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Global Tax Alert

News from EY Americas Tax

Uruguay establishes COVID-19 Solidarity Fund and COVID-19 Sanitary Emergency Tax

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On 8 April 2020, Uruguay enacted Law No. 19,874, creating the "COVID-19 Solidarity Fund," which is intended to mitigate the negative effects of the COVID-19 pandemic. The law also creates a new tax called the "COVID-19 Sanitary Emergency Tax" to fund the Solidarity Fund.

The sanitary emergency tax applies to nominal remuneration and benefits, in cash or in kind, derived from personal services provided to the state, departmental governments, autonomous state entities and decentralized services, regardless of the nature of the employment relationship, for April and May 2020. The tax rate ranges from 5% to 20%, depending on the amount of gross income. The tax applies to gross income from UYU120,000 or more. The law also establishes that the taxpayer's net income cannot be less than UYU80,000 after the corresponding taxes and social security contributions have been paid.

The tax not only applies to state employees but also to individuals who maintain personal service contracts with the state, including temporary lease work and service contracts, and are not state employees. Additionally, the law establishes that the beneficiaries of the subsidies granted by law to those who have held public positions or trust positions (for example former Ministries) will also be subject to this tax.

The President and Vice President of Uruguay, legislators, Ministers and Undersecretaries of Uruguay, mayors and other political and trust officials will be subject to the 20% tax rate. Health personnel are excluded from this new tax.

In addition, the law establishes an addition to the Social Security Assistance Tax, ranging from 5% to 20%, for retirement income, pensions and similar passive benefits granted by Uruguayan public and private institutions.

The addition applies progressively to gross income greater than UYU120,000. The law establishes that taxpayers with this type of income cannot have net income that is lower than UYU100,000.

Although the tax applies to income derived in April and May 2020, the Executive Power is authorized to extend the tax beyond May for a maximum of two months.

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