

# Uruguay Payroll & Tax Overview

A GUIDE TO DOING BUSINESS IN URUGUAY 2017



## Contents

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1.0	Key Country Facts and Public Holidays	3
2.0	Business and Culture in Uruguay	4
3.0	Visas and Work Permits	5
4.0	Tax and Social Security	6
5.0	Compliance	7
6.0	Statutory Absence/Payments	8
7.0	In-country Payroll Providers	10
8.0	About This Payroll and Tax Overview	11

## 1.0 Key Country Facts and Public Holidays

### 1.1 Official Language

The official Language is Spanish.

### 1.2 Currency

The official Currency is Uruguayan peso.

### 1.3 Country Dial code

The country dial code is +598

### 1.4 Country abbreviation

The country abbreviation is UY.

### 1.5 Statutory Filing Payment Methods

Employers must make monthly remittances and file monthly returns. Employers may choose to pay income tax and social tax Payments jointly if their annual income is less than 385,352 pesos. All other employers generally must file Form 2144 Payment Slip along with their income tax remittances. Returns must be filed online or at a DGI office. Payments must be made through bank deposits, certified third party collection networks, or at a DGI office.

### 1.6 National Minimum wage

The National Minimum wage is 10,000 Uruguayan pesos (\$349) per month. 500 pesos (\$17) per day. 50 pesos (\$1.7) per hour.

### 1.7 Filing Deadlines

Employers must make monthly remittances and file monthly returns. Dates of when payments vary based on employers' RUT number.

All employers withholding income taxes must file an annual return using Form 1104, Declaration of Taxes. Employers are given different due dates to file an annual return based on their RUT number. The return must be filed using the Sigma computer application and submitted online, or using a CD.

### 1.8 Fiscal year

Jan. 1 to Dec. 31.

### 1.9 Time Zone

Uruguay Time Zone UTC-03:00

2017		
Date	Date	Holiday name
Jan 1	Jan 1	New Year's Day
May 1	May 1	Labor Day / May Day
Jul 18	Jul 18	Constitution Day
Aug 25	Aug 25	Independence Day
Dec 25	Dec 25	Christmas Day

## 2.0 Business and Culture in Uruguay

### 2.1 Establishing as an Employer

Any kind of business activity can be undertaken or developed under the same conditions as local investors. In certain particular areas of activity covered by the government, the foreign investor can carry out business and develop activities under the system of granting public works projects. There are no restrictions to the formation of corporations or the acquisition of existing ones. It is common for investors to acquire corporations which have not already begun their business activity.

In general, foreign investors (both individuals and legal entities) may set up companies in Uruguay without prior additional formalities or special Government permits. Specific sectorial regulations are to be considered. Investments can be made in any currency. Shareholders, partners and managers of companies in Uruguay may be either Uruguayan or foreigners, and either resident or non-residents in the country. Foreign investors may set up operations by adopting the structure of a local entity or a branch of a foreign enterprise. Corporate shares may be issued in nominative or bearer form, and can be owned by a sole shareholder. In case of bearer titles, holders must identify themselves with the Central Bank of Uruguay (BCU), providing their identity and the percentage of their participation in the entity. Investments by Uruguayan and foreigners are treated equally and have access to the same benefits. There are no limits to hire foreign personnel, except in the Free Zones regime. Likewise, the Uruguayan Government guarantees the free repatriation of capital and free remittance of dividends, profits and other sums related to investments. Fund transfers can be made in any currency in view of the free convertibility system.

### 2.2 Employment

Employees generally are defined as all individuals in a dependent employment relationship subject to Social Security contributions, employees of public institutions, or foreign workers who are exempt from and choose not to contribute to the pension scheme.

Labor laws regarding compensation and benefit regulations are regulated by the Ministry of Labor and Social Security. The Law of Labor and Administration requires employers to meet standards such as minimum wage, work hours, and payment and recordkeeping requirements. National holidays are mandated paid days off. Employers must also provide for annual leave, among other types of leave.

Overtime generally must be paid at two times normal wages when work is performed in excess of eight hours per day or 44 hours per week for workers in the commerce sector and 48 hours in the case of workers in industrial sector. Work performed on mandatory public holidays must be compensated at two and a half times normal wages.

The maximum workday is eight hours and the maximum workweek is 44 hours for workers in the commerce sector and 48 for workers in the industrial sector. The maximum workday for underage workers, apprentices, employees with hazardous occupations, and workers in telecommunications is eight hours and the maximum workweek is 36 hours.

Employers must provide employees with weekly rest periods, although the exact provisions for the rest period vary by industry as follows:

- workers in the industrial sector; one day of weekly rest—generally, a Sunday;
- employees working in the commerce sector; 36 consecutive hours of rest following every 44 hours of work. Rest given in this manner does not need to be provided on a Sunday;
- domestic workers; 36 consecutive hours of rest which includes all of Sunday. Employees must be given daily rest periods of between two and two and half hours such that employees do not work more than five consecutive hours. This rest period may be reduced to one hour by agreement, although this must be reported to the Inspector General of Work and Social Security.

## 3.0 Visas and Work Permits

### 3.1 Visas

**Visa requirements for Uruguayan citizens** are administrative entry restrictions by the authorities of other states placed on citizens of Uruguay. In February 2016, Uruguayan citizens had visa-free or visa on arrival access to 137 countries and territories, ranking the Uruguayan passport 29th in the world according to the Visa Restrictions Index.

For traveling within South America (except the Guyanas), Uruguayans do not need to use a passport, as they may use their ID card.

#### Tourist Visas

Residents of many countries can enter Uruguay without having to apply for a visa beforehand. The *Dirección Nacional de Migración* offers a complete overview of visa requirements on their homepage. If you do indeed need a visa, please allow up to four weeks for your application to be processed. You will need to submit the following:

- completed and signed application form
- passport valid for at least six months after your arrival in Uruguay
- passport-sized photo
- photocopy of your round trip ticket
- consular fee (42 USD)

### 3.2 Work Permits

Individuals wishing to work and reside in Uruguay must obtain the temporary or permanent residency permits.

### 3.3 Temporary Residence Permit

Temporary residency permits allow individuals to reside and work legally in Uruguay for periods of between one and two years, renewable once. There are seven categories of permits each of which grant the holder the ability to work in different fields. Prior to applying for a temporary residence permit, employers must issue foreign nationals with a preliminary work offer and work contract. Foreign nationals can apply the permits at Uruguayan consular missions or at the Immigration Authority (Dirección Nacional de Migración, DNM) within Uruguay.

### 3.4 Permanent Residency Permits

Permanent residency permits allow foreign nationals to work and reside legally in Uruguay for an indefinite period of time, although the permit expires after the holder has resided outside of Uruguay for more than three years. Employers must present applicants with official documentation detailing the employment relationship as well as a copy of the employment contract before foreign nationals can apply for the permit. Foreign nationals must apply at a DNM office.

## 4.0 Tax and Social Security

### 4.1 Tax

The income tax rates applicable to resident employees from January 1<sup>st</sup> 2017 will be the following:

Annual taxable gross income (UYU*)		Tax rate (%)
Over	Up to	
0	280,560	0
280,560	400,800	10
400,800	601,200	15
601,200	1,202,400	24
1,202,400	2,004,000	25
2,004,000	3,006,000	27
3,006,000	4,609,200	31
4,609,200		36

This tax can also be paid as a family unit. The scale of rates to be applied depends on the income of each of the family group's members. If each of the members earns more than 12 minimal salaries (one minimal salary is approximately UYU 11,150), taxable income before deductions must be added together and then the following scale of rates is applied according to the different income brackets:

The applicable rates from January 1<sup>st</sup> 2017 will be as follows:

Annual taxable gross income (UYU)		Tax rate (%)
Over	Up to	
0	561,120	0
561,120	601,200	15
601,200	1,202,400	24
1,202,000	2,004,000	25
2,004,000	3,006,000	27
3,006,000	4,609,200	31
4,609,200		36

The applicable rates from January 1<sup>st</sup> 2017 will be as follows:

Annual taxable gross income (UYU)		Tax rate (%)
Over	Up to	
0	320,640	0
320,640	480,960	10
480,960	601,200	15
601,200	1,202,400	24
1,202,000	2,004,000	25
2,004,000	3,006,000	27
3,006,000	4,609,200	31
4,609,200		36

## 4.2 Tax Registration

All employers must enroll with the DGI at a DGI office or online. Employers can register with DGI and the Institute of Social Security (BPS) at the same time.

In addition, employers register with the Register for Contributors (RUT), upon which they will receive a RUT number. To register, employers submit either Form 0351 or Form 0352, and Form 205 between 10 days prior to the start of business activities. The form must be submitted in person at the local RUT office. RUT is run by the Ministry of the Economy and Finance.

## 4.3 Social Security

The Institute of Social Security (BPS) generally serves as the administrator of the social insurance scheme in Uruguay, with involvement by BSE, the National Bank of Insurances.

All employers are required to withhold Social Security contributions from all employees and make additional payments.

## 5.0 Compliance

### 5.1 Employer Registration

Employers must enroll in BPS prior to initiating activities. Employers who are obligated to withhold income tax must file a unified registration form to register with both BPS and the General Tax Directorate, or DGI. Employers who are exempt from income tax withholding must only register with BPS. Employers must enroll in Remote Connection (Conexion Remota) by filing a Request for Remote Connection Membership on the BPS website.

Construction companies must register separately, registering each construction project.

### 5.2 Starters/Registration

All employers must register employees with BPS using the Form Gestion de Afiliaciones. The form may be presented through the BPS website, by email, fax, in person, or by mail. The deadline to register employees with BPS varies as follows:

- employees working in industry, commerce, and domestic service; 10 days before their hire date;
- employees working as bakers, stable laborers, fisheries staffers, and catering workers; within 24 hours after earning income, or until 12 hours after the employees' hire dates;
- employees working in rural jobs; within 72 hours of employees' hire dates;
- employees working in construction; 48 hours before a employees' hire dates.

Employers must enrol employees in workers compensation insurance with BSE. To enroll, employers must file Form 1990 with BSE prior to the hire of new employees.



### 5.3 Leavers/De-registration

Employers must pay terminated employees a portion of the Aguinaldo annual bonus equal to the proportion of the year they have worked upon termination. Different terms apply to domestic workers, street vendors, rural workers, workers in the fishing industry, and workers of protected classes (e.g. pregnant workers, sick workers, etc.). Rural employees who live on the work premises must be given 30 days of notice prior to dismissal. There are no other mandated notice periods.

After having suspended or terminated an employee, employers must provide terminated employees with unemployment papers within 10 days.

## 6.0 Statutory Absence/Payments

### 6.1 Annual Leave

All workers, in the private sector and civil servants, are entitled to at least 20 days of paid annual leave. Workers who have worked in the same company, are entitled to an additional day of leave for every four years of seniority. Employees are also entitled to 5 paid public holidays.

### 6.2 Sick leave

Sick leave may be paid via the social insurance scheme; employees are entitled to paid sick leave provided by the Institute of Social Security (BPS). Starting on the fourth day of absence from illness (or from the first day of hospitalization), employees may claim a social security benefit of 70 percent of salary for up to one year, which can be extended. To be eligible for salary replacement, an employee must have made social security contributions for at least 75 days or three months within the 12 months prior to the date of illness.

Employers are not required to provide any paid sick leave.

### 6.3 Paid parental leave

Parental leave may be paid via the social insurance scheme.

#### Maternity leave (public sector)

Length of leave (before and after birth)

- Thirteen weeks: up to six weeks can be taken before the birth, one week of which must be taken at this time.

Payment and funding

- One hundred per cent of earnings with no ceiling on payments. • Funded from general taxation.

Flexibility in use

- None, except for five weeks of leave that can be taken before or after birth.

Eligibility

- All public sector employees.

Variation in leave due to child or family reasons (e.g. multiple or premature births; poor health or disability of child or mother; lone parent) or delegation of leave to person other than the mother

- In the case of multiple or premature births or disability, the leave is extended to 18 weeks.



### **Maternity leave (private sector)**

Length of leave (before and after birth)

- Fourteen weeks: up to six weeks can be taken before the birth. It is obligatory to take the full period.

Payment and funding

- One hundred per cent of earnings with no ceiling on payments. For employees, this is based on average earnings in the six months before taking leave. For self-employed workers, this is based on average earnings over the 12 months before taking leave. • Funded by the Social Security system, which is financed by contributions; for sickness and maternity benefits, three to six per cent of employee earnings and five per cent of payroll from employer, plus earmarked proceeds of certain taxes.

Flexibility in use

- If labour occurs before the expected date, the mother starts leave immediately and post-natal leave is extended to complete the 14 weeks. , or eight weeks after originally scheduled delivery date

Eligibility

- All employees • Self-employed workers who are covered by the Social Security system, with no more than one employee. • Other self-employed workers who pay Social Security contributions.

Variation in leave due to child or family reasons (e.g. multiple or premature births; poor health or disability of child or mother; lone parent) or delegation of leave to person other than the mother

- In the case of illness resulting from pregnancy or childbirth, the mother is entitled to an extension of pre- or post-natal leave.

### **Paternity leave (public sector)**

Length of leave (before and after birth)

- Ten calendar days.

Payment and funding

- One hundred per cent of earnings with no ceiling on payments. • As for Maternity leave.

Flexibility in use

- None.

Eligibility

- All public sector employees.

Variation in leave due to child or family reasons (e.g. multiple or premature births; poor health or disability of child or mother; lone parent) or delegation of leave to person other than the mother

- None

### **Paternity leave (private sector)**

Length of leave (before and after birth)

- Seven calendar days.

Payment and funding

- One hundred per cent of earnings with no ceiling on payments. For employees, this is based on average earnings in the six months before taking leave. For self-employed workers, this is based on average earnings over the 12 months before taking leave. • As for Maternity leave.

Flexibility in use

- None.

Eligibility

- All employees • Self-employed workers who are covered by the Social Security system, with no more than one employee. • Other self-employed workers who pay Social Security contributions.

Variation in leave due to child or family reasons (e.g. multiple or premature births; poor health or disability of child or mother; lone parent) or delegation of leave to person other than the mother

- None.

## 7.0 In-country Payroll Providers



ITOS is an international service provider offering fully integrated HR and payroll solutions in the Latin American region that promote collaboration, Connectivity and communication.



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