

Global festival of customs and international trade

Uruguay

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1. Uruguay: country highlights



With an area of approximately 176,000 km² and a population of 3.4 million, Uruguay is located on South America's Atlantic coast, bordering Brazil to the northeast and Argentina to the west.

A strategic location in Mercosur and in South America's southern cone enables Uruguay to be a natural logistic hub that offers an integrated and complementary platform to the regional network.

Uruguay has a highly attractive legal, tax and customs framework aimed at improving corporate supply chains while offering optimal structure for the establishment of regional distribution hubs.

Why is that a priority? Further integration with the global marketplace allows our "small" country to reach economies of scale, as well as to increase its exposure to technological and knowledge spillovers, resulting in greater productivity. At the same time, further international integration may redound on the sophistication of the productive structure, which is one of the main challenges of Uruguay.

To such purposes, Uruguay has several incentives which adjust to different types of activities, from industrial to commercial and service activities. Investment Law, Free Zones, Free Port and Free Airport regimes, Public-Private Partnership agreements, Industrial Parks and Temporary Admission regulations contain some of the main incentive schemes available in the country.

In this article, we will focus on those schemes related to Customs and International Trade benefits. However, prior to moving forward to those special regimes, we will summarize the main aspects of the international trade profile of our country and its Customs operations.



Uruguay has a highly attractive legal, tax and customs framework aimed at improving corporate supply chains

Patricia Marques
Partner

International trade: commercial partners

Uruguay is a full member of the Mercosur (Southern Common Market) along with Argentina, Brazil and Paraguay. This Common Market also has the following associated members: Chile, Colombia, Ecuador, Guyana, Peru and Surinam.

Imports of goods from any of the countries that are part of the Mercosur are generally free from custom duties, although certain exceptions apply.

Additionally, Uruguay has signed, in its capacity as both a member of the Mercosur and an independent party, different trade agreements that grant access to other markets with preferential tariffs.

The list of commercial agreements in force is the following:

Mercosur agreements	Uruguay agreements	Subscribed agreements, not in force yet (NIF) / Agreements under negotiation (UN)
<ul style="list-style-type: none">● Chile● Bolivia● Peru● Colombia, Ecuador and Venezuela● Cuba● Colombia● Mexico - automotive agreement● India● Egypt● SACU● Israel	<ul style="list-style-type: none">● Mexico● Venezuela● Chile● Brazil - automotive agreements● Argentina - automotive agreement	<ul style="list-style-type: none">● Mercosur - Palestina (NIF)● Mercosur - EFTA (UN)● Mercosur - European Union (UN)● Mercosur - Canada (UN)● Mercosur - Corea (UN)● Mercosur - Singapore (UN)● Mercosur - Lebanon (UN)

Customs operations: imports

In Uruguay there are no significant restrictions for importing goods.

Custom duties are imposed on the Customs Value of imported goods (in line with the General Agreement on Tariffs and Trade).

Imports of goods of Mercosur origin are generally free from custom tariffs.

Goods from other countries are subject to a Global Tariff Rate (GTR) that varies between 0 and 20%, with exceptional levels that range from 23% to 35%, corresponding mainly to certain types of shoes, sugar and automotive goods.

In general terms, customs rates and taxes for imports can be summarized as follows:

Taxes	Calculation base	General rate	Mercosur rate
Global Tariff Rate (GTR) or customs duty	Customs value	0% - 35% ¹	Not applicable (with exceptions)
Excise Tax ²	Customs value + GTR	0% to 115%	0% to 115%
VAT	Customs value + GTR	10% or 22%	10% or 22%
Advance on VAT ³	Customs value + GTR	3% or 10%	3% or 10%
Advance on CIT ⁴	Customs value + GTR	4% or 15%	4% or 15%
Consular fee ⁵	Customs value	5% ⁶	3%
Exceptional service rate	According to the scale	USD 12 to USD 600	USD 12 to USD 600
Customs service rate	Customs value (max USD 50)	0.2%	0.2%

Short notes

Most technological goods and heavy equipment are free from Custom duties or subject to a reduced Custom duty of 2%, regardless of their origin.

As previously mentioned, Uruguay has a broad network of Commercial Agreements. Goods originated in those countries are exempt from customs duties (although certain exceptions may apply).

¹ Products originated in Mexico or products introduced to Uruguay under the Temporary Admission regime are exempt. Additional exceptions may apply.

² Goods subject to the highest rates are alcoholic beverages, tobacco, lubricants and gasoline, fuel, and other petroleum products.

³ Can be deducted from the amount of VAT for the fiscal year. Certain goods are exonerated from Advance on VAT.

⁴ Can be deducted from the amount of CIT for the fiscal year. Certain goods are exonerated from Advance on CIT.

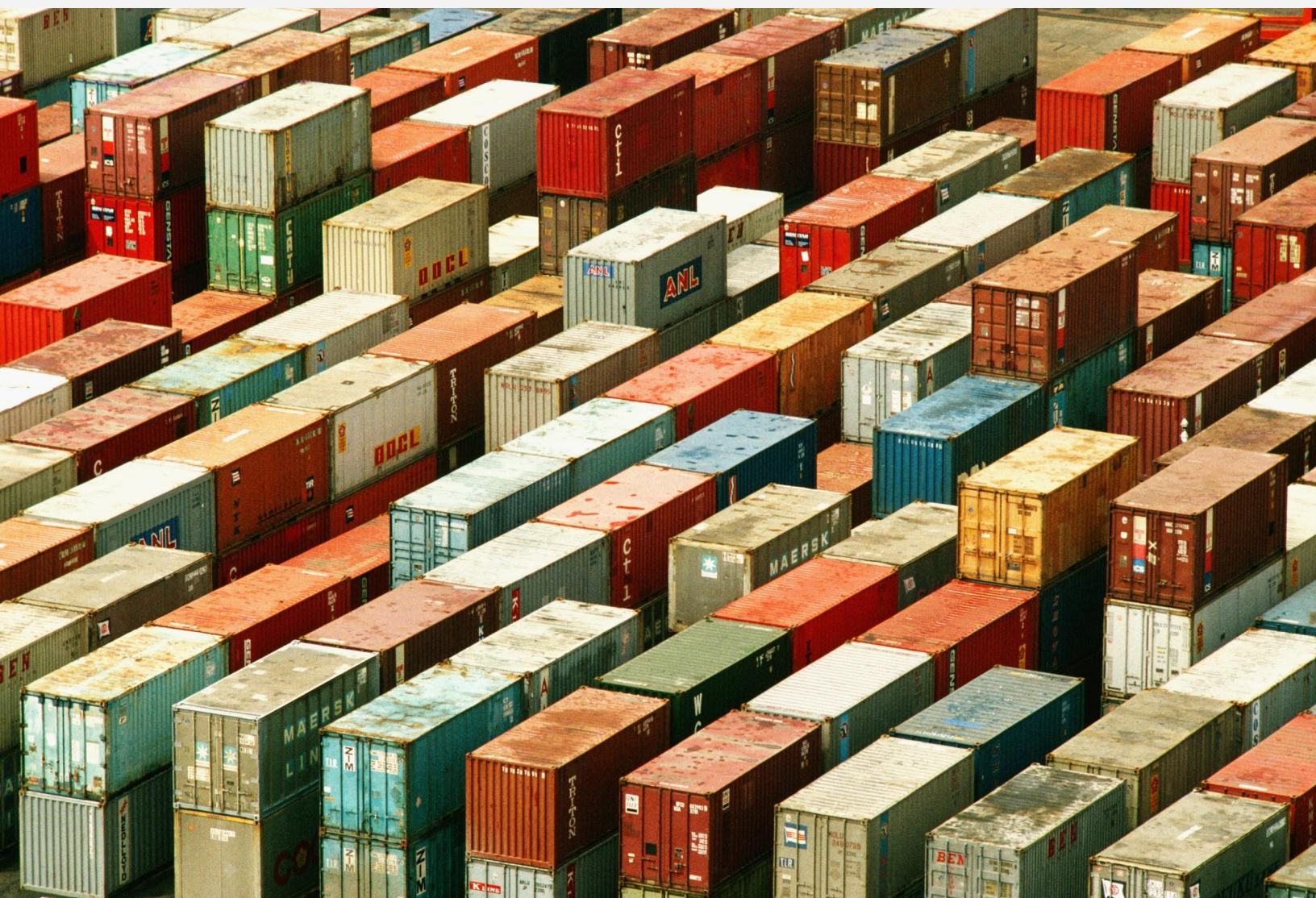
⁵ Products originated in Mexico or products introduced to Uruguay under the Temporary Admission regime and fixed assets are exempt.

⁶ Products originated in Chile are subject to a reduced rate of 3%.

Customs operations: exports

Exports are not subject to any taxes and there are almost no prohibitions regarding the type of goods to be exported. On the contrary, several incentives are offered to promote exports, for instance:

- Zero rate for VAT.
- Reimbursement of taxes: exporter may recover internal taxes added to the cost of the product exported (3% to 6% on customs value).
- Temporary admission: supply imports for exportable products are exempt from Custom tariffs, provided the final products are exported within an 18-month period. This special regime will be analysed in the following sections.
- Special financing: exporters can access to credits at preferential interest rates.



2. Uruguay as logistics hub



Uruguay's success as a regional logistics hub stems from its strategic geographic location, modern regulatory system and strong economy. The country offers a great attraction as a logistics hub through the benefits offered by different special regimes that are detailed below.

Free Zones

Free Zones offer significant advantages for companies operating in foreign trade.

Following the approval of Free Zones Law in 1987 and its amendment in 2017, this system became an important tool for attracting investments to Uruguay. It has been utilized both for carrying out traditional activities in Free Zones (warehousing, logistics and distribution) and for providing services (i.e. software development, finance, call centres) and manufacturing activities (such as, cellulose pulp, pharmaceutical industry and leather production). Any kind of industrial, commercial or service activity can be developed in Free Zones:

- Trading with goods, warehousing, storage, conditioning, selecting, classifying, splitting, assembling, disassembling, handling and blending of goods or raw materials of domestic or foreign origin.
- Installing and operating manufacturing facilities.
- All types of services (other than those restricted under national regulations), rendered within the Free Zone, to third countries and to Uruguay. Indeed, recent updates to the Free Zones Law allow Free Zone users to render services to Uruguayan non-free zone territory, under certain conditions.

Free Zone users are exempt from all present or future national taxes, including those that require a specific exemption by law, with respect to the activities developed within the free zone.

Thus, Free Zones enable the development and export of goods and services to the any country free from any national tax.

Operating goods under Free Zones regime

The entrance and exit of goods to and from the Free Zones from outside Uruguay are exempt from taxes, although regulated by Customs Authorities.

If goods are introduced to these areas from non-Free Zone Uruguayan territory, they are considered exports for tax purposes. Meanwhile, goods introduced to non-Free Zones Uruguayan territory from the Free Zones are considered imports and must pay the corresponding customs duties and comply with legal formalities required for imports.

Latest news: Goods originated in Mercosur or in third countries that have previously entered into an agreement with Mercosur shall continue to be exempt from Customs tariffs in case that, during its logistics process, they enter a Free Zone. The condition is that their nature remains unchanged, before being introduced to Uruguay or to another Mercosur member.

Short notes

- Benefits always go hand in hand with formalities: those interested in carrying out activities in the Free Zones must submit to the Executive Power the request for authorization, accompanied by an investment project that evidences the economic and financial viability of the activities and how Uruguay will benefit from them.
- Additional tips:
 - A minimum % of Uruguayan citizens on payroll is requested.
 - Free Zones are isolated and fenced off areas within Uruguayan territory.
 - Transfer Pricing rules are applicable.

Free ports & Free airports

The regulation on Free Ports & Free Airports represents another major attraction in the supply chain when acting as a distribution hub.

The goods that enter ports and airports from outside the national territory, as well as their stay there, are free from customs duties, fees and taxes applicable to imports.

Goods delivered in ports and airports may be reshipped or imported at any moment, except when involved in illicit procedures or deemed abandoned goods, or when they constitute a threat to public safety or health.

While they remain in Port/Airport, the goods shall move freely.

The destination of goods that enter the port may be changed without any authorizations or formal requirements.

In addition, operations performed at Free Ports/Airports will be Corporate Income Tax (CIT) exempt if goods for sale, in transit or stored are from foreign origin and do not have the national customs territory as a destination. Exemption also applies to those goods that have the national customs territory as the destination, provided these operations do not exceed 5% of total sales in the fiscal year.

Permitted activities

In general terms, permitted activities within the Free Port/Airport are those that add value to goods, modify the presentation or implement the free disposal of goods, provided their nature is not modified.

These activities include:



Assembly



Mixtures



Installation or replacement of parts and accessories



Hardware configuration



Software installation



Production of packing, packaging and labeling



Other similar operations

Additionally, certain services related to the handling of the goods are also foreseen. In addition to conventional loading, unloading, stevedoring and merchandise movement activities, also included are transport, transshipment, reshipment, transit, removal, arrangement, deposit, storage, repackaging, relabeling, classifying, grouping, ungrouping, consolidating, de-consolidating, handling and fractioning.

Short notes

- Goods that transit on a Free Port/Airport maintain their origin.
- Additional tax benefits are applicable.

Customs warehousing

The customs warehousing procedure is a way of importing in which merchandise can get into designated areas (customs warehouses). These areas are fenced, enclosed or open spaces, which can also be ships, pontoons, or tanks where foreign goods can be deposited for storage and/or processing. The goods enter the customs warehouses for a period of time that depends on the type of operation to be performed on it. After that period, the goods shall be included under another customs procedure, re-shipped or re-exported.

There are six different warehousing modalities which determine the nature of the activities that are allowed to be performed within it, according to the following detail:

Storage warehouse	Recognition, conservation, division into lots or volumes or any other operation that does not alter its value or modify its nature or state
Commercial warehouse	Operations to facilitate marketing or increase the good's value without changing its nature or state.
Industrial warehouse	Operations to modify merchandise's nature or state, including the industrialization of raw materials and semi-finished products, assemblies and any other similar operation.
Reparation and maintenance warehouse	Activities that aim to repair and maintain the merchandise, without changing its nature.
Temporal warehouses for exhibitions or similar activities purposes	Exhibitions, shows, fairs or other similar activities, prior authorization of the Customs Authorities.
Logistic warehouse	Operations that can change the status or nature of a merchandise, as long as it does not modify its origin (such as assemblies, mixtures, placement or replacement of parts or accessories; hardware/software configuration/installation; packaging, labels or other similar operations.

Trading operations

For those trading operations of goods located abroad, which do not have Uruguay as their origin or destination, there is a particular tax regime that also may position Uruguay as a preferential partner for logistics operations.

This regime grants a simplified (optional) notional criterion to determine the local portion of Uruguayan source income, for income tax purposes.

This regime results applicable in the case of international activities developed by Uruguayan companies traditionally known as "cross-border trading" of goods and services. In this regard, the Uruguayan entity intermediates in the purchase and sale of goods and/or services, without physical passage of the merchandise within the limits of the Uruguayan territory.

Under this trading regime, companies find broad tax benefits, such as:

- CIT: low effective rate (0.75%) applies on "gross margin" (sales price minus purchase price)
- NWT: N/A
- VAT: N/A

Considering that under this regime goods do not arrive into Uruguay at any time during the logistic process, no customs controls are applicable.

Short notes

- Local taxpayers could mix the "general tax regime" with this special "trading regime".
- Commonly used by local entities operating abroad.



3. Manufacturing in Uruguay while optimising costs



In addition to the abovementioned special regimes that complement Uruguay's natural conditions as regional hub, our country also has different customs and tax benefits that aim to be part of the global value chains within manufacturing activities.

In this sense, Uruguay promotes the Temporary Admission (TA) regime as an incentive to the manufacture of goods through a tax exemption procedure that enables the import of supplies, raw materials, parts, pieces and intermediate products with a relief of payment of VAT, duties and any other import taxes, provided that these are used in industrial processes of goods to be exported.

The goods introduced in the country should be included in a specific transformation, manufacturing, repair or value-adding processes, with effective employment of labor.

In addition to the TA, it is also foreseen that an exporter could ask for a duty and tax refund after exporting a product in which imported inputs were used for its production. This operation would be in the framework of the Drawback provisions.

Finally, an export manufacturer could also replace imported goods under the general regime, by importing similar goods, free of taxes and customs duties, when they have been used as input for transformation, elaboration, repair or addition of value determined in the country; with effective labor occupation of exported products. This regime is known as Stock replacement

These regimes enhance the competitiveness of exports manufacturers, and helps them selling to demanding international markets, since they can use unlimited amounts of the needed goods with lower costs, while ensuring an adequate quality

Short notes

- Under the TA regime, re-export or nationalization of merchandise is admitted, prior authorization.
- Under the TA regime products must be exported within 18 months, unless nationalized
- Commonly used regimes.

Further export benefits: reimbursements

There is an indirect tax rebate system, by virtue of which the exporter can recover internal taxes which are included in the cost of the exported product, if listed in regulations.

The amount to be reimbursed is a percentage (3% or 6%, depending on the type of product) of the export customs value.

3-6%

is the percentage the exporter can recover from internal taxes, depending on the type of product.

4. Additional customs generalities



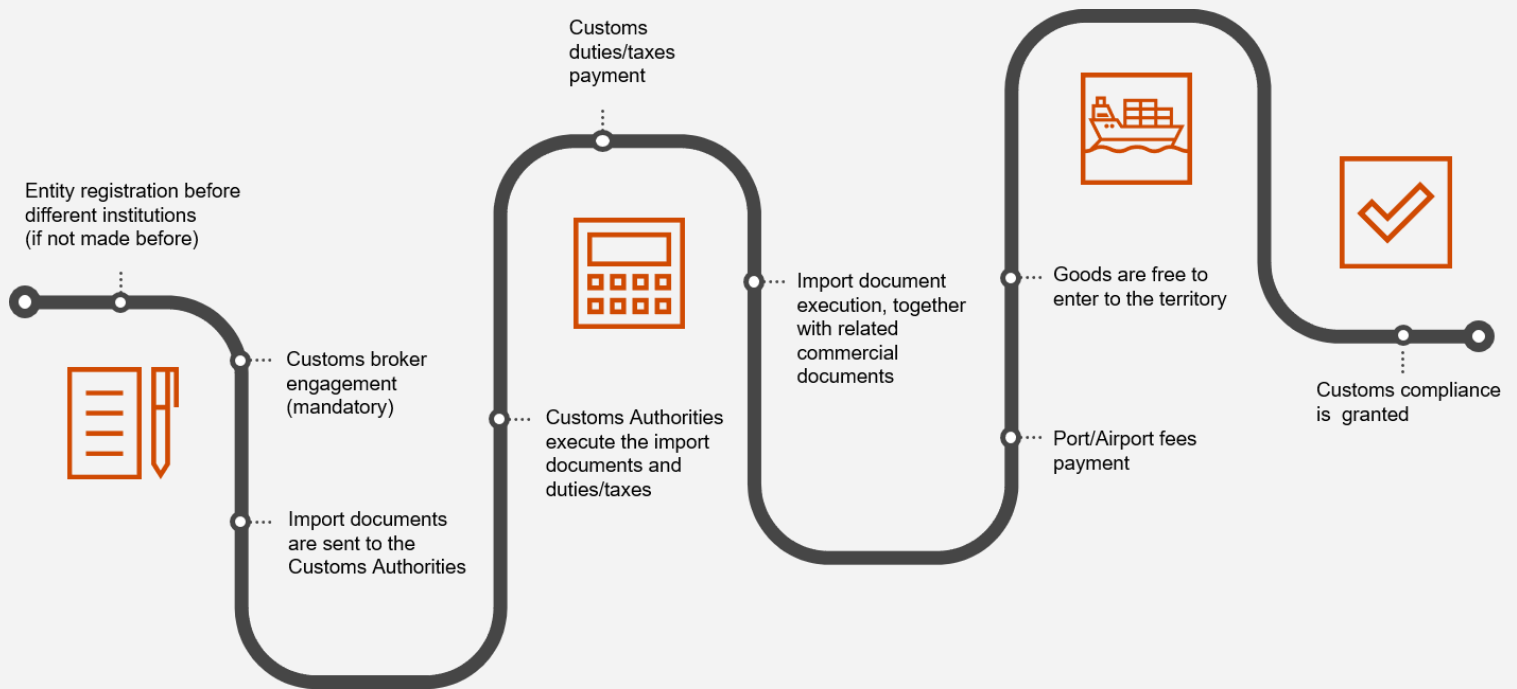
Authorised Economic Operator (AEO)

With this certification, Uruguay is aligned to the international trend, introduced by the World Customs Organization, on the purpose of facilitating international trade by granting protection and agility to the international operation of goods under the supply chains.

The Authorised Economic Operator (AEO) certification is available to the international supply chain participants, such as exporters, importers, warehouses, customs brokers, and others.

As of this date, in Uruguay there are 66 users benefiting from the opportunities granted by this certification.

Import process in Uruguay



COVID-19 special considerations

During 2020, Uruguayan Customs implemented measures to simplify entry of goods necessary for combatting the COVID-19 national health emergency, as well as for stimulating the manufacturing processes in our country, for export purposes.

Based on said measures, the importation of goods that may contribute to combating the health emergency, will be duty free and subject to a simplified customs procedure for dispatching the goods.

There is an exhaustive list of products that are subject to these benefits, which is under constant review by the Executive Power and incorporates additional products when necessary.

Regarding the Temporary Admission regime, the 18-month period for exporting the final products is extended up to 18 additional months.



What are the requirements to start a company in Uruguay?

No previous requirements or permits are necessary in order for a foreign investor to conduct business in Uruguay, and this may be done under any type of corporate structure, including branch offices of legal persons incorporated abroad. Whatever the corporate structure, shareholders/ partners do not need neither Uruguayan nationality nor Uruguayan residency. Shelf companies are broadly use in Uruguay and they can be ready to operate in a week.

What trade agreements does Uruguay have to this date?

We refer to the Executive Power information available [here](#).

Could different promotional regimes, the trading regime and the general import regime, coexist?

Yes, the trading of goods with other countries may “coexist” with the general import regime. That is, a company incorporated in Uruguay may be subject to either one of such regimes or both at the same time. Free Trade Zone regime cannot coexist with other regimes . However trading activities can also be performed by Free Trade Zones companies.

Could the temporary admission regime coexist with the general import regime?

Yes, a company may import under both regimes but would be subject to certain requirements related to inventory maintenance and traceability.

Could the temporary admission regime be used as a means to distribute goods in Uruguay?

No, the temporary admission regime seeks to promote the production of goods for the export thereof. The importation of goods for future local distribution shall be done in accordance with the general regime by paying the applicable fees and customs duties.

How can the goods that enter the Free Zone or Free Port/Airport be reexported and maintain their origin?

The goods that enter a Free Zone or Free Port/Airport can maintain their origin provided the nature thereof is not changed. In order for a good to maintain its origin, a certificate of origin shall be processed with Customs and will be requested by Customs in the country of destination. If it is a Free Zone, certain conditions should be considered.

Should goods be imported in order for them to be transferred from Free Zones or Free Ports/Airports to national territory?

Yes, goods that are located in Free Zones or Free Ports/Airports shall be subject to the customs regime applicable to imports in order for them to enter the national territory.

Are there any benefits associated with the export of goods overseas?

Yes, export of goods may be entitled to an economic gain between 3% and 6% (depending on the product) over the customs value of exported product, if listed in regulations.



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