

Purchasing Property in Uruguay

2016

To begin with: Equal Treatment

The three most important questions to get started:

- ❖ Who can purchase property?
- ❖ How can property be purchased?
- ❖ What can you purchase?

Answer: 3 A's

- ✓ **Anyone:** There is no differential treatment, nor restrictions or impediments for foreign buyers of property
- ✓ **Any way:** individual(s), corporate vehicle (local/foreign)
- ✓ **Anything:** No limitations (such as restrictions on borderline property, beachfront, etc.)

A Solid Legal System

- Private Property rights strongly protected:
 - ❖ Constitutional right, enforced
 - ❖ No history of expropriations
- Title Insurance available ... but rarely requested
- Solid Registry System

A Safe Payment Process

- ❖ No restrictions or taxes when transferring money into the country
- ❖ No restrictions or taxes when transferring money out of the country
- ❖ Funds stay in the currency you sent
- ❖ Escrow account for closing: no need to pre-open an account

Structuring the Property Purchase

- The purchase process requires the assistance by an “Escribano” (a conveyance attorney), appointed by the buyer.
- The conveyance attorney’s role:
 - Analyzes the ownership history and other details to ensure you buy a clean title
 - Drafts the reservation and the purchase document
 - Escrow agent for the deposit on the property
 - Records the purchase at the Property Registry
- Proof of Ownership: Public Registry recording

The Purchase Process: Steps

1) The buyer selects a property, agrees on the price

2) The buyer appoints a conveyance attorney who will draft the the reservation document (“Boleto de Reserva”):

- Securing the purchase, by committing seller and buyer
- Setting a penalty if either party breaches the commitment
- Setting the amount that is deposited when signing the reservation (usually 10% of the price). The deposit is not handed to the seller: it stays with the buyer’s appointed conveyance attorney
- Allowing for a 30-60 day window to verify the deeds
- Setting the closing date, on which the full price is paid and the property is transferred

The Purchase Process: Steps

- 3) After signing the “Boleto de Reserva”, the conveyance attorney analyzes the title/deed and verifies information to guarantee a clean title
- 4) The conveyance attorney then drafts the purchase document (“Escritura”), the purchase document is signed, the property is transferred, and the price is paid (*or the first installment, if it has more than one)
- 5) The deed is recorded in the Public Registry

Transaction Costs for the Buyer

- Transaction Costs total approximately 8-9%:
 - Real Estate Agent Fee: 3% plus VAT (22%) = 3.66%
 - Conveyance Attorney Fee: 3% plus VAT (22%) = 3.66%
 - Deed Registration Stamp Duties (“Montepios”): 0.55%
 - Registry and Tax Certificates Stamp Duties: USD 700 on average
 - Property Transfer Tax: 2% of the Fiscal Value of the Property (which is usually substantially lower than the market value: 0.6% est.)

- The Transaction Costs when *selling* are lower:
 - Real Estate Agent Fee: 3% plus VAT (22%) = 3.66%
 - Property Transfer Tax: 2% of the Fiscal Value of the Property (0.6% est.)

Taxes on the Property

- Property Taxes: There are two: Municipal and School Tax. Together, they average less than 1% of the value (avg. 0.5%)
- Rental Income Tax: 10.5%
- Capital gains (when reselling): 12% of the gain

Tips and Suggestions When Purchasing Property

- ✓ Appoint a conveyance attorney from a respected law firm, who is bilingual and understands tax and estate laws in your country.
- ✓ Leave a Power of Attorney with your appointed law firm so they may sign purchase documents on your behalf.
- ✓ Decide on the best ownership structure.
- ✓ Make bank arrangements for closing / determine who receives your funds in Uruguay, to pay

Remember:

- ✓ **EASY**
- ✓ **TRANSPARENT**
- ✓ **SAFE**

Fischer & Schickendantz

- Leading Full-Service Law Firm
- Firm Services (covering all of Uruguay):
 - Conveyance / Legal Assistance in the Purchase Process
 - Residency and Immigration advice
 - Tax and Banking Advice
 - Corporate / Business Law
 - Company Incorporation
 - Title Guaranty Advice
 - Farmland Investment Advisory Unit

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References and Recognition:

- Leading source on investing in Uruguay to global publications such as the Financial Times, The Wall Street Journal and The New York Times (see articles in <http://www.fs.com.uy/press/>)
- Ranked by Chambers Latin America, Leading Firm
- Ranked by The Legal 500, Leading Firm
- Ranked by International Financial Law Review
- Ranked by the International Tax Review



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Further Information

www.fs.com.uy

Contains presentations on:

- Key Legal Issues for Investors in Uruguay
 - The Property Purchase Process
 - Residency and Immigration
 - Investing in Farmland
 - Uruguay's Tax Free Zones

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