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Global Tax Alert

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Uruguayan Executive Power proposes changes to corporate income tax regime and new benefits for taxpayers

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On 24 April 2018, the Uruguayan Executive Power proposed a bill for consideration by the Parliamentary General Assembly that would change the corporate income tax (CIT) regime and establish new benefits for taxpayers. The tax-related amendments and new provisions are aimed at "improving the business climate, supporting small companies and encouraging investments and productive development."

The bill would amend the article in Law No. 19,535 that established CIT exemptions for research and development activities in the areas of biotechnology, bioinformatics and software production. The bill would establish a new method for calculating the CIT exemption for the development of such activities, provided that the resulting assets are covered by the intellectual property rights regulations. Additionally, the bill, would allow income from services related to the areas of biotechnology, bioinformatics and software production to be fully exempt from the CIT if those services are performed in Uruguayan territory (i.e., more than 50% of expenses and costs are incurred in Uruguay). The bill would authorize the Executive Power to allow taxpayers to use the previous regime in force until 31 December 2017. Taxpayers, however, could not use the previous regime beyond 30 June 2021. The Executive Power will establish the terms and conditions in which this exemption will apply.

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For CIT deductibility purposes, when the counterparty of an expense (e.g., a service provider) has partially exempted income, the bill would limit the deduction for the expenses to the non-exempt percentage or portion.

For small taxpayers, the bill would increase CIT exemptions applicable to investments in the acquisition of certain goods from 40% to 60%. The bill would increase the CIT exemption for certain construction investments from 20% to 30%.

In relation to the net wealth tax, the bill would establish a "simplified assessment regime" for small CIT payers that are not required to pay taxes under a "sufficient accounting regime."

Finally, the bill would authorize the Executive Power to exempt imports of agricultural machinery and accessories from customs duties, fees or applicable taxes (including Value Added Tax), provided the imports are declared as non-competitive with industries in Uruguay. Additionally, the exemption would only apply if the imports fall under Uruguayan Investment Law No. 16,906 and the income related to the sale of those goods represents at least 60% of the total income of the importer.

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