

Uruguay

Chamber of commerce:

Camara de Industrias del Uruguay

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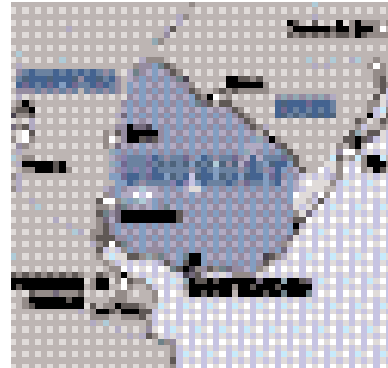
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Doing business in Uruguay

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The following summary aims to inform foreign investors, in general terms, how to go about doing business in Uruguay, and (equally importantly) how much it will cost.

Legal forms for business organization

Although Uruguayan law regulates several types of business organizations, the most common forms of business entities are corporations (*sociedades anónimas*) and limited liability partnerships (*sociedades de responsabilidad limitada*).

While the corporation is usually considered a suitable vehicle for all kind of business, the limited liability partnership is normally adopted by small and medium-sized businesses.

Both for corporations and limited liability partnerships, either individuals or legal entities can be shareholders or quotaholders, and there are no nationality or domicile requirements in this respect, no matter the type of business entity chosen.

Corporations require a minimum face capital of about \$23,200, of which 25% must be paid in at the time of incorporation. Such capital may be represented by registered (nominative) or bearer shares, all of them of equal value and expressed in Uruguayan pesos (except in the case of offshore companies). Transfer of shares is free, and is not subject to any approval, communication or other requirements.

Shareholders' liability is limited to the capital shareholders have paid in to the corporation.

Limited liability partnerships require a face capital of not less than \$515, and not more than \$23,200. Such capital is divided into equal quotas expressed in Uruguayan pesos, with a minimum value of about \$5.70 each. Additionally, quotas cannot be represented by negotiable certificates, and their transfer to third parties requires the consent of the majority of the quotaholders. This involves an amendment to the articles of association.

Partners' liability is limited to the capital subscribed by each partner.

Offshore corporations (*sociedades anónimas financieras de inversión*) are also common, especially because of the advantageous special regime to which they are subject. Their main corporate purpose is to perform financial investment activities abroad. Offshore corporations are only subject to an annual tax of 0.3% on their net worth.

Free Trade Zones Companies are those companies whose scope is limited to the performance of industrial/commercial activities and/or provision of services within Free Trade Zones. Free Trade Zones Companies benefit from broad tax exemptions.



General taxation regime*Value-added tax (VAT)*

Sales of movable assets in the domestic market, the rendering of services in the Uruguayan territory, and the import of goods, are subject to VAT at the rate of 23%. A reduced rate of 14% VAT is applicable to certain goods considered as basic for the satisfaction of primary needs.

Exports are not subject to VAT. Exporters are entitled to a tax credit for the VAT billed to them – if effectively related to any stage of the export process – for the goods exported.

Income tax

At the rate of 35%, income tax is only assessed on business entities' income (there is no personal income tax) sourced in Uruguay. Such taxable income is determined on the basis of net profits obtained throughout the fiscal year.

Remittance of dividends abroad is taxed provided first, that the foreign shareholder is taxed in the foreign country for the dividends collected in Uruguay; secondly, that the foreign country does recognize a tax credit for the tax paid in Uruguay; and thirdly, that the foreign shareholder has a positive tax income to offset the tax paid in Uruguay.

Net equity tax

Net equity tax is assessed on companies' net worth in Uruguay at the rate of 1.5%. Assets abroad are not subject to this tax.

Only a few liabilities may be deducted, including debts with local financial institutions subject to the tax on bank assets (*impuesto a los activos bancarios*) and debts with suppliers (except loans, guarantees and outstanding balances for imports, commercial paper issued by public subscription and quoted at the stock exchange).

Corporations control tax (ICOSA)

ICOSA is assessed on the following basis: (i) as of the time of a corporations' incorporation, at the rate of 1.5% calculated over the minimum face capital admitted (approximately \$23,200); and (ii) as of the end of each fiscal year, at the rate of 0.75% over the same tax base.

For corporations maintaining assets in Uruguay, the sums paid for ICOSA are creditable to annual net equity tax, to which they are also subject.

Corporate and commercial**Recommended firms**

Ferrere

Guyer & Regules

Hughes & Hughes

Olivera & Delpiazzo

Posadas Posadas & Vecino

Estudio Bergstein

Jimenez de Arechaga Viana e Brause

Ferrere

Led by the highly regarded Daniel Ferrere, Ferrere has developed over the last few years into the one law firm in Uruguay that can challenge the domination of Guyer & Regules on corporate and commercial law advice. The firm has established relationships with many international banks, including Lloyds TSB, Crédit Agricole and ABN AMRO, and with corporates such as Exxon Mobil and IBM. This has led to roles on several groundbreaking deals, including the merger of SmithKline Beecham and Glaxo Wellcome in Uruguay, and the first securitization transaction for the dairy company Conaprole.

In the last year the firm worked on the construction and operation of a port in the west of the country, advising the Inter-American Development Bank, and on setting up the Zonamerica Free Trade Zone, a deal on which it acted for the Inter-American Investment Corporation. It also worked on Amcor's acquisition of the Latin American branches of Alcoa, which involved takeovers in Brazil, Argentina, Columbia, Peru and Chile as well as Uruguay. Although most of the firm's finance partners are based in Montevideo, it does have an office in Paraguay and two in Bolivia.

Key contact partners

Daniel Ferrere

Alejandro Hernández

Laura Ramón

Leading lawyer

Daniel Ferrere

Guyer & Regules

Guyer & Regules is the oldest, most traditional and historically best-respected law firm in Uruguay. It is led by Alvaro Tarabal and Nicolás Herrera. Clients include many of the largest Spanish banks in South America, such as BBVA and Santander, as well as two of the largest in the world –

Citigroup and HSBC. They emphasise their long-standing relationships with the firm, based on an “excellent quality of service.”

In 2003 the firm advised Citigroup on Uruguay’s groundbreaking sovereign debt swap, a deal that brought it international recognition. The negotiations involved convincing bondholders to accept an extended maturity on their bonds with an unchanged coupon and exit consents.

Nicolás Herrera is the firm’s leading lawyer, referred to by one client as the “top lawyer in the country for reputation and knowledge”. Alvaro Tarabal and Gerardo Porteiro are also highly recommended. Juan Albacete is a rising star at the firm, as is Nicolás Piaggio, who worked for a while in the New York office of international firm Linklaters and is, according to peers, “building a very good name” for himself.

Tarabal worked on two of the firm’s biggest project finance deals last year, advising Puerta del Sur on the concession for Carrasco International Airport and acting on the agreements for the construction of the first private port in Uruguay. Herrera, meanwhile, worked on the documentation of a loan from German development financier DEG to Uruguayan rice manufacturers and on the takeover by Italians Gruppo Intesa of local bank Banco Sudameris, previously owned by a subsidiary of Crédit Agricole. Although Guyer & Regules only has offices in Montevideo, they contain 10 partners and 29 associates.

Key contact partners

Juan Albacete
Nicolás Herrera
Alvaro Tarabal

Leading lawyers

Nicolás Herrera
Alvaro Tarabal

Hughes & Hughes

Although the firm’s reputation may not carry the same weight internationally as some of its competitors, Hughes & Hughes is one of the country’s oldest law firms and has long-standing relationships with several international corporates, including McDonald’s, Hilton Hotels and Shell. The firm is also known for its work with Spanish bank Banco Galicia.

Both Conrado and Marcela Hughes are highly recommended. Conrado leads the firm’s team of six partners and 10 associates, while Marcela is on the board of the International Law Alumni Association. She recently advised Finland’s Oy Metsä Botnia (OMB) on its purchase of a 60% interest in Uruguayan forestry company Compañía Forestal Oriental SA from Shell. OMB is part of M-Grupo, one of Europe’s largest forestry groups. She also acted on Uruguayan citrus producer San Miguel’s acquisition of local rival Milagro from the UK’s Albert Fisher Group.

Key contact partner

Conrado Hughes

Leading lawyers

Conrado Hughes
Marcela Hughes

Olivera & Delpiazzo

Ricardo Olivera, both a practising lawyer and the dean of law at Montevideo University, is “an excellent professional for commercial law”. He was heavily involved with the recent reworking of Uruguay’s trust law. Carlos Delpiazzo, meanwhile, is recommended by competitors and clients as a “good lawyer with a particular specialization in administrative law”. Also worthy of mention is Alberto Fodere, who was educated at the London School of Economics in the UK and is recognized as one of the firm’s rising stars.

The firm is seen as providing a “very good service,” particularly on securities work. Although the small Uruguayan securities market is dominated by Guyer & Regules, which handles close to 80% of the issues in the country, Olivero & Delpiazzo has managed to build a niche practice and a solid reputation.

Key contact partner

Ricardo Olivera

Leading lawyers

Carlos Delpiazzo
Ricardo Olivera

Posadas Posadas & Vecino

Posadas, though not in a position to challenge the country’s top two law firms, has won some large international clients in recent years, including the Bank Boston Foundation, and has grown its reputation as a result.

That reputation is anchored by name partner Ignacio Posadas, the universally well-regarded ex-economics minister. He modernized the firm, which traces its roots back to 1926, in the early eighties with partner Germán Vecino Sánchez.

Last year Posadas worked alongside international firm White & Case on Brazilian latex manufacturer Petroflex’s export prepayment financing of \$60 million. The financing provides for exports through Uruguayan subsidiary Petroflex Trading. Posadas advised the syndicate of banks, with Unibanco as lead arranger, on Uruguayan law. The firm also worked on the takeover by France’s Groupe Danone and the world’s number three brewer, Brazilian Ambev, of Uruguay’s Compañía Salus. Tomás Guerrero, another of the firm’s highly recommended lawyers, led the Posadas team.

Key contact partner

Fernando Posadas

Leading lawyers

Tomás Guerrero
Ignacio Posadas

Other notable firms

The other two recommended firms, **Estudio Bergstein** and **Jimenez de Arechaga Viana e Brause**, are considerably smaller than the firms listed above them. They both, however, have strong reputations for corporate and commercial legal advice. Bergstein is regular counsel to Visa International and has advised Lexmark on its ventures in Uruguay, while clients say Jimenez de Arechaga is comparable to Guyer and Ferrere for pure financial law and often advises Bank Boston on its mortgage loans work.