind of services not restricted by the Uruguayan law, both within the Foreign Trade Zone, and from the foreign trade zone to third countries.

In addition, Foreign Trade Zone users may provide the following phone or computer services from foreign trade zones to the national territory, provided monopolies, state exclusivity rights and/or public concessions are respected.

(i) International call centers, excluding those the sole or main destination of which is the national territory.

(ii) E-mail boxes.

(iii) Distance learning.

(iv) Issue of digital signature certificates.

For tax purposes, the services aforesaid will be treated as services provided from abroad, both for service providers and tax deduction by service users.

d) Other activities considered by the Executive as benefiting the national economy or the economic and social integration of the States.

If the provision of new services from Foreign Trade Zones to the national territory is approved, said services will be subject to the tax system in

force at the time of the approval, on the basis of final tax-withholding regimes, as provided by the Executive.

The Executive will adopt the necessary measures to prevent these activities from having an adverse impact on the competitive or exporting capacity of the firms already established in the national territory.

The National Administration of Telecommunications (ANTEL) will not be entitled to fix differential rates for telecommunication services on the basis of the distance between Montevideo and the Foreign Trade Zone location, but will be entitled to do so, based on other reasons such as volume or traffic.

#### 4. Management and control

The management, supervision and control of Foreign Trade Zones will be the responsibility of the Ministry of Economy and Finance, through the Foreign Trade Zone Directorate (section 5).

An Honorary Foreign Trade Zone Advisory Committee is established to provide advice on the determination of the areas where state or privately-operated Foreign Trade Zones will be located (section 7)..

#### 5. Operation

The areas authorized as Foreign Trade Zones may be operated by the State or by duly authorized individuals or private legal entities. Operation means the provision by an individual or legal entity of the infrastructure required and sufficient to install and operate a Foreign Trade Zone for a price agreed with each user (section 8).

The authorization to operate will be granted on a payment basis. Private companies authorized to operate a Foreign Trade Zone will not be entitled to the exemptions and benefits granted to users by the law.

#### 6. Foreign Trade Zone users

Foreign Trade Zone users are those individuals or legal entities acquiring the right to develop within said zones any of the activities specified in section 2, and already listed in paragraph 3.

Firms established within Foreign Trade Zones will not be allowed to develop any activity outside said zones.

The law distinguishes between **direct users** and **indirect users** depending on the origin of the right to operate within the Foreign Trade Zone. Direct users are users whose right derives from an agreement signed with the Foreign Trade Zone operator, while indirect users are users whose right derives from an agreement signed with a direct user. The Foreign Trade Zone Directorate should approve and register all the agreements granting user capacity.

#### 7. Organization

A simplified procedure is contemplated to establish corporations whose sole purpose is to operate as Foreign Trade Zone users (section 17).

## 8. Employees

At least 75% of employees hired by users to develop their activities must be Uruguayan citizens. This is a requirement to hold user capacity and be entitled to the exemptions and benefits granted by the law (Section 18).

## 9. Exemptions and benefits

Practically full tax relief is granted: "Foreign Trade Zone users shall be exempt from all national taxes currently in force or to be imposed in the future, including those taxes the exemption of which requires a specific provision in connection with the activities to be developed therein".

9.1 In section 25, the Uruguayan State guarantees tax exemptions, benefits and rights granted by the law to users, during the life of the corresponding agreement.

9.2 Foreign Trade Zone users will be exempt from Industry and Commerce Income Tax in connection with the activities to be developed therein

Foreign Trade Zones users charged with the Net Worth Tax, will note include the property allocated to Foreign Trade Zone activities for tax assessment purposes.

Shareholders of Corporations and Partnerships Limited by Shares, whose capital is formed by registered shares and that are Foreign Trade Zone users, will not include their stake in the capital of these companies for Net Worth Tax assessment purposes.

Value Added Tax exemption will also cover:

- a) Movement of goods and provision of services within Foreign Trade Zones, and
- b) entry of goods from abroad into Foreign Trade Zones.

9.3 Section 20 expressly states that exemptions do not include social security contributions and pecuniary contributions established in favor of non-governmental social security entities subject to public law. If the foreign personnel working at Foreign Trade Zones states in writing that they waive the benefits of the social security system applicable in Uruguay, no obligation exists of making the corresponding contributions.

9.4 Section 20 also states that dividends and profits paid or credited to the account of individuals or legal entities domiciled abroad will not be exempt from Income Tax (30%) if said dividends or profits are taxable in the country of residence of the holder of the right thereto, and a tax credit exists in said country for the tax paid in Uruguay.

9.5 The law also benefits users through the rates charged by the National Port Administration and public agencies providing inputs or

services. Section 24 revokes the State monopoly of industrial and business services within Foreign Trade Zones.

#### 10. Goods within Foreign Trade Zones

Goods, services, commodities and raw materials of any origin entering Foreign Trade Zones, will be exempt from any customs duty applied to imports.

Current export regulations will apply to goods entering Foreign Trade Zones from the national territory. On the other hand, when goods enter the national territory from Foreign Trade Zones, import regulations should be complied with.

Retail is not allowed within Foreign Trade Zones.

#### 11. Activities:

11.1 Industrial, business or service activities developed within Foreign Trade Zones should be specified in User Agreements.

11.2 Users established in Foreign Trade Zones will not be entitled to develop industrial, business and service activities in the national territory, nor should they provide services from Foreign Trade Zones that will be delivered in the national territory.

11.3 Users authorized to develop Foreign Trade Zone financial intermediation activities will be authorized to develop all the activities included in their line of business provided the recipients of these activities are third countries or Foreign Trade Zone users.

#### 12. Advantages of Uruguayan Foreign Trade Zones:

##### 12.1 Geographical location

Uruguay has a privileged geographical location within Mercosur. Its shores on Río de la Plata and its natural harbors have turned Uruguay into the main route of access to the region.

##### 12.2 Stability

Historically, Uruguay has been the politically and economically stablest country in the region.

##### 12.3 Free foreign exchange market

The Uruguayan law establishes an entirely free foreign exchange market. Imports and exports may be settled in any currency whatsoever, no previous control, registration or deposit, either in local or foreign currency, being required to operate.

Availability and movement of capitals is free, and businessmen are free to transfer profits to any place in the world.

##### 12.4 Bank secrecy

Professional and bank secrecy is established by Law No. 15,322. Chapter VI of said law categorically forbids disclosure of any information on funds or securities held in current accounts, deposits or otherwise, belonging to natural persons or legal entities. Nor should Financial Intermediation Institutions disclose confidential information from or on their customers.

#### 12.5 Guarantee

The Uruguayan legal framework is up-to-date. It should be noted that the Uruguayan State, through Law No. 15,921 -subject to damages in case of incurring any liability- guarantees tax exemptions, benefits and rights granted by this law.

12.6 Another interesting option is the establishment of a warehouse area within a Foreign Trade Zone. It should be reminded that operations with any type of goods, raw material, semi-finished or finished products, machinery, etc, are allowed within Foreign Trade Zones.

Companies may benefit from significant cost savings through the unification of security stocks of several affiliates. The stock may be formed by each affiliate or by the parent company, which, in turn, will sell to the affiliates in different countries.

12.7 Shipment of goods from third countries to Uruguayan ports, and their subsequent overland transport to other countries of the region, allow savings in port dues.

For instance, if the destination of goods is Brazil, port costs - calculated as percentages on CIF value- and Merchant Navy fees -25% on maritime freight- are saved. Other cascading taxes to be paid upon entry of goods into Brazil are calculated on CIF value plus port fees, etc. These costs should be compared to the costs of transit through Uruguayan territory -freight costs, transit duties and Customs Agent fees.

This system may also be used in combination with the stay in the Foreign Trade Zone, in order to reach the goals already specified in paragraph 6 above.

### **1.4 Exchange Controls**

No exchange control exists in Uruguay. Since 1974, exchange market operations have been completely free and entirely determined by supply and demand. There are no restrictions on the purchase and sale of currency, or on payments made abroad. Import payments may be made with currency held abroad or in Uruguay, or purchased in Uruguay. Exporters are free to keep the proceeds of their sales for exports in foreign currency.

No restrictions exist on the execution of business or financial agreements in foreign currency. Agreements may be performed in national currency or in the foreign currency agreed by the parties.

## **2.- FOREIGN TRADE**

### **2.1 Background**

The Republic of Uruguay is a member of MERCOSUR, a Customs Union formed by Argentina, Brazil, Paraguay and Uruguay. For this reason, pursuant to said Agreement, imports from third parties not included in the “List of exceptions” for Uruguay, enter the country under the Common External Tariff.

Uruguayan exports to Argentina, Brazil and Paraguay are entirely free from tariffs and similar duties in the importing country. MERCOSUR’s special system is only applied to goods produced or manufactured in the exporting country with national or MERCOSUR inputs representing at least 60% of the final value of the exported product.

### **2.2 Imports**

No restriction exists in Uruguay on the import of goods, except for oil, pharmaceuticals and medical products, and certain agricultural and farming commodities. The import of second-hand goods is not restricted either, except for cars, trucks and motorbikes.

#### **a) Common External Tariff**

Except for those goods included on a list of almost 300 products subject to a special regime, any other good imported from third countries is subject to MERCOSUR’s Common External Tariff. The maximum tariff currently in force pursuant to the Common External Tariff is 24% and average import duties range between 11% and 17%.

#### **b) Value Added Tax**

Imports are charged with Value Added Tax (VAT). However, unlike what happens with all the other taxes, VAT is recovered by the importer during the following year of business activity, at the time of selling the goods.

The valuation of second-hand goods is based on the price for new similar goods less a reduction for time of use.

#### **c) Customs Management Services**

- Bank of the Republic of Uruguay, compulsory participation : 1.10%
- Extraordinary service, received by the Customs Office: 0.2% with a maximum of US\$ 50.
- Customs broker’s fee, mandatory participation: 0.5-1% depending on product type, value and volume.

Registration is required for importers and exporters, but without special requisites.

### **2.3 Exports**

Exports are tax- exempt, or, in the specific case of VAT, subject to tax refund.

Exporters are only bound to pay to the Bank of the Republic of Uruguay and the Customs Broker's fee.

## **2.4 Temporary Admission**

- a. Temporary Admission of Inputs. Temporary Admission of Inputs for the export industry is governed by a highly favorable regime. Imported goods are free from all customs duties and other import taxes: The authorization for the importation of these goods is quickly granted and cannot be denied by authorities claiming the existence of domestic production of similar goods.

Upon the expiry of the period authorized for temporary admission, the imported inputs should be re-exported, either as they were imported, or as inputs for other export goods. In some exceptional cases, goods are authorized for final importation into Uruguay after payment of the corresponding taxes.

All export industries may benefit from this regime. Under Mercosur regulations, Temporary Admission rules are not applicable to exports to Mercosur countries. However, in June 2000, Mercosur States Parties agreed to use these mechanisms until the year 2006.

- b. Temporary Admission of Capital Goods. The authorization for temporary importation of industrial machinery and equipment is granted by the Ministry of Economy and Finance for periods not exceeding 24 months on a case-by-case basis. It takes 3 to 6 months to obtain this authorization, and it should be applied for as part of a global industrial project submitted to the Government.

Payment of customs duties and other import taxes is suspended during the effect of this regime, and is totally exempt when goods are re-exported to a third country or to one of the Uruguayan foreign trade zones.

No restrictions exist on the temporary admission of second-hand capital goods or other type of second-hand equipment. Goods may also be authorized for final importation into Uruguay after payment of the corresponding customs duties and other import taxes.

The machinery and equipment authorized for temporary admission may be used for production in the domestic market.

## **2.5 Law Nº 16,246**

Law No. 16,246 of April 1992 made of the Port of Montevideo the first free port in Latin America. This means that no authorization is required for the movement of goods within port areas.

The purpose of this Act was to turn the Port of Montevideo into a distribution center for South America, especially MERCOSUR.

In this respect, the entry of goods into Uruguay's port areas is free from import charges and taxes. Goods may be stored at the Port and may also be selected, classified, divided, assembled, disassembled, handled and may undergo any other operation not altering the nature of the product.

### **3.- BUSINESS COMPANIES**

In Uruguay business companies are governed by Law No. 16,060 of November 1, 1989, without prejudice to other regulatory and ancillary provisions.

In general, business companies developing activities in Uruguay are organized as corporations or branches of foreign companies established abroad. Other smaller companies are established in the form of limited liability companies. In general, it is advisable to adopt the structure of an investment stock company when the main purpose is doing business outside Uruguay. Finally, there are sole proprietorships established for different purposes, both for tax or legal reasons (for instance, agricultural and farming undertakings).

#### **3.1 Corporations**

##### **3.1.1 Incorporation**

Corporations may be incorporated in a single act by a group of founders, or through the public offering of stock. Corporations may be publicly or closely held.

- Publicly held corporations are publicly traded companies, and are formed through the public offering of stock or the public issue of negotiable bonds.
- Closely-held corporations have none of these characteristics. Closely-held corporations should have at least two shareholders, either natural persons or legal entities. Corporate bylaws should be approved by the Uruguayan Internal Audit Office, and registered with the National Registry of Commerce; summarized bylaws should be published in the Official Gazette and another newspaper. Corporations developing activities as banks or finance companies require the approval of the Executive.

Regularly, the process of incorporation takes from two to four months. To avoid delays, foreign investors purchase shelf companies with no previous operation. Costs depend on class, capital and shares. In general, the corporate purpose of these companies is broad, and their structure and bylaws may be amended later.

##### **3.1.2 Capital stock**

The capital stock may be represented by bearer and registered shares. Shareholders are not liable for the company's debts beyond the amount of capital contributed by each shareholder.

Corporations are required to have a fixed authorized capital. The authorized capital of regular corporations will always be denominated in Uruguayan pesos and will be at least of approximately US\$ 26,000. 25% of the authorized capital should be paid up in cash or in other assets. Investment stock companies and off-shore banks may denominate their capital in foreign currency.

Registered shares are required in the following cases:

- companies owning or operating radio broadcasters
- companies holding subscriber cable TV rights.
- satellite TV companies
- inter-departmental or international bus lines
- airlines

- companies involved in certain privatization procedures of Uruguayan public utility companies.

Shares may be ordinary or preferred.

### 3.1.3. Restrictions

No restrictions on citizenship or domicile of shareholders and directors are imposed on Uruguayan corporations. Certain specific activities of national interest should be exclusively owned by Uruguayans, for instance, inter-departmental bus lines, radio broadcasters, airlines.

### 3.1.4. Meetings of Shareholders

The meeting of shareholders is the major authority of the company.

Meetings should be held at the corporate principal place of business and called in advance through a resolution of the Board of Directors. Shareholders representing at least 20% of the paid-in capital will also be authorized to call a meeting. Meetings may not be held outside Uruguay. Notice of meetings should be published in the Official Gazette and another newspaper. These formalities may be disregarded provided all shareholders are present.

The Uruguayan Internal Audit Office may be present at the meetings of shareholders of publicly held corporations.

Meetings may be regular or special. Regular meetings should be held at least once a year within 180 days of the end of each fiscal year, or within 120 days in the case of publicly held corporation, to approve the board of directors' report, the annual financial statements, the proposal for the distribution of dividends, and the appointment of directors and statutory auditors.

Special meetings may be held at any time under a special quorum in the first and second call, and are free to resolve on any matters put to the vote.

A special number of votes is required when the rights of current shareholders are involved. In the event of change of domicile to a foreign country, capital increase, substantial change of the corporate purpose, merger, corporate break-up, or refund of capital, any opposing shareholder will be entitled to abandon the company and demand payment of the corresponding capital.

The corporation should start winding-up proceedings if the company's losses from former periods reduce its capital to less than 25% of its net equity, unless a special meeting of shareholders resolves reduction of the capital stock or refund of capital through new contributions.

### 3.1.5. Board of Directors.

The Board of Directors manages the company under the control of shareholders.

No restrictions exist on nationality or residence of directors. The Board of Directors of publicly held corporations should be comprised of more than one director and should hold a meeting at least once a month. The Board of Directors of closely-held corporations may be comprised of one or more directors.

Directors are jointly and severally liable to the company, the company's shareholders and creditors for any violation of acts, executive orders or bylaws knowingly incurred. Directors are personally liable to tax authorities for unpaid taxes under certain circumstances.

The Board of Directors may resolve on any matters included in the corporate purpose subject to the restrictions imposed by the law and the corporate bylaws. In certain cases, the Board of Directors may approve interim dividends

when distributable profits are available. The meeting of shareholders should later ratify these dividends.

#### 3.1.6. Control

A statutory auditor is mandatory for publicly held corporations and banks, while for closely-held corporations this is optional.

Closely-held corporations are supervised by the Uruguayan Audit Office at the time of amending their bylaws or when so resolved by more than 10% of shareholders. On the other hand, supervision of publicly-held corporations by the Uruguayan Audit Office is mandatory and their annual financial statements must be published in the official gazette and another newspaper.

### **3.2 Limited Liability Companies**

This type of companies is generally adopted by small and medium-scale enterprises, for instance, those established by relatives or friends. These companies are ruled by articles of organization and an operating agreement subscribed by two to fifty members, either individuals or legal entities, including corporations. No restrictions exist on nationality or residence of members. The articles of organization and the operating agreement should be filed with the National Registry of Commerce and should be published in the Official Gazette and another newspaper. After publication, the company will be legally established.

These companies are managed by managers appointed in the articles, or at the meeting of members. In this type of companies, members' liability is limited to the contributed capital. However, members are liable for the company's debts owed to its employees. Moreover, the managing members are liable for the payment of the company's income tax, if any, and for the company's tax debts in case the managing members have acted negligently.

The minimum authorized capital of limited liability companies is fixed annually, but is of approximately US\$515. The capital of these companies should not exceed an amount equivalent to the minimum authorized capital required to establish a corporation, and should be represented by units.

Limited liability companies are not authorized to issue negotiable instruments. The assignment of units to third parties requires the approval of a special majority of the remaining members or the unanimous vote, depending on the number of members. In certain cases, the assignment of units may be authorized judicially.

The meeting of shareholders is the main authority of the company and is held once a year to approve the financial statements and the performance of managers. Limited liability companies with more than 20 members are managed as corporations, and therefore, should have a manager or a board of directors.

If the number of members is under 20, these companies may be managed by one or more members, or by a manager appointed by members.

### **3.3 Investment Stock Companies (S.A.F.I)**

An Investment Stock Company (SAFI) is a Uruguayan form of holding that, on account of its limited purpose, benefits from tax exemptions charging other Uruguayan corporations.

Except for the special system for SAFIs specified below, these companies are governed by the same regulations applicable to regular Uruguayan corporations.

SAFIs are companies the main activity of which is to invest, on their own account or on account of third parties, in securities, shares, bonds, debentures and/or goods outside Uruguay, and are governed by Law No. 11,703 of June 24, 1948.

At least 51% of SAFIs' total assets should be invested or located abroad, and at least 50% of their gross income should be originated abroad.

SAFIS' original corporate purpose has been extended through different acts; currently SAFIs' main activity can be the development of business activities abroad.

Although SAFIs lack the structure required to deal in Uruguay, they are expressly prohibited from developing the following activities:

- investment in real property or mortgages on real property located in Uruguay;
- transfer to Uruguay of income generated by direct investments abroad, or derived from the sale of foreign assets exceeding 5% of the paid-in capital and reserves per year;
- offering of stock for public subscription, or trading of this stock in the stock exchange;
- investments or transactions giving control over domestic corporations;
- participation in domestic public debt offerings, shares, debentures or other commercial obligations;
- participation in public or private bids, or in the financing of public utility companies, or in loans to Uruguayan public utility companies;
- holding of shares, debentures and other interests in Uruguayan companies other than SAFIs;
- holding for over a year of shares in excess of 30% of the total corporate capital of two or more companies working mainly in the same line of business in the same country;
- offering in secondary markets, of property that these companies are not allowed to own;
- receiving cash deposits from the public, or performing banking transactions;

SAFIs are not authorized to develop these last three activities either in Uruguay or abroad.

SAFIs are charged with a single 3 ‰ tax payable annually at the end of each fiscal year on:

- a- capital stock and debentures plus reserves, plus
- b- liabilities and/or sums managed on behalf of third parties, exceeding twice the value of capital and reserves.

This tax is assessed on the basis of the financial statements submitted to tax authorities at the end of the fiscal year.

Taxable amount is defined as 1) the difference between assets and liabilities (debentures excluded), and 2) the portion of the liabilities and funds managed on behalf of third parties exceeding twice the amount of the capital. If liabilities exceed assets, no tax should be paid.

If SAFIs fail to comply with the limits set forth for the holding of assets in Uruguay, the regular tax system for corporations will apply.

Corporations located within foreign trade zones enjoy these tax benefits provided their activities are exclusively developed within these zones.

### **3.4 Branches**

Branches are allowed to carry out and perform all the activities specified in the parent company's bylaws. To establish branches in Uruguay the parent company should:

- 1- allocate to the branch a minimum capital equivalent to 50% of the authorized capital of a corporation;
- 2- register its Bylaws with the National Registry of Commerce;
- 3- publish its summarized Bylaws in the Official Gazette and another newspaper.

To establish a branch, investors should legalize the following documents at the Uruguayan Consulate:

- 1- certified copy of the parent company's Bylaws;
- 2- certified copy of the minutes of the Board of Directors approving the establishment of a branch in Uruguay.
- 3- power of attorney in favor of the Uruguayan branch's representative.

The Parent Company of the foreign entity is liable for all the obligations assumed by the branch or the local representative.

## **4. INVESTMENT FUNDS**

### **4.1 Law No. 16,774**

Law No. 16,774 of September 1996 created Investment Funds (FI) as an independent unit formed by contributions of natural persons or legal entities for their further investment in other securities or assets. FIs lack legal personality, are not companies and are required to have a fund manager. They may have limited duration and a maximum amount, or may be perpetual. FIs' shares may be represented by bearer or registered share certificates.

FIs' assets may be formed by securities registered with the Registry of Securities of the Central Bank of Uruguay (BCU), time or sight deposits, foreign securities, etc.

FIs' assets are jointly owned by contributors, and remain undivided during the FI's existence. No liability exists for the contributors' or manager' debts.

The law entitles BCU to fix the maximum percentages that FIs may invest in securities from a single issuer or economic group, as one of the reasons for the existence of FIs is the possibility of having a diversified portfolio to minimize risks.

### **4.2 Management companies**

FIs Management Companies collectively represent investors in relation to their interests and before third parties. One company may manage several FIs through separate account books, and ensuring full independence of each FI's capital.

FIs Management Companies, their representatives, directors, etc., are jointly and severally liable for the eventual damages to the fund's shareholders as a result of the violation of legal and regulatory provisions.

FIs Management Companies should comply with the following requisites:

- Their only purpose should be FI management;
- They should be corporations with registered shares and provide BCU with the names of the registered shareholders;
- Should have a statutory auditor or another supervisory body;
- Should be authorized to operate by BCU.

## **5. FINANCIAL ACTIVITIES**

### **5.1 Financial Intermediation Act**

Pursuant to Law No. 15,322, financial intermediation is “the regular and professional performance of intermediation transactions between the supply and demand of securities, moneys or precious metals”. “Any non-governmental public or private entity developing financial intermediation activities shall be subject to the provisions of the Financial Intermediation Act, and to the general rules and regulations and specific instructions issued by the Central Bank of Uruguay for that purpose.”

### **5.2. Types of entities**

The Financial Intermediation Act regulates the organization and operation of different types of financial entities: (public or private) banks, investment banks, financial intermediation co-operatives, off-shore entities, finance houses, credit circle managing companies and financial brokers.

The most important types are:

- Banks: fully authorized financial entities. The words “bank” or “banking” may only be used by banks in their trade names. Only banks or financial intermediation co-operatives are authorized to: open bank current accounts, take sight deposits, except foreign currency deposits from non-residents (deposits for periods under 30 days are considered sight deposits) and accept term deposits from residents.
- Investment Banks: banks with authorization limited to invest in shares, debentures or negotiable instruments issued by companies, to hold shares or ownership interests in the capital of non-banking enterprises, to own real property or other property to lease to third parties, to take term deposits and grant long-term loans. Their main purpose is to participate in business not allowed to regular banks.
- Finance Houses: banks authorized to carry out all regular banking transactions, except those reserved for fully authorized banks.
- Financial Intermediation Companies (Off-shore banks): banks exclusively authorized to engage in business with non-residents and outside Uruguay. They may receive sight deposits and open current accounts. In general, the activities of these companies are exempt from Uruguayan taxes.

### **5.3 Establishment**

The establishment of these companies is subject to the authorization of the Executive, which should in turn request the advice of the Central Bank of Uruguay on their lawfulness and advisability.

As for banks, the Executive is not entitled to approve a number of new authorizations exceeding the number of Banks existing during the previous year by 10%.

### **5.4 Regulation**

The Central Bank of Uruguay sets forth the minimum net equity required for financial entities.

In addition, the Central Bank controls basic borrowing, mandatory holding of debentures, minimum reserves and maximum positions in foreign currency of banks and other financial entities.

### **5.5 Professional Secrecy**

The Financial Intermediation Act stipulates that financial activities should keep the professional secrecy in connection with all the information received from customers or in connection with them. This duty is applicable to any individual having access to said information. This information can only be disclosed to third parties upon express and written authorization by the interested party or by a well-founded resolution of a Criminal Court or Family Court if alimony obligations are involved. "Those infringing the obligations set forth in this section (section 25) shall be punished with 3-month to 3-year imprisonment".

## **6.- STOCK MARKET**

Law No. 16,749 of May 30, 1996 authorizes stock market operations and regulates issue, regulation and sale of securities.

### **6.1 Public Offerings**

For the purpose of making public offerings of securities, the issuer and the securities should be registered with the Central Bank of Uruguay (BCU). After the issuer has filed the application for registration, BCU has 30 days to adopt a resolution; if BCU fails to issue a resolution within this term, the application is deemed to have been automatically approved. The 30-day term may be suspended if BCU requires additional information. If the application for registration is filed by a stock-exchange, BCU is allowed only 10 days to adopt a resolution.

### **6.2 Private offerings**

Private offerings of securities do not require registration. The only requisite is to disclose the private nature of the offering. These securities may not be traded in the stock exchange or publicly traded for their resale to potential investors. Offerings are private when made directly to a specific person already identified.

### **6.3 International offerings**

In this case, issuers may choose the law and jurisdiction applicable to the securities offered for international trading, both for private and public offerings. Issuers are required to expressly state the international nature of the offering.

### **6.4 Transactions**

For the purpose of offering their stock at the Montevideo stock exchange, corporations should become members of the Montevideo Stock Exchange, a private organization supervised by the Uruguayan Chamber of Commerce and should furnish the following information to the Stock Exchange:

- information on general meetings;
- information on payment of dividends;
- amendment of bylaws or modification of the terms of the stock offering;
- changes in the capital stock due to subscription of shares, capitalization of reserves, reduction of share par value, or payment of capital;
- copy of financial statements and report of the Board of Directors;
- members of the Board of Directors;
- terms applicable to stock offering;
- any other relevant information on the listed securities.

### **6.5 Issue of negotiable debt instruments**

No limit exists for the amount of debt a single company is authorized to issue. Financial intermediaries are authorized to invest in publicly traded negotiable debt instruments. This law eliminates the requirement of a fiduciary agent for the issue of debt instruments.

### **6.6 Secured stock**

This law allows any type of guarantee, either real or personal. Real guarantees should be publicly registered. The law provides for the automatic transfer of guarantees together with the underlying stock, without having to modify the registration.

## **7. INDUSTRIAL AND INTELLECTUAL PROPERTY**

In this respect, Uruguay has ratified Bern and Paris Conventions and also the Agreement on Trade-Related Intellectual Property Rights (TRIPS) of GATT Uruguay Round, and Mercosur Protocol on trademark protection.

### **7.1 Copyrights**

In this respect, Uruguay applies the Bern Convention on intellectual property, but has not yet ratified the amendments thereto.

On the other hand, Law No. 9,937 protects inventor or copyrights in connection with all the products of their science or art for 40 years after their death. Intellectual property rights may be freely allocated or assigned, except some personal rights (*id est*, the right to be quoted as the author) that can not be assigned.

Copyright protection laws penalize unauthorized copies of audio and video cassettes. This protection also encompasses local and foreign software regardless of the existence of local registration. Illegally reproduced software may be confiscated. There are special rules that require legitimate licenses for software the State has been authorized to use.

### **7.2 Trademarks**

Law No. 17,011 of September 1998 regulates protection of product and service trademarks, and includes provisions from GATT Uruguay Round TRIPS.

Following are the main characteristics of this Law that may be of interest for investors:

- The Law stipulates that trademark use is optional and may only be declared compulsory by the Executive by reason of public interest.
- Product and service trademark protection is confirmed for a 10-year term after registration with the National Industrial Property Office, and renewed every 10 years.
- The law stipulates that trademark rights are only acquired after legal registration, and a 2-year term is granted to remedy the situation of trademarks being used but that have not been registered yet.
- Trademark rights may be assigned to third parties through license agreements. A registry is created for that purpose.
- The term provided to file oppositions against new applications for trademark registration is modified from 20 to 30 days.
- The request for invalidation of an already registered trademark on the grounds specified in the Law may be filed at any time.
- The Law creates the Industrial Property Official Gazette for all publications required in connection with applications for trademark registration and resolutions to grant and reject trademarks.
- When a person registers another's trademark as his/her own, the law entitles the actual patentee to file a legal action to recover his/her trademark.
- The following trademarks may be registered:
  - . Advertising texts

- . Collective trademarks (used to identify products or services produced by the members of an association; they may only be used by the members of such association).
- . Not visible but audible identifications.
- . Identification trademarks (those certifying common features, quality, components, nature or method used in connection with a service or product.) Only public entities or duly authorized private entities may own these trademarks.
- . Commonly used terms, provided they are associated to other terms and without granting exclusive rights in respect of such terms.
- . “Geographical Indications” are protected (used to identify products endowed with certain qualities that are typical of a specific geographical location). This law creates a special registry for these indications, and stipulates that this registry may only be used by producers or service providers domiciled in that geographical location.

### **6.1 Invention Patents, Utility Models and Industrial Designs**

Law No. 16,164 of September 1999 protects the rights of the owners of inventions, utility models and industrial designs.

The Law accepts to grant drug patents and regulates granting of compulsory licenses for the use of patents that have not been used by patentees.

The patentee acquires through the patent, the exclusive right to use it for a 20-year non renewable period as of the date of the application.

The Law stipulates that if a product is launched into the market by its legitimate owner, the owner will not be entitled to prevent future sales claiming rights, or, authorize the so-called “parallel imports”.

Different systems are included in a single act. Invention Patents, Utility Models and Industrial Designs

Patents may be granted for microorganisms, foodstuff, chemicals and agrochemicals.

The following property is expressly excluded from patent application: mathematical models, scientific theories, commercial, advertising, draw or supervisory methods, plants, animals in their natural state, software, literary and artistic work, biological or genetic material, etc.

The Law accepts that patents may be issued for products applying for a patent after January 1, 1995 in one of WTO member countries, and that have not been marketed in Uruguay or abroad, and also products that have applied for a patent before the National Industrial Property Office.

## **8. INSURANCE**

### **8.1 General**

Law No. 16.426 of November 14, 1993 eliminated the monopoly of the State Insurance Bank in this respect. Currently, private insurance companies may cover all risks, except occupational accidents and diseases. These companies must have been organized in Uruguay and be authorized by the Executive upon the advice of the Insurance and Reinsurance Superintendency. Companies that have not been granted this authorization and their representatives will be jointly and severally liable for all applicable taxes and penalties.

### **8.2 Financial rules**

The authorized capital should be at least equal to the minimum base capital specified by the Superintendency. The base capital for companies selling life insurances and other insurance policies is adjusted on a quarterly basis.

The base capital may be exceeded twice in order to be authorized to sell life and other insurance policies. At least 25% of the base capital should be paid in cash prior to the approval of the company's formal organization. 20% of the base capital should be deposited in cash or in bonds (in pesos or dollars) with the Central Bank at the time of requesting the authorization. The amount deposited with the Central Bank is refunded upon the Executive's granting or denying such authorization. If the authorization is granted, 80% of the remaining base capital should be paid within 180 days of the authorization, and before starting operations.

## **9. LABOR LAWS**

### **9.1 General**

No labor code exists in Uruguay; labor provisions can be found scattered in different texts. We can find them in the Constitution, in laws, in provisions ratified through executive orders, and finally, in contractual regulations.

Labor relationships are also regulated through collective bargaining agreements between trade unions and employers. These agreements regulate wages, work conditions, fringe benefits, etc.

In the private sector, labor agreements are executed between the employer and the employee, and no obligation exists to register these agreements with the Ministry of Labor.

### **9.2 Work hours**

The regular workday is an eight-hour day with a 48-hour week as a maximum for industrial workers, and a 44-hour week as a maximum for shop employees and white-collar workers. This system is not applicable to managers, administrators and executive staff.

Overtime is paid double time when corresponds to working days and three and a half times when corresponds to holidays and resting periods.

### **9.3 Vacation**

Every employee is entitled to twenty working days, including Saturdays, of paid vacation leave. This vacation leave should be used in the course of the year following its accrual, and will not be cumulative. After the fifth year of work, employees are entitled to an additional working day of vacation leave every four years of service. Moreover, employees are entitled to an additional vacation salary equivalent to 100% of the net amount received for vacation leave days. Employees receive this salary before using their vacation leave.

Annual leave may be divided in two periods of not less than ten days each, through a collective bargaining agreement with the employees.

### **9.4 Minimum wage**

The minimum wage for the private sector is fixed by the government, and is equivalent to US\$ 83 per month, and is adjusted periodically. In general, most employees receive higher wages that are fixed through collective or individual agreements. In some sectors such as construction, private health and financial activity, wages are fixed through collective bargaining between trade unions and employers associations. In other sectors, wages are negotiated between the company and the employee.

### **9.5 Annual bonus**

Employees are entitled to the payment of an annual bonus equivalent to a twelfth of the total amount received during the entire year, every year before December 20. This payment is made in two installments, the first in June and the second in December.

### **9.6 Foreign employees**

Foreigners are allowed to work in Uruguay if they are holders of a resident visa, although this is not applied in practice, as the applicant is authorized to work while the visa is in process. To obtain a resident visa, the foreign citizen should file a certificate of health and of source of income, and the government must check the applicant's police record with Interpol and the authorities of the countries where he/she has lived for the last five years.

### **9.7 Trade Unions**

The State protects employees' right to strike, and also protects trade union leaders from being dismissed for his/her unionist activities.

In Uruguay the legal regulation of trade union activities is firmly opposed. These activities are only limited by the employer's right to request police assistance to vacate the factories occupied by strikers, and by the right of the State to impose the obligation of maintaining minimum levels of work in essential services.

### **9.8 Dismissal**

All employees are entitled to severance pay, except in case of notorious misconduct. Severance pay is equivalent to one salary per each year or fraction worked, with a maximum of six monthly salaries. This payment increases when the grounds for dismissal are unionist activities, maternity or employees that are sick or have been victims of accidents during work.

### **9.9 Settlement of disputes**

All legal actions derived from labor relationships are under the jurisdiction of labor courts. Uruguayan labor law and also labor courts are governed by the principle that "in doubtful cases, decide in favor of the worker", which means that both the law and court ruling oriented to employee protection.

The Ministry of Labor operates as a mediator between trade unions and companies, but its resolutions are not compulsory. This Ministry also operates as an arbitrator between employers and individual employees whose labor complaints, if any, should be filed together with a record stating that the attempt for settlement was useless. The Ministry's function is to narrow the gap between the parties and to help in the resolution of disputes.

## **10. SOCIAL SECURITY SYSTEM**

The Uruguayan Social Security is a partly public and partly private system formed by the State-owned Social Security Fund and private Pension Fund Management Companies (AFAPs), that implement a personal savings system. Employees have the right to choose an AFAP and to retire after 35 years of work and 60 year of age. In case of disability caused by disease or accident, the system establishes the benefit of an early retirement:

This system applies to those employees under the age of 40 as of April 1, 1996, and to all employees joining for the first time the retirement system of the Social Security Fund, irrespective of their age. Employees over the age of 40 that were covered by the previous system were offered the option to join the new system until December 31, 1996.

### **10.1 Pension Fund Management Companies (AFAPs)**

AFAPs are corporations the capital of which is represented by registered shares, incorporated for the only purpose of managing a single Pension Fund. The Executive, with the advice of the Central Bank of Uruguay, authorizes the operation of those public and private financial institutions willing to establish an AFAP.

### **10.2 Pay scales for contributions**

Three contribution levels exist, based on employees' salaries and wages.

- The first level is based on a distribution system organized by the Social Security Fund; this entity collects the contributions of all employees receiving salaries or wages up to US\$ 350 approximately. The financing of this level is the responsibility of three parties. Moreover, the Social Security Fund receives the employers' contributions on the basis of total salaries or wages up to US\$ 1,100.
- The second level compulsorily includes employees receiving salaries or wages between US\$ 350 and US\$ 1,100. This level is exclusively financed by personal contributions and organized through the AFAPs: Employees receiving salaries or wages up to US\$ 350 included in the first level may voluntarily join this second level. This option will only apply to 50% of the employee's remuneration.
- The third level includes salaries or wages over US\$ 1,100. This level is also organized through the AFAPs but through voluntary membership.

### **10.3 Employer's contributions**

Employers' four types of contributions are:

- a) Retirement contribution funds the State Social Security System in general. This includes retirement benefits and pensions, unemployment allowances, family welfare, maternity benefits, etc. Rate: 12.5%.
- b) Health Insurance specifically funds employees health insurance. Rate: 5%.
- c) Tax on Personal Wages and Compensations: This tax charges wages, compensations and benefits received by employees either in cash or in kind. Rate: 1.125%.
- d) Labor Retraining Fund: Rate: 1.125%

### **10.4 Employee's contributions**

The employee's contributions are the same as above, and the employer is bound to withhold and pay the respective amounts.

Applicable rates are:

- a) Retirement contribution to fund the Social Security System and the personal savings system. Rate: 15%.
- b) Health Insurance Rate: 3%
- c) Tax on Personal Wages and Compensations: this tax ranges from 0% (for employees earning less than three minimum wages) to 15.125% (for employees earning over 50 minimum wages).
- d) Labor Retraining Fund: Rate: 0.125%

### **10.5 Exempt contributions**

- Food or food tickets.
- Medical and dental coverage for the employee, his/her spouse, parents if dependants, minor children, children up to 25-years old in college and disabled children.
- Life and personal accident insurance for the employee, provided that payment is totally or partially made by the employer.
- Vacation salary

### **10.6 Sole proprietorships**

If the sole proprietorship has employees, the contribution of the legal owner is based on the highest salary paid and subject to a minimum contribution.

A minimum contribution is fixed for legal owners of companies with no employees.

### **10.7 Benefits**

The main benefits granted by the social security system are: disability benefits, pensions to surviving family members, retirement benefits, unemployment allowances, maternity and sickness benefits.

## 11.- TAXES

Main Uruguayan taxes:

- Value Added Tax (VAT)
- Net Worth Tax (IP)
- Industry and Commerce Income Tax (IRIC)
- Tax on Disposal of Agricultural and Farming Property (IMEBA)
- Tax on Agricultural and Farming Income (IRA)
- Real Property Transfer Tax (ITP)
- Internal Special Tax (IMESI)
- Tax on Bank Assets (IMABA)
- Financial System Control Tax (ICOSIFI)
- Credit Card Tax
- Contribution to Social Security Financing Tax (COFIS)
- Corporation Control Tax (ICSA)
- Commission Control Tax (IC)
- Tax on Insurance Companies' Income (IIEA)
- Consular Fees

### 11.1 VAT

This tax is charged on movement of goods, provision of services in Uruguay and importation of goods into Uruguay.

The taxable amount is the price received for the delivery of the thing or the provision of the service, or the value of the imported good; this amount should include, in all cases, the amount of other charges imposed on the operation.

VAT payers are:

IRIC-paying companies  
IRA payers  
public utility companies  
personal service providers

The exportation of goods and services is subject to a "zero" rate system to allow recovery of VAT included in the acquisition of goods and services directly or indirectly applied to the goods and services to be exported. The exporter's VAT credit may be refunded through credit certificates or allocated to the payment of other taxes imposed on the exporter.

Through an order of the Executive, a restrictive list of services, the delivery of which is considered as "service exportation", and therefore, is covered by the "zero" rate system, has been set forth.

IRA payers benefit from the "zero" rate system for the local sale and exportation of natural agricultural and farming products. In this case, VAT is not imposed on the net amounts invoiced, thus allowing the refund of VAT included in purchases of goods or services when they are part of the cost of the agricultural and farming products sold.

General VAT rate is 23%, however, the minimum rate of 14% is charged on some essential goods.

The following activities and property are VAT-exempt:

- Sale of real property
- Sale of agricultural machinery and ancillary items
- Tobacco, cigars and cigarettes (currently under the consideration of Congress)
- Fuels
- Newspapers
- Passenger transportation
- Lease of real property
- Banking transactions
- Crude oil imports
- Imports of transportation vehicles delivering regular services
- Imports of goods the sale of which is tax-exempt in the domestic market.

## **11.2 IP**

IP is an annual tax charged on net worth located in Uruguay, id est, property located, placed or economically used within the Uruguayan territory, with a few exceptions.

Natural persons and legal entities domiciled abroad holding assets in Uruguay are IP payers.

A 1.5% IP is charged on closely-held loan investment funds, corporations, branches of foreign companies, natural persons and other companies paying IRIC. IRIC payers may apply the amount paid for this tax to the payment of up to 1% of IP. In the case of property belonging to natural persons not charged with IRIC, IP is imposed annually at rates ranging between 0.7 and 3%, according to a net worth scale.

Bank accounts under no personal name are subject to a 3.5% withholding IP by the depositary bank.

IRIC payers and SAFIs should withhold a 2% IP on debts owed to foreign natural persons or legal entities outstanding as of December 31, except in the case of import debts and loans and deposits in foreign currency.

Net worth of legal entities and that applied to activities charged with IRIC is assessed according to the difference between assets located in Uruguay and deductible liabilities, and adjusted under the same criteria applied to IRIC.

Liabilities that may be deducted by legal entities (excluding banking or financial institutions), households, undivided estates and agricultural and farming holdings in the charge of natural persons are:

- Debts to the National Corporation for Development.
- Debts for taxes the payment of which is not due at the close of the fiscal year.
- Debts to international credit institutions of which Uruguay is a member.
- Debts to local banks, financial institutions and foreign persons paying IMABA
- Debts documented in publicly traded debentures or bonds.

- Debts owed to goods and services providers, excluding guarantees, loans, placements, import price balances and debts to public utility companies.

Financial institutions are charged with a 2.8% rate and are allowed to deduct any kind of liabilities without the above restrictions.

Undivided estates, households and natural persons are only allowed to deduct debts owed to domestic banks and financial institutions paying IMABA.

This tax is not imposed on goods stored under the free port regime, and those stored at foreign trade zones, owned by natural persons or legal entities established abroad.

#### **11.4 IMEBA**

Business agricultural and farming companies should pay IMEBA in the following cases:

- 1) Exports. Exports of goods specified below made by farmers are charged with the following taxes, except for the citrus products produced by the farmer itself and exports of plants and fruits also produced by the farmer itself.
- 2) First Disposal of Agricultural and Farming Property. First sale or donation by the original producer of agricultural and farming property to Income Tax payers, to municipal governments and state agencies, such as: rabbits, poultry, eggs, honey, flowers and seeds, grain, bovines, sheep, hides, etc.
- 3) Transactions made by Income Tax payers. Income Tax payers will be also charged with IMEBA when manufacturing, using or transferring the goods aforesaid, either produced or imported by them.

Rates vary for each product and are fixed by the Executive within the framework of legal provisions; for instance, 2.5% for livestock activities, and up to 2% for agricultural activities.

#### **11.5 IRA**

IRA charges net income from the agricultural and farming activities specified below, at a rate of 30%:

- a) Disposal of fixed assets, except for the sale of rural real property.
- b) Production of primary products, vegetables or animals (livestock raising, production of wool and hides, milk, etc.)
- c) Leases, sharecropping, grazing and similar activities.

This tax is imposed on companies with or without legal personality, natural persons, households, associations, condominiums and foundations, to the extent they receive any of the income aforesaid.

Taxpayers have the option of paying IRA or IMEBA for all exports made in their name, however, if they have opted for IRA, taxpayers will not be allowed to resort to IMEBA regime. When taxpayers opt to pay IRA, payments of IMEBA are applicable to IRA payments.

#### **11.6 ITP**

Conveyance of real property rights is charged with a 4% ITP payable in equal parts by seller and buyer at a 2% rate each on the updated value fixed by the Land Registry.

It is also applicable to donation transfers, payment in kind, capital contributions to corporations, etc.

In the case of successions, the applicable rate is 3%.

### **11.7 IMESI**

IMESI charges the first disposal, under any title, made by the manufacturer or importer of certain goods such as: perfumes, cosmetics, tobacco, fuels, vehicles and beverages. Subsequent exports and sales are not charged. Rates vary according to the item, and in general, are fixed by the government within the maximum limits set forth by law.

### **11.8 IMABA**

IMABA is imposed on public and private banks, finance houses, credit unions, closely-held loan investment funds, credit management companies and money lending companies, on the following assets:

- a) investment alien to the financial line of business
- b) granted loans accruing interest
- c) securities issued by foreign governments
- d) profitable sight deposits in other financial institutions
- e) contingent credits resulting from guarantees to third parties or from the discount of third party instruments in other financial institutions

There are two annual rates: a 0.01% rate applicable to loans granted to finance exports and loans between financial intermediation institutions, and a 2%-rate applicable to the remaining assets.

Loans granted from abroad to IRIC payers are subject to IMABA withholding.

The domestic borrower is the only person bound to pay this tax before tax authorities.

### **11.9 ICOSIFI**

This tax charges those assets held by IMABA payers that may be computed from the assessment of this tax.

Mortgage credits for housing granted prior to January 1, 2001 and placements among other IMABA payers are not charged with this tax.

Loans granted from abroad to IRIC payers are subject to ICOSIFI withholding.

### **11.10 Credit Card Tax**

This tax charges credit card issuing entities with an amount ranging between a minimum and a maximum on each valid card, according to the volume of purchases made with the card.