



GLOBAL
EMPLOYER
GUIDE

URUGUAY





Basic Country Facts

Full name

- The Oriental Republic of Uruguay

Capital

- Montevideo

Main Languages

- Spanish
- Portugu ol
- English

Population

- 3.449 million

Monetary unit

- Peso Uruguayo

Internet domain

- .uy

International dialing code

- +598

Currency

- Peso Uruguayo



STATUTORY LABOR REQUIREMENTS

Probation Period

- No statutory regulation in Uruguay.
- Common practice is to stipulate a 3 months' trial period as a clause of the employment agreement.
- The jurisprudence has accepted the validity of this clause.

Annual Leave

- In their first year of employment, employees are not entitled to paid holidays.
- After that, every employee in Uruguay receives a minimum of 20 days of paid vacation each year.
- After five years of work with the same employer, the employee is entitled to an additional paid vacation day for every four years worked.

Public Holidays

- New Year's Day (1st January)
- Epiphany (6th January)
- Shrove Tuesday (25th February)
- Maundy Thursday (9th April)
- Good Friday (10th April)
- Labor Day (1st May)
- Battle of Las Piedras Day (18th May)
- Constitution Day (18th July)
- Independence Day (of Uruguay) (25th August)
- Columbus Day (12th October)
- All Souls Day (2nd November)
- Christmas Day (25th December)



Maternity Leave

- Since 1 June 2017 civil servants of the Central Administration are entitled to 14 weeks of Maternity leave (as well as private sector workers); and mothers or fathers can make use of a reduction in working hours, with a minimum of four hours a day, when the baby is between six and 12 months old.

Paternity Leave

- Fathers can make use of a reduction in working hours, with a minimum of four hours a day, when the baby is between six and 12 months old.

Sick Leave

- Employers do not have to provide sick leave, so instead, employees can get paid sick time through the Institute of Social Security (BPS).

Work Hours

- Uruguay's standard work week is 48 hours in industry and 44 hours in commerce.
- In both sectors, workers must have a minimum 36-hour rest period per week

Overtime

- Overtime work is generally compensated at twice the normal wage, and work on public holidays is paid at 2.5 times the regular compensation

Notice Period

- Employers must provide one day's written notice.
- There is no regulation on notice of resignation.

Severance

- Employees are entitled to severance payments which includes one month's salary for every year employed up to 6 months of salary.

13th Month

- Workers in Uruguay are entitled to Aguinaldo, which is an annual bonus payment equal to one month's salary, commonly known as 13th salary.

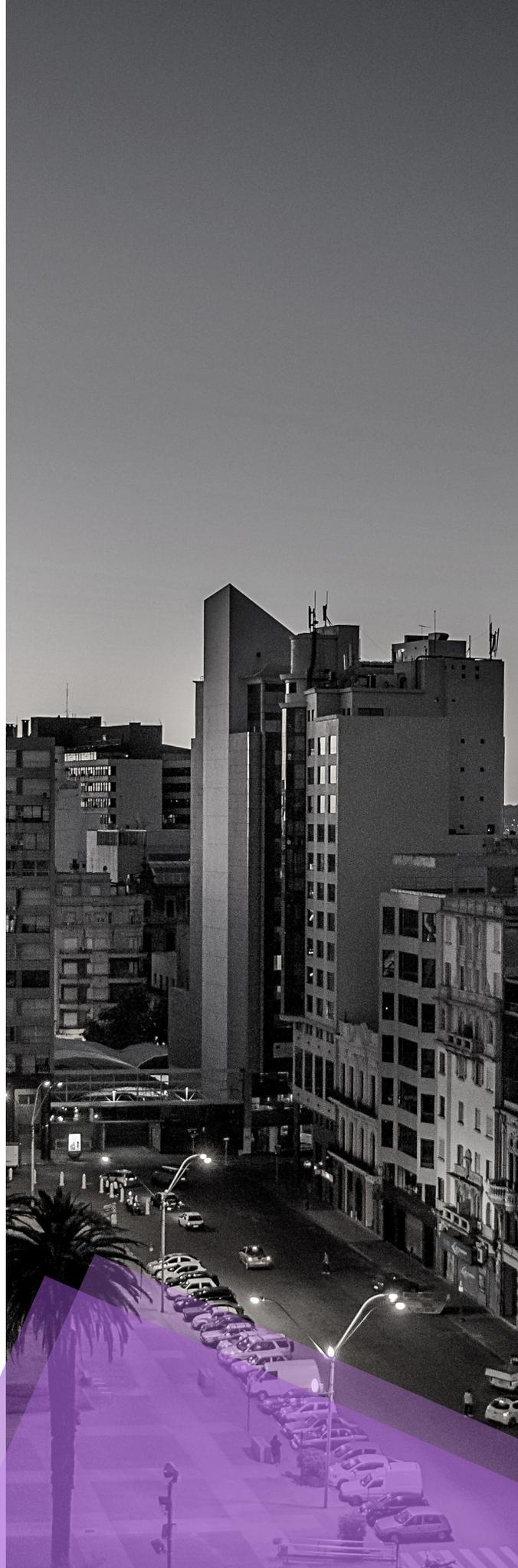


Income Tax

- Under the personal income tax law, effective from 1 July 2007, individuals are subject to income tax in Uruguay.
- Resident individuals are subject to tax on their Uruguayan-source income.
- They are also subject to tax on certain foreign-source income, such as capital gains and work income, if certain conditions are met.
- Income subject to the tax is divided into the categories of capital gains (Category I) and labor income (Category II).
- The basic rate of personal income tax on capital gains is 12%.
- Tax on labor income applies to income derived from dependent or independent work.
- The tax is imposed at progressive rates ranging from 10% to 36%.
- Nonresident individuals are subject to income tax on their Uruguayan-source income at a rate of 12%.
- They are also subject to tax on their income from technical services performed abroad if certain conditions are met.

Income Tax Rate for Labor Income

Annual taxable gross income (UYU)		Tax Rate (%)
Over	Up To	
0	348,936	0
348,936	498,480	10
498,480	747,720	15
747,720	1,495,440	24
1,495,440	2,492,400	25
2,492,400	3,738,600	27
3,738,600	5,732,520	31
5,732,520		36

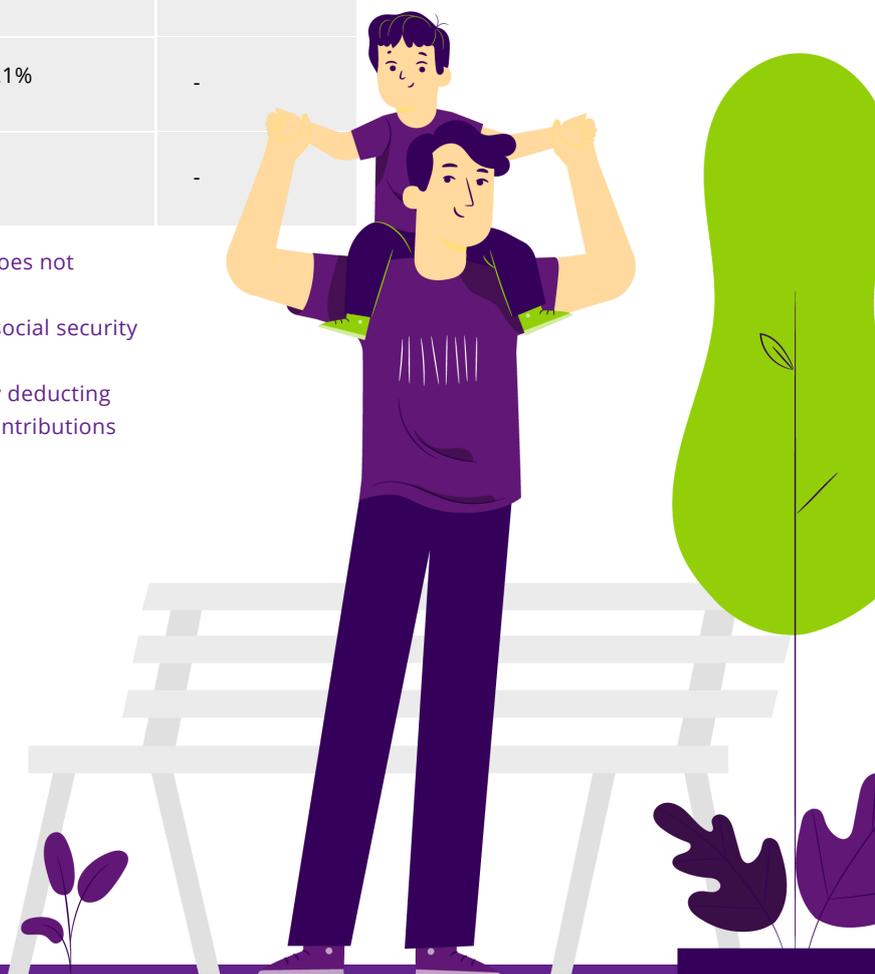


Social Security Contributions

- There is a social security contribution system, which covers all employees.
- All expatriates working in Uruguay temporarily or permanently, even for periods of less than one year, are subject to the social security system.
- However, where social security contributions are being paid in their country of origin and Uruguay has entered into a social security treaty with that country, the expatriate is exempt.
- Self-employed individuals pay social security taxes on notional amounts of income rather than on actual earnings, except for professional self-employed individuals to whom a different regime applies.
- The amounts are established by law.
- Contributions are paid by employers and employees at the rates set forth in the following table.

Contribution	Employer	Employee	Self-employed
Pension Fund	7.5 (a)	15% (a)	Variable (c)
Medical Care	5%	3% to 8%	3% to 8%
Work Reconversion Fund (b)	0.1%	0.1%	-
Labor Credits Guarantee Fund (b)	0.025%	-	-

- (a) This rate applies to the portion of income that does not exceed approximately UYU173,539 (monthly).
- (b) These are taxes on salaries and are paid to the social security body (Banco de Previsión Social, or BPS).
- (c) Self-employment contributions are calculated by deducting 30% of the total amounts invoiced. Pension fund contributions vary according to category.





Deductible Expenses

Employment Expenses

- Social security contributions and a notional amount corresponding to education, feeding, health, and housing of dependent under-age children are deductible, under certain conditions, from employee gross income when applying a flat rate of either 10% or 8%, depending on the taxpayer's level of income.
- Those taxpayers with a monthly income lower than 15 BPC (UYU 62,310) will be able to deduct 10% of the deductions, while the individuals whose income is greater than 15 BPC will only be able to deduct an 8% rate of the total deductions.

Self-employment Deductions

- Self-employed individuals can reduce business income by 30% for expenses calculated on a notional basis.

Capital investments deductions

- Bad debts (under certain conditions), intermediary commissions, renewal and subscription fees, real estate tax, and contributions are deductible from real estate income originated in real estate leases.



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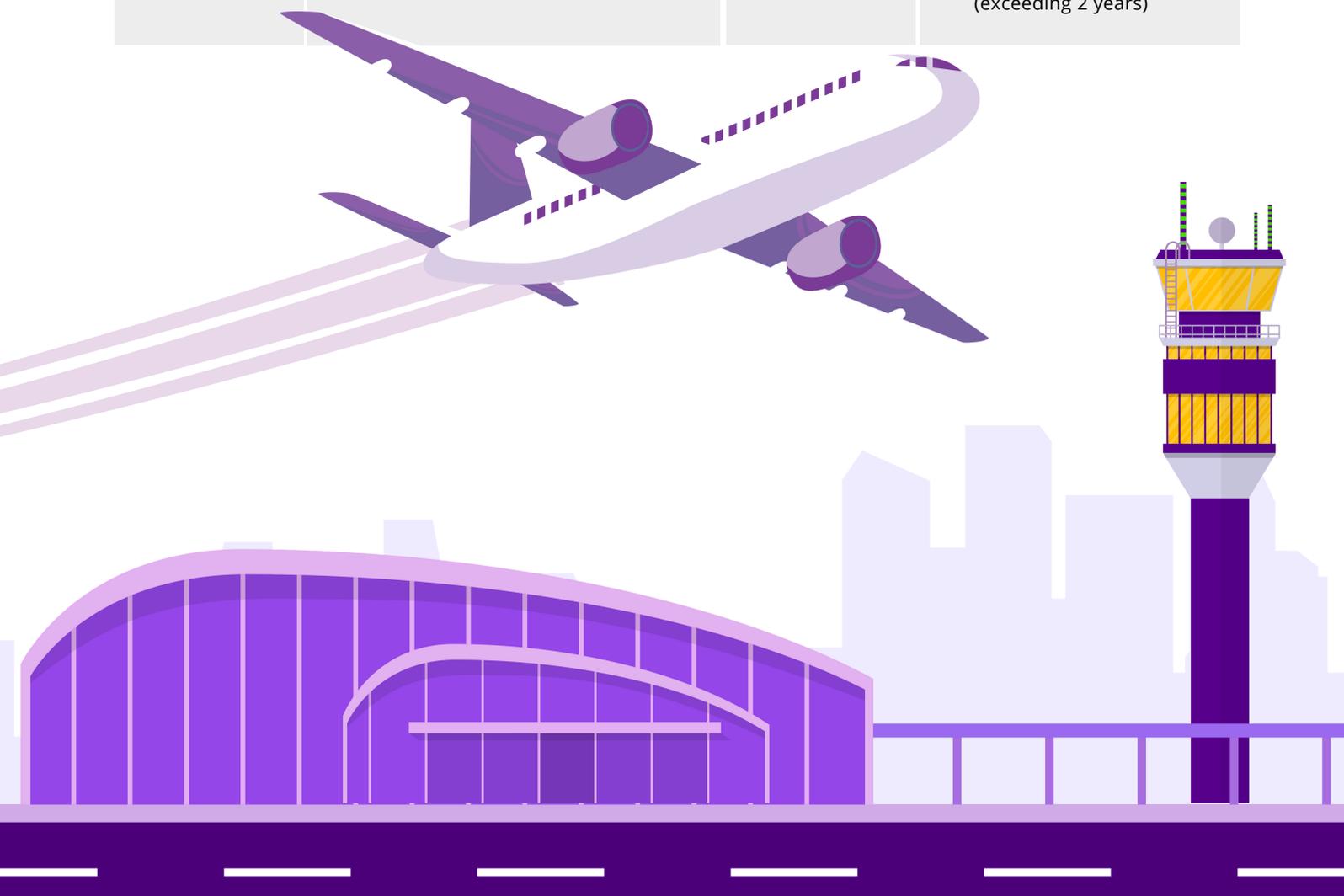


Immigration

- To work in Uruguay, an employee must have a Uruguayan permit.
- Although Uruguayan regulations do not provide a “work permit” as such, a foreign national may work in Uruguay under a permanent residence visa, or under one of the temporary visas, for a period lasting the length of the employment contract.
- If the period is less than 180 days, a provisional identity sheet of the identity card should be requested.
- An applicant may work in Uruguay while his or her work permit application and other papers are being processed.
- No limitations are imposed on foreign nationals wishing to start businesses or head subsidiaries in Uruguay
- Temporary visas are available to the following temporary resident individuals:
 - Migrant workers
 - Scientists, researchers and academics
 - Professional, technical and skilled personnel
 - Students, trainees and interns
 - Businesspersons, entrepreneurs, directors, managers and consultants
 - Journalists
 - Sports persons
 - Artists
 - Religious individuals
- Temporary visas are available to the following nonresident individuals:
 - Tourists (foreigners entering the country for recreation, leisure or rest)
 - Individuals invited by public or private entities because of their profession or art
 - Businesspersons
 - Members of public, artistic or cultural performances
- Members of international transport crews
- Passengers in transit
- Individuals in local border traffic
- Members of crews of fishing vessels
- Members of crews performing transshipments in the country
- Individuals who come for medical treatment
- Athletes
- Journalists and other professionals in the media
- All persons not included in the preceding items who are expressly authorized by the National Directorate of Immigration
- Permanent visas are issued to foreign nationals who intend to establish permanent residence in Uruguay.
- To obtain a permanent visa, an application must be filed either in the foreign national’s home country or in Uruguay, accompanied by the following documents:
 - Passport or equivalent document
 - Health certificate
 - Proof of financial means
 - Criminal records
 - Identity card or document
 - Birth certificate
 - Uruguayan address certificate



Type of Visa/ Permits	Documentation	Validity	Eligibility
Temporary Visa	<ul style="list-style-type: none"> • Application form • Employment Contract • Passport or equivalent document • Health certificate • Proof of financial means • Criminal records • Identity card or document • Birth certificate 	6 months to 1 year (can be extended)	<ul style="list-style-type: none"> • A foreign national may work in Uruguay under a permanent residence visa, or under one of the temporary visas, for a period lasting the length of the employment contract.
Permanent Residence Visa	<ul style="list-style-type: none"> • Passport or equivalent document • Health certificate • Proof of financial means • Criminal records • Identity card or document • Birth certificate • Uruguayan address certificate 	<ul style="list-style-type: none"> • Indefinitely 	<ul style="list-style-type: none"> • Permanent visas are issued to foreign nationals who intend to establish permanent residence in Uruguay. • Permanent residency can only be granted in Uruguay to those who live in the country and can show that they have spent time in the country (exceeding 2 years)



Value Added Tax (VAT)

- The Uruguayan value-added tax (VAT) is based on the value-added method.
- All business undertakings that are income taxpayers are defined as VAT payers.
- VAT also applies to self-employed individuals and legal entities in general (including foreign ones) rendering personal services in Uruguay.
- VAT standard rate is currently 22 percent.
- A reduced rate of 10 percent applies to certain goods and services such as basic food items, medicines and services rendered by hotels.
- Goods subject to higher rates are: alcoholic beverages, tobacco, gasoline, fuel, lubricants and other petroleum products.
- The maximum rates are 80 percent for alcoholic beverages and 70 percent for tobacco.

VAT Rates	
Luxury Rate	80% (Alcohol) 70% (Tobacco)
Standard Rates	22%
Reduced Rates	10%



Withholding Tax

Dividends

- Dividends paid to a nonresident are subject to a 7% withholding tax, unless the rate is reduced under a tax treaty

Interest

- The withholding tax on interest paid to a nonresident is 7% or 12%, depending on the term and currency of the loan, unless the rate is reduced under a tax treaty
- The rate is increased to 25% if the payment is made to a resident of a tax haven

Royalties

- The withholding tax on royalties paid to a nonresident is 12%, unless the rate is reduced under a tax treaty. The rate is increased to 25% if the payment is made to a resident of a tax haven

Technical Service Fess

- A 12% withholding tax is levied on payments made for services provided in Uruguay by nonresidents and technical services (including advertising service) provided from abroad to corporate income taxpayers in Uruguay

WHT	
Dividends	7%
Interest	7% or 12%; 25% (if payment is made to a resident of a tax haven)
Royalties	12%; 25% (if the payment is made to a resident of a tax haven)
Technical Service Fees	12%



Termination

- In case a just cause for termination arises, such as a material breach of the contract, the agreement can be terminated without prior notice or indemnification, subject to a conclusive evidence of the just cause.
- On the other hand, termination is considered abusive and subject to indemnification when one or some of the following circumstances occur:
 - absence of a just cause
 - notification of termination is not given on time; and /or
 - termination is done in bad faith.
- Employers must provide one day's written notice.
- There is no regulation on notice of resignation.
- Employees are entitled to severance payments which includes one month's salary for every year employed up to 6 months of salary.

Statutory Benefits

- These are mandatory benefits as postulated by law
- These include annual leave, public holidays, maternity leave, paternity leave, sick leave, overtime pay, notice period, severance pay, 13th month pay
- Statutory benefits also include social security benefits

Statutory Benefits

Annual Leave

Public Holidays

Maternity Leave

Paternity Leave

Sick Leave

Overtime Pay

Notice Period

Severance Pay

13th month Pay

Social Security Contributions



Payments and Invoicing

- Married persons have the option to be taxed jointly or separately for purposes of the personal income tax Category II and the net worth tax.
- The tax year ends on 31st December
- The taxpayer has to register at the tax office, following the procedures and formalities established by law and regulations.
- Non-resident individuals are subject to non-resident income tax on their Uruguayan-sourced income.
- In most cases, this tax applies through local withholdings; otherwise the non-resident will have to file their own tax return (personally or by means of an appointed representative).

Ease of Doing Business

- The ease of doing business index is an index created by Simeon Djankov, an economist at the Central and Eastern Europe sector of the World Bank Group.
- Higher rankings (a low numerical value)
- indicate better, usually simpler, regulations for businesses and stronger protections of property rights.
- According to the World Bank Uruguay ranked 101st in the World in 2019 in terms of ease of doing business.



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