



Republic of Uruguay
Ministry of Economy and Finance

**MINISTRY OF ECONOMY AND FINANCE,
MINISTRY OF INDUSTRY, ENERGY AND MINING,
MINISTRY OF LABOR AND WELFARE,
MINISTRY OF LIVESTOCK, AGRICULTURE AND FISHING,
MINISTRY OF TOURISM.**

Montevideo, **22 MAY 2018**

2018/05/001/60/78

In view of: Law N° 16.906 of January 7, 1998, the Law on Investment and Industrial Promotion.

Whereas: Decrees N° 455/007 of November 26, 2007, and N° 2/012 of January 9, 2012, regulated in Chapter III of the above mentioned Law, establishing tax benefits for investment projects according to their contribution to development goals.

Taking into consideration: I) the need to adjust regulations on incentives to specific investments to keep on increasing their effects in terms of development goals, such as employment creation, decentralization and internationalization of productive activities, strengthening the link between production and the improvement of environmental conditions, and the promotion of investment on research and development;

II) the expediency of updating the beneficiaries of this scheme so that to allow access to cooperatives and comply with the commitments made by the country regarding anti-smoking policies;

III) the opportunity of strengthening the differentiated treatment intended for micro, small and medium-sized enterprises, both on the procedural aspects as on the fiscal benefits granted, as well as to encourage the use of this scheme by new companies.

In view of: the above and the provisions of Decree-Law N° 14.178 of Industrial Promotion dated March 28, 1974 and pursuant to Law N° 16.906 of January 7, 1998,

AIM/A-MB/DG/MP

THE PRESIDENT OF THE REPUBLIC

HEREBY DECREES:

ARTICLE 1°.- (Beneficiaries).- The Cooperatives as well as persons and entities subject to the Income Tax for Business Activities (IRAE) that have income taxed by this tax may have access to the benefits provided for in Section II of Chapter III of Law N° 16.906 of January 7, 1998, whose investment projects are declared as promoted by the Government (Executive Branch), in accordance with the provisions of the aforementioned Law, this regulation and, where appropriate, the instructions and internal regulations issued by the Commission of Implementation (COMAP).

The fiscal benefits regulated by this Decree are not granted to Government agencies such as Autonomous Entities and Decentralized Services of the industrial and commercial sector.

Tobacco Industry companies may not avail themselves of these regulations.

ARTICLE 2°.- (Promotional declaration).- The Executive Branch shall be responsible for declaring specific sectoral activities as promoted.

Companies that intend to make investments destined to their usual operations may request to be taken into account in order to obtain the benefits of the promotional declaration. To that purpose, they may apply at COMAP through its Only Window. The companies performing their activities in a sector that has already been declared as promoted by the Executive Branch are comprised by this provision, in order to obtain complementary benefits to those already granted to such sector.

ARTICLE 3°.- (Objective scope).- Investment shall be defined, to the purposes of the present regulations, as the acquisition of the following property destined to be part of the fixed assets:

- a) Tangible chattels directly destined to the operations of the company.

The chattels comprising the promoted investment shall have a minimum individual worth of UI 500 (five hundred Unidades Indexadas).



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Chattels destined to the household and non-utility vehicles are to be excluded.

For this purpose, the following vehicles are considered non-utility:

- i. Motorcycles, scooters, motor tricycles and similar vehicles; except for motor tricycles with open or closed (van-like) cargo box and a tare over 300 kg (three hundred kilograms).
 - ii. Sea or air vehicles used for sport purposes, with the exception of those intended for tourism projects, prior authorization of COMAP.
 - iii. Sea or air vehicles with displacement equal to or less than 1 (one) ton.
 - iv. Passenger cars, except for ambulances, without prejudice to the provisions of Article 33. The term "ambulance" includes mobile emergency units.
- b) Building real estate or fixed improvements in own real property, excluding those intended for household. Fixed improvements in real estate that belong to third parties are also eligible, provided that there is a contract with a remaining term of at least 5 (five) years.
- c) Seedlings and the costs of planting multiannual fruit trees and bushes. COMAP shall define the maximum amounts of investment per hectare, as well as the requirements and relevant conditions thereof.

In order to determine the project investment amount, the value of the Unidad Indexada (Indexed Unit) of the last day of the month preceding the submission of the application for the promotional declaration shall be applied as well as the American dollar Exchange rate of the last working day of the month prior to the submission of the application.

Investments that avail themselves to other promotional schemes for which IRAE exemptions are granted shall not be considered. Investments that receive grants from governmental agencies shall also not be eligible for the part directly subsidized.

ARTICLE 4°.- (Eligible investments).- The investments planned in the project, eligible to obtain the benefits, shall be carried out after the filing of the application for the promotional declaration and within the 5 (five) following financial years.

The following exceptions are considered:

- a) In the event that the investment requires a term longer than 5 (five) financial years for its execution, the Company may request the extension of such term at the time of submitting the application to COMAP. The request must be founded and the implementation schedule may not be longer than 10 (ten) financial years.
- b) If during the execution of the investments, duly accredited force majeure reasons require a longer period for the execution of the project, the company may request an extension of the investment schedule, for a maximum term of 2 (two) financial years.
- c) if during the execution of the investments, duly accredited force majeure reasons momentarily prevent the implementation of the investment, the company may request the suspension of the investment schedule, for a maximum term of 2 (two) financial years.

In case of extension of the investment execution term under the circumstances provided for in subsections a) and b), the commitment to comply with the indicators as provided for in Article 12 shall be extended accordingly.

In the circumstances provided for in subsections b) and c), the request shall be made before COMAP within the period of the original investment execution schedule. The Commission shall make a decision and shall submit the request to the Executive Branch for its resolution.

Without prejudice to the above, investments performed within 6 (six) months prior to the first day of the month of the submission of the promotional declaration application shall be eligible, provided that such investments are necessary for the execution of the Project and do not exceed 20% (twenty per cent) of the total eligible investment.

ARTICLE 5°.- (Matrix of indicators to grant benefits).- The indicators to assess the investment projects shall be the following: Employment Creation, Decentralization, Increase of Exports, Clean Technologies, Research and Development and Innovation (I+D+i) and a sectoral indicator.

The contribution of the project in question to each of the objectives that reflect these indicators shall be evaluated on a scale from 0 (zero) to 10 (ten), according to the criteria set out in this Decree and in the instructions issued by COMAP to complete the evaluation methodology and facilitate its implementation.



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Each investment project shall be assigned a global score that will emerge from the weighted sum of the scores obtained on each one of the indicators. The weights for the computation of the overall score arise from the following matrix:

Goal	Weight
Employment creation	0,40
Increase of exports	0,15
Decentralization	0,10
Clean technologies	0,20
Research, Development and Innovation	0,25
Sectoral indicator	0,20
Total	1,30

The total score cannot exceed 10 (ten) points. COMAP shall evaluate the projects and shall recommend to the Executive Branch the promotion of those projects that reach at least 1 (one) point in the weighted sum of the indicators. Furthermore, at least half a point in the weighted sum of the indicators of Employment, Exports, Clean Technologies, I+D+i and the sectoral indicator must be achieved.

ARTICLE 6°.- (Employment creation).- The indicator of employment associated with the investment project shall depend on the eligible investment measured in Unidades Indexadas and the promised increase of employment, with an additional for the recruitment of specific groups. The indicator varies between 0 (zero) and 10 (ten) points.

This shall be computed with the following formula:

Employment indicator = Incremental employment / $[(IE_UI)^{1/2}]$

Where IE_UI is the eligible investment in millions of Unidades Indexadas (UI)

Incremental employment is defined as the variation in persons employed with respect to the initial situation. Employment shall be calculated taking into account the following considerations:

- i. The input shall be the number of workers contained in the monthly payroll filed with the Banco de Previsión Social (Welfare authority). For the computation of the initial situation, employees who were on welfare for the period of reference shall count as working.
- ii. As an employee it shall be considered the individual that performs 40 (forty) weekly working hours or 173 (one hundred seventy-three) monthly hours (annual average).

When a worker performs fewer hours, the computation must be prorated by the number of hours actually worked.

Monthly workers who make more than 40 (forty) weekly working hours and laborers who make more than 173 (one hundred seventy three) monthly hours shall be considered as one employment.

In case of maternity or sickness allowances, the average of computable hours of the 6 (six) months prior to the subsidy must be considered or the period effectively worked if this is shorter than 6 (six) months.

- iii. An additional 0.25 (zero with twenty-five) must be applied for each worker belonging to the following groups: women, persons under the age of 25 (twenty-five) years, persons with disabilities and rural workers. This additional term must be added for each group to which the employee belongs.

To compute the employment indicator, the beneficiaries shall commit themselves to create employment for the average of the financial years of the schedule of indicators as defined in Article 12, taking into account the number of workers and their composition in terms of the selected groups.

ARTICLE 7°.- (Increase of Exports).- The project score associated with the indicator of increase in exports is obtained by applying the following formula:

$$\text{Export indicator} = \text{Exports_USD} / [0.2(\text{IE_USD})^{(2/3)}]$$

Where:

Exports_USD is the average annual incremental exports measured in millions of dollars;

IE_USD is the eligible investment in millions of dollars.



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Incremental exports are defined as the variations in the exported amount from the initial situation.

Exports of services shall be considered those activities that are deemed as such for the purposes of the Value Added Tax (VAT) as set out in Article 34 of Decree N° 220/998 of August 12, 1998.

Companies whose operations are farming or forestry may compute as indirect exports a percentage of market incremental sales of the livestock and agricultural produce produced by such Company. The Ministry of Livestock, Agriculture and Fishing shall establish the coefficients of indirect exports and the technical criteria to be applied to each product.

Sales abroad of activities for which the company has exempted income may not be computed as exports for the purposes of this indicator.

ARTICLE 8°.- (Decentralization).- The indicator of decentralization varies between 0 (zero) and 10 (ten) points, depending on the place in which it lies physically, according to the following detail:

Department	Department capital	Rest
Artigas	9	10
Cerro Largo	9	10
Salto	9	10
Durazno	9	10
Tacuarembó	9	10
Rivera	9	10
Treinta y Tres	9	10
Paysandú	9	10
Lavalleja	6	8
Soriano	6	8
Rocha	6	8

Florida	6	8
Canelones	6	8
Río Negro	6	8
San José	6	8
Flores	6	8
Colonia	6	8
Maldonado	6	8

The scores for tourism projects may differ from those referred to in this Article, on a proposal by the Ministry of Tourism and with the approval of COMAP, and they must keep the appropriate proportionality with the general approach hereof.

In the case of investments that are placed on a locality where the Company is already operating, the use of the decentralization indicator shall require obtaining at least 1 (one) point in the indicator of employment creation.

ARTICLE 9°.- (Clean technologies).- The indicator of clean technologies shall give 1 (one) point each 5% (five percent) of the investment share allocated to clean technologies on the total eligible investment, ranging in all cases from 0 (zero) to 10 (ten) points.

The Executive Branch shall promote the formation of an Advisory Committee made up of qualified technicians in the matter and presided over by the Ministry of Industry, Energy and Mining, with possible external advisors. The duties of this Commission shall be:

- a) The definition of a limited list of eligible property for the computation of the investment in clean technologies as well as a periodic analysis of said list and its updating in order to reflect the policy priorities and the evolution of the dissemination of technologies.

The property that generate fiscal exemptions in this framework shall contribute to a more environmentally sustainable production, whether by efficiently using resources as raw materials, water and energy, the substitution of fossil fuels by renewable energies or the reduction in the generation of waste, effluents and contaminant emissions, including greenhouse gases.



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- b) Advising COMAP concerning those investment projects that generate significant savings of inputs per unit of product. The Advisory Committee shall analyze these projects within a 60-day term.

The Advisory Committee shall tend to standardize and publicize the criteria assumed for the analysis of the projects that, not being included in the restricted list referred to in the previous paragraph, are eligible for this indicator.

- c) Support and direct COMAP to the effects of Control and Follow-up of this indicator.

Property whose use is mandatory under national or municipal regulations shall not be computed for the purposes of this indicator.

ARTICLE 10.- (Research, Development and Innovation).- El This indicator shall assign 1 (one) point each 5% (five percent) of the investment share allocated to Research, Development and Innovation on the total investment, ranging in all cases from 0 (zero) to 10 (ten) points.

COMAP, in coordination with Agencia Nacional de Investigación e Innovación (the National Agency for Research and Innovation) shall determine the criteria to compute this indicator.

ARTICLE 11.- (Sectoral indicators).- The projects may use a sectoral indicator related to the activities of the company.

The evaluation criteria shall be proposed by each Ministry and defined at COMAP. The criteria may be periodically reviewed to reflect policy priorities. The sectoral indicator varies from 0 (zero) to 10 (ten) points, with 10 (ten) being the score corresponding to projects that uniquely contribute to specific goals of each Ministry.

Additionally, beneficiaries may use as sectoral indicator the project contribution to the development of capital Markets, reflected in the funding through public bid processes. This indicator may be used simultaneously with the sectoral indicator. In this case, the company will add the points achieved with Capital Market Development indicator to the score obtained with the chosen sectoral indicator,

the result thereof may in no case exceed 10 (ten) points in this sum. COMAP shall provide the conditions for the application of this indicator.

The use of a sectoral indicator requires obtaining a positive score on at least one of the indicators defined in the above articles.

ARTICLE 12.- (Schedule of indicators).- On submitting the project, the Company shall engage in a schedule to comply with the indicators, under the following considerations:

i. Indicators of employment and exports shall involve commitments for 5 (five) fiscal years, unless the investment execution schedule is longer than that term, in which case the compliance term of the indicators shall be extended accordingly. To these purposes fiscal years shorter than 12 (twelve) months shall not be considered.

In order to control these indicators, the baseline shall be determined considering the average of the 12 (twelve) months prior to the submission of the project. The first fiscal year to be taken into account for compliance shall be the first one following the submission of the project or the following one after the first operating income obtained by the company, if this operating income comes thereafter.

Where the nature of the investments requires to extend the beginning of the compliance term of the indicators, an extension for a period no longer than 2 (two) fiscal years may be requested. This situation must be communicated by the company at the moment of submitting the project and it shall be examined by COMAP.

ii. Investments to be used for the computation of the indicators for Clean Technologies or Research, Development and Innovation shall be carried out during the first 2 (two) fiscal years of the investment execution schedule, and they shall be allocated to the activities of the company.

If the execution of such investments is required to be carried out in following fiscal years, the company shall request authorization from COMAP at the time of the submission of the project.

iii. The compliance of the Clean Technologies indicator and the sectoral indicator for which the investment type grants points shall require that the property that generated the benefits remain allocated to the company's activity for at least 5 (five) fiscal years as from the fiscal year following the property acquisition,



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unless the investment execution schedule is longer than such term, in which case the allocation requirement shall be accordingly extended. To this purpose, fiscal years shorter than 12 (twelve) months are not to be considered.

Where reasons of force majeure duly founded prevent from complying with the schedule of indicators as provided at the time of submission of the project, an authorization may be requested for the suspension of the schedule, for a maximum of two (2) years. In all cases, the companies must comply with the indicators agreed for 5 (five) financial years, or the investment Schedule term, if the latter is greater.

ARTICLE 13.- (Requirements for the application).- The companies wishing to obtain the promotional declaration shall submit at the Only Window, in the manner determined by COMAP, the following:

- I. Data identifying the Company and its owners as well as the Company's history.
- II. Accounting and economic information necessary for the evaluation of the investment project.
- III. A sworn statement, in which the applicant shall bind himself to comply with the conditions that give rise to the tax benefits requested; in particular the object of the project, investment amount and the indicators agreed, among any other information that COMAP deems necessary.
- IV. Certifications showing links with other companies and the particulars of the companies thereof.

COMAP shall regulate in its instructions as provided in this article.

ARTICLE 14.- (COMAP's Only Window).- COMAP's Only Windows shall centralize the reception of requests regarding the promotional declaration. The Only Window shall have a maximum term of 5 (five) working days as from the date of filing the application by the Company in order to refer the project to COMAP.

ARTICLE 15.- (Procedure).- COMAP shall engage itself and tend towards the simplicity and transparency of the procedures.

The beneficiaries shall submit at the Only Window the application together with the documents referred to in Article 13 above, in order to be sent forth to COMAP.

Upon receipt of this documentation, COMAP shall refer the related recommendation to the Executive Branch, so that the Executive Branch, if pertinent, issues a resolution establishing the promotional declaration for the project. Such resolution shall specify the purpose of the project, the investment amount, the indicators agreed and the exemption obtained, the deadline for the implementation of the investment, and the term for the fiscal benefits granted, as well as any other information concerning the conditions that gave rise to the granting of the benefits that the Executive Power deems appropriate.

ARTICLE 16.- (Evaluation by COMAP).- In order to make the recommendation referred to in the preceding article, COMAP shall have 60 (sixty) working days as from the date in which the Only Window sends forth the related documentation.

The deadline may be suspended to request further information to the Company. Such suspension shall not exceed 60 (sixty) working days.

ARTICLE 17.- (Tacit recommendation and withdrawal).- If, after the expiry of the term referred to in the above article, COMAP has not yet pronounced itself, it shall be deemed that COMAP recommends the granting of the benefits to the Executive Power. By the same token, if the Company does not provide further information that is required by COMAP in the term established in the above article, the request for the benefits shall be considered as withdrawn.

Should the promotion be granted based on a tacit recommendation, this shall appear on a promotional resolution by the Executive Branch. If when controlling there are circumstances that have caused the non-eligibility of the investments, the committed indicators or the project itself, the taxes that may correspond shall be settled, these taxes being updated by the evolution of Unidad Indexada (indexed unit) between the date of the occurrence of such event and the notification of non-eligibility without penalties or fines. In these cases, COMAP shall report these circumstances to Dirección General Impositiva (DGI – Internal Revenue Service).

ARTICLE 18.- (Follow-up).- Once the investment Project has been presented and has not yet attained the promotional declaration, the beneficiaries must submit, within 4 (four) months as from the closure of each financial year including the one in which the project was submitted,



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the following information that shall be considered as a sworn statement:

- i. The information regarding the execution of the investment.
- ii. The information concerning the tax benefits used, including IRAE, IP, VAT and tariffs and fees to exports.
- iii. The information related to the committed indicators.

The statement shall be submitted for every financial year until the last of any of the following terms is completed: the term for the execution of investments as established in the resolution or the effective execution; the term for the utilization of benefits or its effective utilization and the schedule of indicators.

Without prejudice to the provisions of this article, beneficiaries shall provide COMAP any other information or documentation that COMAP considers necessary to follow up the project receiving the promotion.

ARTICLE 19.- (Loss of benefits).- COMAP shall control the effective execution of the projects and the fulfillment of the agreements entered into by the beneficiaries. Such control may be made at any time during the process of implementation and operation of the project.

If during the project follow-up there is a breach of the obligations assumed by the beneficiaries, the taxes exempted shall be resettled under the provisions established in this article:

- a) Failure to deliver to COMAP the necessary information for the follow-up of the project shall be considered as such when a 30 (thirty) working day term is elapsed from the expiration of the terms granted to that purpose by the general provisions or those issued by the Executive Branch or COMAP.

In case the term expires without the required information being submitted, the beneficiary shall be granted access to examine the situation of non-compliance. Once the term to access the file has been elapsed, if the beneficiary does not submit such information, the resolution by the Executive Branch shall be revoked, or the project shall be deemed as abandoned if the resolution had not been issued, and therefore all the exempted taxes shall be resettled and related penalties and fines be paid.

- b) Non-compliance in the execution of the investment shall be deemed as such when the term granted by the resolution of the Executive Power to effectively carry out that investment expires or the expiry of the related extension if any has been granted.

- i. When the taxpayer partially complies with the substantial execution and operation objectives of the project, the taxpayer shall inform COMAP. Should any taxes be improperly exempted, they must be resettled and the related penalties and fines be paid.

If the beneficiary does not inform COMAP about the non-compliance situation referred to above, it shall be deemed that the project has not totally fulfilled the proposed objectives, and the beneficiary shall resettled the whole of the unduly exempted taxes and pay the related fines and penalties. The deadline to submit such information shall be the one established in the above article.

Without prejudice to the corresponding tax resettlement, an exception is made for the above obligation to inform when the non-compliance does not exceed 15% (fifteen percent) of the eligible investment.

- ii. When the taxpayer fails to comply with substantial execution and operation objectives of the project and the resolution that conferred the benefits, the taxpayer shall inform COMAP, and the resolution shall be revoked.

- c) Failure to attain the committed indicators shall occur when the committed total score is not reached in the indicator matrix that gave rise to the fiscal benefits. Non-compliance shall be total when the score effectively obtained is less than the minimum required for the promotion in accordance with the provisions of Article 5. Non-compliance shall be partial when, if exceeding the above minimum, the committed score is not reached at the moment when the project is submitted. Regarding the committed score, the margin of tolerance referred to in Article 21 shall be considered.

In each fiscal year as from the second fiscal year for the indicator schedule, preliminary compliance shall be controlled and on finishing the schedule, the final compliance shall be controlled.

In each stage of the preliminary control, the committed score shall be compared with the scored registered, which is defined as the score attained by the project for the indicators occurred on that date, the committed indicators for the following fiscal years of the schedule and the total committed investment.



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If out of that comparison there is evidence of the existence of a preliminary non-compliance of the indicators, the exemption shall be computed in correspondence with the score effectively attained at the preliminary control. If in previous fiscal years, the beneficiary would have used his benefits exceeding what should correspond given the score registered when controlling, the beneficiary shall resettle the exempted taxes for previous fiscal years, updated by the evolution of the Unidad Indexada between the date it occurred and the default date.

When the beneficiary resettles according to the provisions of the preceding paragraph, and in a later fiscal year, the beneficiary reaches the committed score, the beneficiary may resettle those taxes.

On finishing the control period for the indicators and the investment execution, the final degree of compliance shall be controlled, from which a final score and exemption shall be computed.

When the benefit used in previous fiscal years is greater than the final one, the exempted taxes shall be resettled, updated by the evolution of the Unidad Indexada.

If on finishing the control period of the indicators and investment execution, it is verified that the degree of final compliance of the indicators would have allowed a greater use of the benefit than the one effectively obtained in previous fiscal years, the beneficiary may resettle such taxes.

The indicators that gave rise to the granting of the benefits may not be related to results with opposite sign originated in similar activities, as those that are the reason for the benefit obtained, by affiliated companies. For the purposes of this decree, affiliated companies are those directly or indirectly subject to the management or control of the same legal or natural persons; or that these persons by reason of their share in the company's capital, credit rights, operational influences, whether contractual or not, may have decision making power to conduct or set out the activities of such affiliates. If this situation takes place, the exempted taxes shall be resettled, with the related penalties and fines.

The deadline for the resettlement payment shall be the same as the one employed to submit the IRAE sworn statement for the fiscal year where the non-compliance occurred.

Non-compliance arising from sworn statements or detected in later audits by COMAP must be communicated to Dirección General Impositiva (Inland Revenue Service), through a reliable means for the purposes of tax resettlement.

Without prejudice to the above, beneficiary companies shall be required to stop applying for benefits and proceed to their resettlement, if objective non-compliance conditions occur regardless the pronouncement of COMAP.

ARTICLE 20.- (Keeping fixed asset property that was the object of the benefits).- Fixed asset property that was the object of tax exemptions under the provisions of this Decree shall be kept for at least the duration of its useful life, considering the latter under fiscal criteria or 10 (ten) years if the useful life is longer.

In case that some of those promoted goods are no longer subjected to that established in the above paragraph, the tax for that fiscal year shall be computed as the exempted amount effectively used and generated by acquiring such goods. This tax shall be updated by the evolution of the Unidad Indexada, by the percentage corresponding to useful life remnant of such property or the remaining period necessary to reach 10 (ten) years, as the case may be. COMAP authorization shall be necessary to these purposes.

Where some of the promoted goods are deallocated from the exemption before the terms provided in the first paragraph, and are replaced by goods of similar characteristics, there shall be no adjustment in the tax to be paid, provided that there is the related authorization by COMAP. The new property may not be the object of any fiscal benefit when settling IRAE (economic activities income tax).

COMAP's authorization referred to above shall not be necessary provided that the alienated property does not represent more than 5% (five percent) of the fixed asset goods that were the object of tax exemptions in the related investment project. In all cases, the deallocation of part of the investment shall be informed in the annual sworn statement before COMAP.



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ARTICLE 21.- (Margin of tolerance for the indicator matrix).-

A margin of tolerance of 10% (ten percent) shall be allowed concerning the obtainment of the score assigned to the investment project.

This margin shall apply to each fiscal year of the commitment schedule and at the closure thereof.

ARTICLE 22.- (Rescoring).- After the closure of the control period for the indicators, if the beneficiary had generated a score exceeding the one committed in the promoted investment project, the beneficiary may request COMAP that the exemption be recalculated, in which case the Executive Branch shall issue a resolution thereof. For these purposes, only the indicators giving rise to the granting of the benefits shall be considered.

Similarly, in case of non-compliance above the tolerance margin referred to in the preceding article, the applicable benefits for the effectively attained score may be requested. The Implementation Committee (COMAP) shall regulate the procedure for such criteria.

ARTICLE 23.- (Expansions).- The companies that have any promoted project may submit a request for its expansion by up to 20% (twenty percent) of the eligible promoted investment, until the second fiscal year following the Promotional Declaration of the original project.

In order to file an expansion, an increase of the indicators shall be required so that the final score is kept.

The compliance schedule for such value increase of the indicators shall be the same as the one defined for the original project indicators.

ARTICLE 24.- (Exemption for the Economic Activities Income Tax - IRAE).-

The companies whose investment projects have been declared promoted under these regulations shall be entitled to an exemption from IRAE by a percentage of the eligible investment that shall depend on the total score weighted as detailed in Article 5° of this Decree.

The maximum percentage to deduct from the payment of IRAE shall be established in the promotional declaration resolution and shall be computed by applying the following procedure:

- 1) The score obtained by applying the indicator matrix shall be subtracted 1 (one).
- 2) The above result shall be divided by 9 (nine).
- 3) Then it shall be multiplied by 80% (eighty percent) and the 20% (twenty percent) established as floor value shall be added.

In each fiscal year included in the period referred to in the following article, the company may partly exempt its IRAE payment obligations caused by this benefit, under the following considerations:

- i. The investments effectively carried out during the period comprised from the beginning of the fiscal year and the term set out for the submission of the sworn statement for IRAE may be considered as performed in that fiscal year for the purpose of the benefits established in this Decree.
- ii. In each fiscal year, the maximum amount to be deducted shall be the exemption percentage obtained in the promotional declaration applied on the computable investment effectively executed.
- iii. For the purposes of the determination of the use of the benefit in each fiscal year, the amount of the executed investments shall be converted to Unidades Indexadas considering the Unidad Indexada exchange rate valid on the last day of the previous month in which the investment is made.
- iv. In each fiscal year included in the promotional declaration, exempted IRAE may not exceed 60% (sixty percent) of the due tax. In case of new companies, such percentage shall be 80% (eighty percent).

For the purposes of this Decree, new companies are defined as those not having turnover for the last 3 (three) months and are not affiliated to companies having turnover in such period.

ARTICLE 25.- (Exemption term for the Economic Activities Income Tax - IRAE).- The term in which the company may apply for IRAE exemption as referred to in the above article shall be the longest among 3 (three) fiscal years, or the one arising from the application of one of the following formulas:

For new companies:

$$2 * \% \text{ Exemption Granted} * [8 + (\text{IE_UI})^{(1/5)}]$$

For operating companies:



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$2 * \% \text{ Exemption Granted} * [5 + (IE_UI)^{1/5}]$

The figure resulting from the above calculations shall be rounded.

The term shall be computed as from the fiscal year in which taxable income is obtained, including such fiscal year in said computation, provided that 4 (four) years have elapsed from the promotional declaration. In this case, the above-mentioned maximum term shall be increased by 4 (four) fiscal years and it shall be computed from the fiscal year in which said promotional declaration was issued.

The company may suspend the exemption term for up to 1 (one) fiscal year in those cases in which the company has obtained a promotional resolution for a period of up to 5 (five) fiscal years or up to 2 (two) fiscal years –whether consecutive or not– when the company has obtained a 6 (six) fiscal year term or more.

ARTICLE 26.- (Other fiscal exemptions).- Wealth Tax.- The companies whose investment projects have been declared as promoted under these regulations shall be entitled to an exemption from Wealth Tax (IP) on chattels included in the eligible investment, which are not entitled to other benefits, for the whole of their useful life. In case of real property, the exemption shall include the promoted civil works carried out for the period of eight (8) years if the project is located in Montevideo, and ten (10) years if situated in the interior of the country.

Tariffs and fees for imports.- The companies, whose investment projects have been declared as promoted under these regulations, shall be entitled to the exemption of tariffs and fees for imports, including Value Added Tax on fixed asset chattels and building materials for promoted civil Works not entitled to other exemptions under other benefits, provided that they are declared as non-competitive with the domestic industry by the National Industry Board of the Ministry of Industry, Energy and Mining.

Value added tax.- The companies whose investment projects have been declared as promoted under these regulations shall be entitled to a Value Added Tax refund for the acquisition of materials and services in the local market destined to the promoted civil works. Dirección General Impositiva shall regulate this refund.

ARTICLE 27.- (Incentives for micro and small enterprises).- Companies categorized as micro and small enterprises pursuant to the provisions of Decree N° 504/007 of December 20, 2007 that present investment projects within a fiscal year for a cumulative total of up to UI 3,5 million (three million five hundred Unidades Indexadas) shall receive an additional 20% (twenty percent) IRAE benefit to which they would be entitled pursuant to the criteria established in this Decree. Furthermore, a fiscal year shall be added to the exemption term obtained as per the formula set out in Article 25 of this Decree.

Under no circumstances may IRAE final exemption exceed 100% (one hundred percent) of the eligible investment.

The categorization referred to in the first paragraph shall be determined according to the number of the personnel employed at the moment of the project presentation and according to the turnover of the last fiscal year closed before the submission of the project.

ARTÍCULO 28.- (Incentives for industrial park users).-

For those companies authorized as users of industrial parks or scientific-technological parks, the exempted IRAE amount and the term to use the exemption shall increase by 15% (fifteen percent) with respect to what would correspond to apply under Article 24 of this Decree.

Additionally, companies that carry out industrial activities and those performing operations of storage, conditioning, classification, fractionation, assembly, dismantlement, handling or blending of merchandise or raw materials, provided that they are exclusively associated with the industrial activities based on such industrial park, shall benefit from a tax credit for the corresponding employer contributions associated to the employment committed in the employment generation indicator for which the fiscal benefits were obtained, for a 5 (five) year period. COMAP shall regulate in its instructions as provided in this article.

ARTICLE 29.- (Application of benefits with pending resolutions).-

Companies having submitted the promotional declaration application and having a pending resolution by the Executive Branch for the obtainment of benefits regarding IRAE and IP may settle and pay such taxes under the premise that such benefits had been approved under the requested conditions.



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Where the resolution by the Executive Branch does not grant the entirety of the benefits requested in the project filed for its consideration, the resulting differences may be paid, without penalties and fines, until the third month as from the date of the resolution.

ARTICLE 30.- (Applicable technical criteria).- At any stage of the process of the tax determination by Dirección General Impositiva (Internal Revenue Service) and until that resolution is final, the taxpayer may request the express pronouncement of COMAP regarding the technical criteria applicable to the tax exemptions referred to in this Decree.

The Implementation Committee (COMAP) shall have 90 (ninety) working days to issue the respective report. If upon the term expiry the Comisión de Aplicación has not pronounced itself, the technical criteria referred by the taxpayer shall be applied.

ARTICLE 31.- (Mergers, spin-offs and take-overs).- Applications for promotional declarations on mergers, spin-offs or transformations pursuant to Article 26 of Law N° 16.906 of January 7, 1998, shall require the company to prove the fulfillment of the conditions provided by in said Law before COMAP.

ARTICLE 32.- (Anti-abuse clause).- The adoption of legal forms or structures made with the sole or main purpose of getting access to the tax benefits established in this Decree, which, if not made, would not entitle to such benefits, shall be reason enough to reject the request or revoke the resolution in case of this being granted.

ARTICLE 33.- (Temporary benefits for electrical vehicles).-


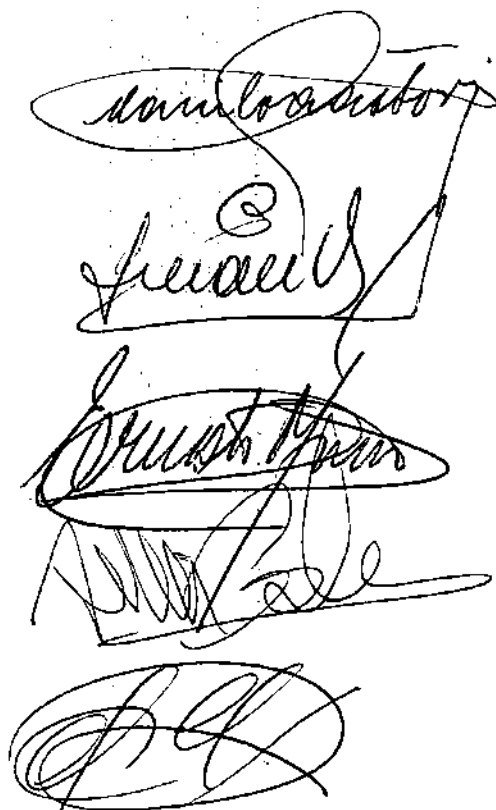
For investment projects submitted between May 1, 2018 and April 30, 2021, there shall be considered as eligible investments the acquisition of passenger vehicles with electrical power exclusively, whose battery shall possess a gravimetric energy density greater than or equal to 100 Wh/kg, which shall be directly destined to the company's activities. In case of automobiles, the CIF import value shall not exceed US\$ 70.000 (seventy thousand American dollars).

Passenger electric vehicles shall not be eligible property for IRAE taxpayers exercising the option provided for in Article 5° of Title 4 of Texto Ordenado 1996 (Tax Law digest of 1996).

Investment in this property may not be computed in more than one indicator.

COMAP shall define the additional requirements and technical conditions relevant for this investment.

ARTICLE 34.- (Validity).- The scheme regulated in this Decree shall be effective for all projects submitted as from its publication. The companies, which have submitted investment projects applying for the promotional declaration provided for in Law N° 16.906 of January 7, 1998 at the Only Window as from March 1, 2018 and until 90 (ninety) days after the publication of this Decree, may opt for the new scheme by notification in writing, which is regulated by this Decree, or for the latest effective one before the publication of this Decree.



Dr. TABARÉ VÁZQUEZ
Presidente de la República
Período 2015 - 2020