

# **REGIME GUIDE**

# **GENERAL INVESTMENT**

# **PROMOTION**

## **DECREE Nº 143/018**



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# 0.

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# 1.

## Private Sector Support Unit

The Unidad de Apoyo al Sector Privado - UnASeP (Private Sector Support Unit) of the Ministerio de Economía y Finanzas - MEF (Ministry of Economy and Finance) was created to advise, propose, implement and facilitate the coordination of policies and actions that improve the business climate and favor the development of the private sector and productive investment.

### Support to the private sector

The political strategy of the MEF (Ministry of Economy and Finance) is based on the need to promote trust and stability in the Uruguayan economy and society. For this it is considered essential to give priority to investment in both human capital and physical capital.

The MEF aims to establish a bond of trust between the public and private sectors. With this objective, the UnASeP (Private Sector Support Unit) was created.

### UnASeP

- Provides the necessary information for the development of an investment project.
- Advises on the benefits that the State provides to stimulate the implementation of a Project.
- Accompanies the process of presentation of the project, facilitating contact with public and private organizations, monitoring the procedures and stipulated deadlines.
- Promotes investment by studying and researching the market and making available the information of interest to the investor.
- Advises the MEF (Ministry of Economy), regarding investments and competitiveness in our country.

# 2.

## Incentives and Investment Promotion.

**Decree N° 143/018**

### Importance of the Investment Promotion Regime

There are currently several programs in Uruguay that stimulate and help the development of the private sector: financing programs, association programs, training, among others. There are different promotional regimes for the exemption of taxes, destined to the promotion of the investment.

The investment promotion regime (Law No. 16,906) is an active policy of particular importance, which is why it is important to preserve and improve the instrument.

It is a flexible incentive scheme, which allows adapting to changes in policy priorities, operates in a transparent, simple and non-arbitrary manner, induces results in the short term that are easily monitored, allowing investments to be increased significantly.

It is a fundamental instrument for transforming the productive matrix, encouraging quality employment, promoting innovative projects with more added value to advance productive and social integration.

The Investment Promotion Law has had four general regulations, with substantive changes according to the national development objectives that necessarily have historical circumstances. The first of the regulations was Decree 98 of 1998, the second was Decree 455 of 2007, the third was regulated by Decree 002 of 2012 and the last and current regulation was promoted in 2018 through Decree 143 which is the object of this Guide.

# 2.

## Incentives and Investment Promotion.

**Decree N° 143/018**

### What are the objectives of the Regime?

The main objectives that motivated the change of regulation in 2018 were the following:

- 1- Simplify the Employment Generation indicator, assessing the number of jobs to be hired.
- 2- Encourage to a greater extent the indicators Research, Development and Innovation and Cleaner Production, allowing to score for both indicators.
- 3- Enable the suspension of the period of use of benefits, to avoid the loss of use in cases where the company does not generate positive income.
- 4- Increase the percentage of income tax that new companies can exonerate each year.
- 5- Temporarily benefit electric vehicles of passenger affected to the productive activity of the company in order to continue promoting electric mobility.

# 3.

## Tax benefits

### What are the benefits to be obtained?

#### Income Tax on Economic Activities (IRAE)

Exoneration that is defined based on the score obtained by application of the matrix of indicators, which will result in a percentage that will range between 20% and 100% applicable on the amount of investment (see Section 5). The exonerated tax may not exceed the percentage of exoneration obtained applied on the investments effectively executed included in the project, nor the 60% tax to be paid in each of the fiscal years included in the promotional declaration (in the case of new companies, this percentage shall amount to 80%).

#### Net Worth Tax (IP)

Exoneration on movable property that does not enjoy exoneration under the protection of other benefits for its entire useful life. In the case of real estate, the exoneration will include the civil works carried out, for a term of 8 years if the project is located in Montevideo, and for a term of 10 years if it is located in the interior of the country.

#### Fees and taxes on imports

Fees and taxes on imports Exoneration of taxes and duties on imports, including VAT on movable fixed assets and materials intended for civil works, which do not enjoy exemption under the protection of other benefits, provided that they are declared non-competitive with the national industry by Cámara de Industria (Chamber of Industry) in accordance with Dirección Nacional de Industria (National Directorate of Industry).

#### National Value Added Tax (IVA)

Refund of IVA for purchases on site of materials and services intended for civil works.

# 4.

## Investment Projects

### What are the eligibility criteria for the projects?

Cooperatives and IRAE taxpayers who have income taxed by this tax and present projects with investments included in the following definition can access the benefits provided for in the framework of Law No. 16,906:

- a) **Movable tangible property destined directly for the activity of the company:** They must have a minimum individual value of UI 500. Non-utilitarian vehicles and movable property destined for the home are excluded.
- b) **Construction of real estate or fixed improvements in own real estate,** excluding those destined for housing. Also eligible are fixed improvements in properties owned by third parties, provided that there is a contract for a remaining period of 5 years.
- c) **Seedlings and the costs of implantation of multiannual fruit trees and shrubs,** as long as they are incurred in the first year of the investment schedule. COMAP (Comission of Application of the Investment Law) will define the maximum amounts of investment per hectare and the relevant conditions.

For projects presented between May 1, 2018 and April 30, 2021, it will be considered as computable investment the ones made in passenger vehicles with exclusively electric motorization, whose gravimetric energy density battery is greater than or equal to 100 Wh/kg, provided they are directly destined to the company's activity.

For the purposes of the computable amount to obtain the benefits, those **investments made from the submission of the application and within the following 5 years** will be taken into account as part of the project. Investments made prior to the application will be computable as long as they do not exceed 20% of the total eligible investment. The computable period for investments made prior to the application may not exceed 6 months prior to the first day of the month of submission.

The investments effectively made in the period between the beginning of the financial year and the period established for the presentation of the IRAE affidavit may be considered made in that period for the purposes of the benefits established in this Decree.

### What are the project presentation requirements?

In order to apply for the promotional statement, companies must submit formal documents issued by other bodies, by the company itself and/or the corresponding professionals, as well as standardized forms displayed on the COMAP website: <http://comap.mef.gub.uy/>

In no case will it be necessary to present the economic-financial and social situation of the company.

# 5.

## Evaluation of Investment Projects

### Criteria for the allocation of the IRAE benefit. How do the objectives score?

Once the project is presented, COMAP evaluates it according to the following objectives: generation of employment, increase of exports, decentralization, clean technologies, research and development and innovation and sector indicators, which will be weighted according to the following matrix of indicators:

OBJECTIVES	INDICATORS	WEIGHTING	SCORE
Job Generation	$\frac{\text{Incremental Employment}}{[(\text{UIS})^{(1/2)}]}$	40%	0 to 10
Increase of Exports	$\frac{\text{Exports}}{(0.2 * (\text{EUS\$})^{2/3})}$	15%	0 to 10
Decentralization	See document - Eligibility criteria for investment projects	10%	0 to 10
Clean technologies	1 point = 5% of TL in Total Investment	20%	0 to 10
Research, Development and Innovation	1 point = 5% de I+D+i in Total Investment	25%	0 to 10
Sectorial Indicator	Aneex IV	20%	0 to 10

*EUS\$: Eligible Investment in millions of dollars.*

*UIS: Eligible Investment in millions of Indexed Units.*

*Exports: Increase in exports in millions of dollars.*

A minimum of 0.5 points must be obtained in the total of the indicators Employment, Exports, TL or R+D+i and Sectorial Indicator. Likewise, a minimum of 1 point must be reached in the total of the matrix. The use of the sectoral indicator requires obtaining a positive score in one of the general indicators (See page 13).

# 5.

## Evaluation of Investment Projects

### IRAE Profit Calculation

When the minimum number of points required is reached, **the company is assured a 20% exemption from IRAE**. The final IRAE exemption arises from the following procedure:

- 1- The total weighted score is added.
- 2- The score obtained will be subtracted 1.
- 3- The previous result will be divided by 9.
- 4- It will be multiplied by 80% and the 20% established as a floor will be added.

In this way the final exoneration is obtained, which may never be less than 20% and may not exceed 100% of the amount invested.

### IRAE Exemption Period

The time periods in which the company will be able to benefit from the IRAE exemption are established according to the following formula:

New company:  $2 * \% \text{ Exemption granted} * (8 + (\text{UIS})^{1/5})$   
Where: UIS: Eligible Investment in millions of Indexed Units.

Going concern:  $2 * \% \text{ Exemption granted} * (5 + (\text{UIS})^{1/5})$   
Where: UIS: Eligible Investment in millions of Indexed Units.

**In no case may the IRAE exemption period be less than 3 years.**

### Limits applicable to the deduction of the IRAE benefit

The tax exempted in each financial year may not exceed the percentage of exemption obtained applied to the investments actually carried out included in the project.

The IRAE exoneration may not exceed 60% of the tax to be paid in each fiscal year included in the promotional declaration. In the case of new companies, this percentage will be 80%.

**In no case may the total tax exonerated exceed the term and percentage granted in the promotional declaration.**

# 5.

## Evaluation of Investment Projects

### General Indicators

#### Job Generation

Calculation formula:  $\frac{\text{Incremental Employment}}{(\text{UIE})^{1/2}}$

Where

UIE : Eligible Investment in millions of indexed units.

Incremental employment shall be computed by taking into account the number of workers on the monthly payroll filed with the Banco de Previsión Social - BPS (Social Security Bank), computed as an employee who completes 40 hours of work per week for monthly workers, or 173 hours of work per month for day laborers. Only in the case that the worker performs fewer hours than those indicated shall he or she be prorated by the amount of hours actually worked.

An additional score is established for groups considered to have greater employment problems. The score is 0.25 for each of the groups, and may be added by more than one concept:

- Hiring of women.
- Hiring of workers under 25 years of age.
- Hiring of disabled workers.
- Hiring of rural workers.

#### Increase in Exports

Calculation formula:  $\frac{\text{Exports}}{(0.2 * (\text{IEu\$S})^{2/3})}$

Where

IEU\$S : Eligible Investment in millions of dollars.

Exports: Increase of exports in millions of U\$S according to the time frame established in article 12 of the decree.

#### Increase in exports for agricultural activities:

Companies whose business is agricultural production and/or forestry, may compute as Indirect Exports, a percentage of incremental market sales of the agricultural product/s produced/s by the company with respect to the situation without project, percentage defined by the MGAP for each of the products it considers.

# 5.

## Evaluation of Investment Projects

### Clean Technologies

One of the objectives that is valued in the projects is the investment in Clean Technologies (TL) considering those goods that contribute to a more environmentally sustainable production, be it through efficiency in the use of resources such as raw materials, inputs, water and energy, the substitution of fossil fuels for renewables, the reduction in the generation of waste, effluents and polluting emissions (including greenhouse gases) or that allow production systems to be adjusted in response to present or expected climatic situations.

1 point is allocated for each 5% share of TL investment in the total.

### Research and Development and Innovation

In order to evaluate the component of technical progress of the investment projects it is considered if it foresees the development of the “Research and Experimental Development” or “Technological Innovations in products or processes” at least in the scope of the activity sector in which the postulated project is registered.

1 point is allocated for each 5% share of the investment plus costs in R&D&I over the total investment.

# 5.

## Evaluation of Investment Projects

### Decentralization

Depends on the place where the investment is physically located according to the following detail:

STATE	SCORE FOR THE STATE CAPITAL	SCORE FOR THE REST OF THE STATE
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

A distinction is made as to whether the investments are located in a locality where the company is already operating or in a new location. In the case of investments in a location in which the company already carries out operations, it is required to obtain at least 1 point in the Job Generation indicator.

When the company presents investments in more than one location, for the purpose of defining the score of this indicator, the score of each location should be prorated according to the score represented by the eligible investment of each location over the total eligible investment.

# 5.

## Evaluation of Investment Projects

### Sector Indicators

Depending on the sector of activity of the investment project, companies may opt for a sectoral indicator.

#### All sectors

##### **Development of the stock market**

Applicable to all sectors in pure form or combined with another sector indicator, and may never exceed 10 points.

Companies can obtain points for this indicator when financing their project by using any of the following instruments:

**Issuance of shares or certificates of participation through the local stock market:** a maximum of ten points will be awarded for every 5% of the funding of the project investment through this tool.

**Issuance of debt securities in the local market:** one point will be awarded with a maximum of five for every 10% of financiamiento of the project investment through this tool.

It is an essential requirement that these issues have been made by **public subscription** and that these instruments have a **local stock exchange listing**.

##### **Avant-garde renewable energies**

The objective of this indicator is to encourage investment in sources of generation or use of energy of low diffusion in the country such as: geothermal, wave, tidal and solar concentration.

1 point will be assigned, with a maximum of 10 points, for each 10% participation of the investment in vanguard energy sources in the total of the eligible investment.

# 5.

## Evaluation of Investment Projects

### Trade and Services Sector

**Projects evaluated by the Ministerio de Economía y Finanzas (Ministry of Economy and Finance)**

**Development of the stock market**

**Avant-garde renewable energy**

**Continuing education and training**

The main objective of this indicator is to promote the training of workers, through the incorporation of new knowledge, skills, abilities and aptitudes that allow a better management of the work.

Calculation formula:  $\frac{0.5 * \text{Skilled workers}}{(\text{UIS})^{\frac{1}{2}}}$

Where

UIS: Eligible Investment in millions of RU

Skilled workers: number of workers who will receive the training sufficiente, according to the evaluation to be carried out by the Ministerio de Trabajo y Seguridad Social (Ministry of Labour and Social Security).

### Differentiation of products and processes

The official certifications or those of international recognition that give account of attributes of the product or of its productive process will be considered being able to obtain 5 points with the existence of at least one of this type of certifications. Some examples of certifications that will be taken into account are the following: Good Agricultural Practices, Sustainable Forest Production, Organic Meat Production, etc.

# 5.

## Evaluation of Investment Projects

### Industrial Sector

Projects evaluated by the Ministerio de Industria, Energía y Minería (Ministry of Industry, Energy and Mining)

**Development of the stock market**

**Avant-garde renewable energy**

**Technological level of the finished product**

Its objective is to promote the development of production processes with high added value, thus establishing the following scale of scores based on the qualification that the product obtains according to the Standard International Trade Classification (SITC, version 2):

QUALIFICATION	SCORE
Primary Products	0
Resource-based manufactures	2
Low-technology manufactures	4
Medium-technology manufactures	7
High-tech manufactures	10

The investment project must be linked to the product for which it is scored. If the investment project contains investments that are not directly associated with the product, for the purposes of calculating the score, the score is prorated for the investment linked to the product.

### Continuing education and training

The main objective of this indicator is to promote the training of workers, through the incorporation of new knowledge, skills, abilities and aptitudes that allow a better management of the work.

Calculation formula:  $\frac{0,5 * \text{Skilled workers}}{(\text{UIS}) \frac{1}{2}}$

Where

UIS: Eligible Investment in millions of RU

Skilled workers: number of workers who will receive the sufficient training, according to the evaluation to be carried out by the Ministerio de Trabajo y Seguridad Social (Ministry of Labour and Social Security).

# 5.

## Evaluation of Investment Projects

### Strategic sectors and technologies

**Offer:** award of 10 points to investments in sectors/disciplines hierarchized in the framework of the Sistema Nacional de Transformación Productiva y Competitividad - SNTPyC (National System of Productive Transformation and Competitiveness); biotechnology, electronics, pharmaceuticals, nanotechnology, data science and automatic learning, additive manufacturing, audiovisual, mechanical transformation of wood that involves substantial generation of value.

**Demand:** stimulation of the incorporation of new technologies in industrial products and processes: biotechnology, nanotechnology, electronics, design of industrial products and processes, additive manufacturing, data science and automatic learning, mechatronics.

Calculation formula: 
$$\frac{\text{Specific investments}}{\text{Eligible investment} * 0.05}$$

### National Industry Seal

The objective of the indicator is to promote the achievement of the national component seal. The indicator is defined according to the qualification obtained by the category of the duly certified seal.

The scale of scores is made according to the following category:

QUALIFICATION	SCORE
Seal A	10
Seal B	8
Seal C	6

# 5.

## Evaluation of Investment Projects

### Agricultural Sector

Projects evaluated by the Ministerio de Ganadería, Agricultura y Pesca (Ministry of Livestock, Agriculture and Fisheries)

**Development of the stock market**

**Avant-garde renewable energies**

**Investments in Adaptation to Climate Change**

Adaptation to climate change will include investments aimed at adjusting agricultural production systems in response to climate stimuli. One point will be allocated with a maximum of ten points for each 10% share of the investment in Adaptation to climate change in the total invested.

**Differentiation of products and processes**

The official certifications or those of international recognition that give account of attributes of the product or of its productive process will be considered being able to obtain 5 points with the existence of at least one of this type of certifications. Some examples of certifications that will be taken into account are the following: Good Agricultural Practices, Sustainable Forest Production, Organic Meat Production, etc.

**Continuing education and training**

Points will be awarded on the basis of the training given to rural workers and technicians participating in training programmes endorsed by the National Employment Directorate of MTSS.

Calculation formula:  $\frac{0,5 * \text{skilled workers}}{(\text{UIS}) \frac{1}{2}}$

Where

UIS: Eligible Investment in millions of RU

Skilled workers: number of workers who will receive the sufficient training, according to the evaluation to be carried out by the Ministerio de Trabajo y Seguridad Social (Ministry of Labour and Social Security).

# 5.

## Evaluation of Investment Projects

### Tourism

**Projects evaluated by the Ministerio de Turismo y Deporte (Ministry of Tourism and Sports)**

**Development of the stock market**

**Avant-garde renewable energies**

**Continuing education and training**

The training of personnel in languages and in Technical Institutes for tourism training will be considered. MINTUR will establish the level of training and the Specific Courses that will score for this option.

Calculation formula:  $\frac{0,5 * \text{Skilled workers}}{(\text{UIS})^{\frac{1}{2}}}$

Where

UIS: Eligible Investment in millions of indexed units.

Skilled workers: number of workers who will obtain the sufficient training, according to the evaluation to be carried out by the Ministerio de Turismo (Ministry of Tourism).

### Services and infrastructure

Investment in services in different areas that complement the accommodation service (event rooms, sports fields, swimming pools, gym, spa, sauna, commercial premises, etc.) will be weighted. One point will be given for each 10% investment in additional services in the total invested.

Calculation formula:  $\frac{\text{Investment in additional infrastructure}}{(\text{IE} * 0,10)}$

Where

IE: eligible investment in Indexed Units.

### Sustainable Building Certification - LEED Certification

The objective of this indicator is to reinforce the sustainable tourism policy established by the Ministerio de Turismo (Ministry of Tourism). This certification is based on the incorporation of aspects related to energy efficiency, the use of alternative energies, the improvement of indoor environmental quality, the efficiency of water consumption, the sustainable development of the open spaces of the plot and the selection of materials.

The LEED certification score will be awarded according to the type of certificate that the company undertakes to obtain, taking into account the following scale:

- LEED certificate: 4 points
- LEED Silver Certificate: 6 points
- LEED Gold Certificate: 8 points
- Platinum LEED Certificate: 10 points

# 5.

## Evaluation of Investment Projects

### Additional Benefits

#### **Additional Benefits for Micro and Small Businesses:**

Micro and small enterprises according to the provisions of Decree 504/007 that present, within the year fiscal, projects for a cumulative total of up to UI 3.5 million, will receive an additional 20% of benefit from IRAE and will be added one year to the exemption period.

In order to be categorized as a micro or small enterprise, according to Decree 504/007, the following conditions must be met:

- Employed personnel: No more than 19 persons.
- Annual sales before VAT: Do not exceed UI 10,000,000 (ten million indexed units).
- Micro or small enterprises shall not be considered to be those that meet the established conditions of employed personnel and sales are controlled by another company that exceeds the limits previously established or belong to an economic group that, as a whole, exceeds those limits.

#### **Additional benefits for companies located in Industrial Parks:**

Users of industrial parks and science and technology parks are granted an increase of 15% over the amount of IRAE exonerated and the term to usufruct such exoneration.

In addition, there is a tax credit for employer contributions associated with employment committed in the indicator Employment generation for which the tax benefits were obtained, during the 5-year period.

# 6.

## Expansion of projects promoted

The companies that have promoted projects may present an extension of the same, for up to 20% of the eligible promoted investment, until the second financial year following the approval of the original project.

In order to enter an expansion, an increase in the indicators will be required so that the final score is maintained.

# 7.

## Control and Follow-Up

Once the investment project has been submitted to *Ventanilla Única de Inversiones*, even without the approval of the promotional statement, beneficiaries will have four months after the close of each financial year, including the presentation of the project, to present information on the execution of the investment, information linked to the tax benefits used and information linked to the indicators committed.

Non-compliance with the delivery of information will be considered set when thirty working days elapse from the expiration of the term granted for such fin.

Said presentation shall be made before the evaluating Ministry of its sector.

### The causes of non-compliance are:

- a) Non-compliance in the delivery of information to COMAP necessary for project follow-up.
- b) Non-compliance in the execution of the investment
- c) Non-compliance with the goals committed in the operation of the investment project.

### Tolerance margin

A margin of tolerance with respect to the matrix of indicators of 10% with respect to obtaining the projected score will be admitted. This margin will be applied to each year of the commitment schedule and at the close of the same.

# 8.

## Notes of Interest

### Quotation

**Quote for the presentation of the investment project:** in order to determine the investment amount of the project, the value of the Indexed Unit of the last day of the month prior to the time when the project is presented will be applied, as well as the quotation of the purchasing interbank bill dollar of the last working day of the month prior to said time.

**Quotation for the use of the benefit:** In order to determine the amount of the benefit that the company may access in each fiscal year, the quotation of the Indexed Unit of the last day of the previous month is applied to the moment in which the assets included in the declaration were effectively invested. For the exchange rate, the criterion fiscal will be considered.

**Investments and benefit:** the first fiscal year for the purposes of the deduction of the tax benefits will be the fiscal year in which the company presents the investment project (except in the case in which from said fiscal year no Net Fiscal Income will be generated in which case the beginning of the term for the use of benefit may be deferred for up to four fiscal years from the one in which the promotional declaration was issued). The company may suspend the period of exoneration for up to one fiscal year in cases in which it has obtained a period of exoneration of up to 5 fiscal years in the promotional resolution or for up to 2 consecutive or non-consecutive fiscal years, when it has obtained a period of exoneration of 6 fiscal years or more.

### Disqualification

The fixed assets that were the object of tax exemptions must be maintained for the end of their useful life, considering for such purposes the fiscal criteria, or 10 years in the case that the useful life is greater.



Supports:



**Uruguay XXI**

PROMOCIÓN DE INVERSIONES,  
EXPORTACIONES E IMAGEN PAÍS

**UnASeP**  
Unidad de Apoyo al Sector Privado

  
MINISTERIO DE ECONOMÍA Y FINANZAS  
REPÚBLICA ORIENTAL DEL URUGUAY