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BUSINESS ENVIRONMENT

THE CONSUMER

Consumer Profile

With its population of almost 3.5 million people, Uruguay is a relatively small but active market. Uruguay's per capita gross income (UYU 25,440 per month in 2021 - National Institute of Statistics of Uruguay) and spending levels rank amongst the highest for major Latin American economies. However, the real growth of the Uruguayan consumer market eased in recent years, as a result of the country's economic slowdown during this period. After a few years of sluggish growth, the economy accelerated and is of 3% in 2021 (IMF).

The urban dwellers are different from the rural population because of the income gap. The urban population displays a rather Western consumer behaviour, while the rural population is less demanding and are more interested in traditional products. However, the income inequality between urban and rural areas is narrowing, and the middle-class segment is expanding. The median age of the Uruguayan population is 35.5 years (CIA World Factbook, 2020 est.).

Touristic centres are characterized by luxurious consumption. The average consumer is characterized by a rather conservative behaviour.

Consumer Behaviour

When making purchase decisions Uruguayan consumers consider price as the main criteria. This is especially true for foodstuff and everyday products, while for durable goods and services quality remains central.

According to a survey by Nielsen, 58% of Uruguayans said they changed their shopping habits in recent years in order to save money on day-to-day expenses. Of these, 55% actively seek promotions and discounts, while 48% claim to buy only what is necessary (latest data available). Uruguayan consumers often check several distribution channels to find the most convenient one. E-commerce in Uruguay is still in an early stage but is growing rapidly. In most cases, consumers purchase online because of better prices or since they can find products that are not available in local stores.

Consumers Associations

[Uruguayan Body for Consumer Defense](#)

[League for Consumer Defence of Uruguay](#)

IMPORTING & DISTRIBUTING

Import Procedures

Only commercial firms, industrial firms, or individuals listed in the registry of importers may legally import

products into Uruguay. A proforma invoice is required to start the import procedures, and importers must use an agent to handle their customs entries. Required documents are commercial invoice, transportation document, and certificate of origin. However, the country may require other certificates depending on the type of product (HS Code).

The Mercosur common external tariff applies to ad valorem CIF value of imported goods. This customs policy may be subject to exceptions based on the type of goods. It is also important to mention that re-exporting within a Mercosur member country does not give rise to an exemption from customs duties: For instance, if you export a product to Uruguay, and sell it to Brazil later, you would have to pay Uruguayan customs fees, and later Brazilian customs fees. To avoid such a situation, it is highly recommended to use free zones.

For more information, please visit the [Uruguayan customs](#) website.

Distribution market players

Uruguay's tax legislation has attracted many investments that have favoured the growth of retail. The growth gained momentum when the government opened the market to supermarkets and hypermarkets in 2009. According to Euromonitor data, the supermarket and department stores' market in Uruguay is composed of almost 30,000 shops. Furthermore, small and independent supermarkets account for 67% of sales, while the remaining 33% corresponds to large supermarkets.

The pioneers of the market are Disco SA and Ta-Ta SA, which quickly invested in this market segment. Disco targets the densely populated, low-income areas of Montevideo, while Ta-Ta is more active in the interior of the country where it faces less competition. Minor competitors include Supermercados Devoto Hnos SA, Tienda Inglesa and Multi Ahorro. After establishing a strong presence in the supermarket sector, Disco and Ta-Ta are now investing heavily in shopping centres in order to consolidate their control of the retail sector.

Multinationals own a large part of the major retail chains. The Disco-Dévoto group is the largest as it owns the DISCO supermarkets (27 branches), DEVOTO (25 branches) and the Géant hypermarket. In terms of market share, the following are the Henderson & Cia group with the Tienda Inglesa chain (9 branches), the Multi Ahorro chain (30 medium-sized stores), the TA-TA chain (20 small and medium-sized stores), the El Dorado chain of the Polakof & Cia group located mainly in the interior of the country (40 branches, supermarkets and convenience stores).

The non-food retail market is divided between several small independent retailers such as Chic Parisien SA, leader of the clothing and footwear market (Parisien, Indian and DNK), and the runner-up Coboe SA.

OPERATING A BUSINESS

Type of companies

Sociedad Anonima is a Public Limited Company

Number of partners: At least two shareholders

Capital (max/min): UYU 923,403. 25% of the capital must be paid up at the moment of incorporation.

Shareholders and liability: Liability is limited to the amount contributed.

Sociedad de Responsabilidad Limitada (SRL) is a Private Limited Company

Number of partners: At least two shareholders, maximum 50

Capital (max/min): UYU 20,531. At the time of the constitution, the partners have to contribute at least 50% of their participation in the share capital.

Shareholders and liability: Liability is limited to the amount contributed.

Sociedad Colectiva (SC) is a general partnership

Number of partners: Minimum 2 partners

Capital (max/min): No minimum capital required.

Shareholders and liability: Liability is unlimited for all partners

Sociedad en Commandita Simple (SCS) is a limited partnership

Number of partners: Minimum 2 partners

Capital (max/min): No minimum capital required.

Shareholders and liability: Liability is limited for sleeping partners, unlimited for managing partners

Setting Up a Company	Uruguay	Latin America & Caribbean
Procedures (number)	5.0	8.0
Time (days)	6.5	25.2

Source: Doing Business - Latest available data.

Cost of Labour

Minimum Wage

In 2021, the minimum wage is UYU 17,930 per month according to the data of the Uruguayan government.

Average Wage

In 2019, the monthly average wage was UYU 34 746 according to the ILO (lastest available data).

Social Contributions

Social Security Contributions Paid By Employers: 12.63% of the gross wage.

Social Security Contributions Paid By Employees: 18,1-23.1% of the gross wage according to plans and sectors.

Intellectual Property

National Organisations

The [National Directorate of Industrial Property](#) . Uruguay signed the [Paris Convention](#) for the protection of industrial property along with the agreement establishing the [World Intellectual Property Organization \(WIPO\)](#).

Regional Organisations

Regional property right regulation in the [Mercosur](#) agreements framework.

International Membership

[Membership to the TRIPS agreement](#) - Trade-Related Aspects of Intellectual Property Rights (TRIPS)

TAX RATES

Consumption Taxes

Nature of the Tax

Value Added Tax (VAT) - Impuesto al valor agregado (IVA)

Tax Rate

22%

Reduced Tax Rate

Certain essential foodstuff, medicines, soap, tourist services, health services, and services supplied by hotels in “high season” to resident individuals are subject to a reduced rate of 10%.

Certain goods and services are exempt: foreign currencies, securities, bonds, stocks and other financial transactions, milk, books, newspapers, magazines, educational material, services supplied by hotels in “low season” to resident individuals, milk, and water.

Exports of goods are zero-rated.

Final consumers can enjoy a reduced rate of 18% for transactions up to UYU 16,000, and a 20% rate for operations above this value, when the payment is made through debit cards or electronic money instruments.

Other Consumption Taxes

Uruguay implements a commercialisation tax: **IMESI (in Spanish)** (Impuesto Especifico Interno, Specific Internal Tax), applied only to the first sale. Depending on the type of good, it is calculated based on the real sale price or on the official price set by the state. Goods subject to the highest rates are alcoholic beverages (from 20.20% to 80%, depending on the alcohol degree), tobacco (from 28% to 70%), lubricants (from 5% to 35%), and gasoline, fuel, and other petroleum products (from 5% to 133%).

Corporate Taxes

Company Tax

25%

Capital Gains Taxation

Capital gains are taxed as ordinary income at the corporate tax rate of 25%.

Bearer title transfer and nominative titles capital gains are subject to a 12% tax rate, applicable to a notional 20% of the transfer price (20% of the market value of the titles transferred if there is no price).

Main Allowable Deductions and Tax Credits

Documented expenses necessary to obtain and preserve gross taxable income are generally tax-deductible.

Depreciation (using the straight-line method) is deductible at variable rates depending on the nature of the asset. On the other hand, goodwill cannot be deducted for tax purposes. Start-up costs can be amortised over a period of three to five years (to be determined by the company). Interest charges and bad debts (for debts not recovered within 18 months or longer) are generally deductible.

Donations to charities give rise to deductions at variable rates depending on the recipient organisation. Donations to certain types of organisation (educational services, health, youth support) are deductible up to 25% of the amount, the rest is converted into a tax credit.

Fines and penalties paid are not tax-deductible. Taxes are generally deductible, except for corporate income tax and net wealth tax.

Tax losses can be carried forward up to five years (up to 50% of net taxable income for tax years beginning on or after 1 January 2017), once adjusted for inflation. However, as of 2021 the aforementioned cap has been eliminated. The carryback of losses is not permitted.

Other Corporate Taxes

Employers are required to withhold payroll taxes on behalf of their employees at rates ranging from 18.1% to 23.1% (depending on the employee's family status). Employers contribute 12.625% of the salary.

A property tax is levied by municipalities on real estate at variable rates. Property transfer taxes are payable by both the seller (2%) and the buyer (2%).

All enterprises are required to pay a wealth tax of 1.5% (which applies only to property and securities domiciled in Uruguay). At the moment of incorporation, companies are required to pay a flat tax at a rate of 1.5% on the basis of a notional amount updated every year (ICOSA tax - UYU 44,777 in 2022). Furthermore, the tax is also due annually for corporations at the end of each fiscal year at a rate of 0.75% on the basis of the same notional amount.

If a company does not distribute net taxable income after three fiscal years, such amounts are treated as a deemed distribution and are subject to a 7% deemed dividend tax.

Other Domestic Resources

[General Tax Administration \(DGI\)](#)

[Consult Doing Business Website](#), to obtain a summary of the taxes and mandatory contributions.

Double Taxation Treaties

Countries With Whom a Double Taxation Treaty Have Been Signed

[List of double taxation agreements](#)

Withholding Taxes

Dividends: 0 (resident company)/7%, Interest: 0 (resident company)/7% or 12% (depending on the term and currency of the loan)/25% (interest paid to a resident of a tax haven), Royalties: 0 (resident company)/12%/25% (royalties paid to a resident of a tax haven)

