



Issues Relating To Commercial Leasing

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- 1. Describe [National][state][territorial][provincial] or local transfer taxes payable on creation or assignment of a lease.**

There are no national or local transfer taxes payable on creation or assignment of a lease in Uruguay. Leases are exempt from Uruguayan Realty Transfer Tax.

- 2. Describe any legal restrictions limiting the maximum term of a lease (including renewals).**

According to art. 1782 of the Uruguayan Civil Code, lease contracts have a maximum term of 15 years. Lease Contracts that establish longer terms will expire in 15 years as from the execution of the agreement. There is an exception regarding leases of real estate destined to forestry, which have a maximum term of 30 years.

- 3. Describe any laws requiring landlords to allow a tenant to renew its lease.**

There is no law that requires landlords to allow a tenant to renew its lease. It is not infrequent that the contract provides for automatic term renewals, however the maximum term legally established must be respected.

4. Describe any restrictions on rent that may be charged for to a tenant.

The rent shall be agreed freely between the tenant and the landlord when the contract is regulated by the Civil Code. However under law 14.219 (applicable to lease contracts of real estate the construction permit of which is prior to June 2nd, 1968), establish certain limitations regarding the annual actualization of the price of such agreement.

5. Describe any laws permitting tenants to terminate a lease prior to its stated expiration date.

Under art. 1785 of the Uruguayan Civil Code tenants have the possibility to terminate lease contracts prior to its agreed expiration date by paying up the whole price of the lease until its expiration date.

6. Describe any laws allowing tenants to assign or sublease without landlord's consent.

Art. 1792 of the Uruguayan Civil Code establishes that tenants cannot assign the lease without the consent of the landlord, but can sublease the property when such faculty has not been expressly prohibited in the contract. Notwithstanding, the Uruguayan law contemplates the possibility in certain cases of an automatic assignment lease for commercial lease contracts in the event of the sale of the business concern when certain conditions are met.

7. Describe any laws allowing landlord to restrict assignments or subleases by tenants.

Landlords may restrict or prohibit tenants' right to assign or sublease as established above.

8. What is the common form of eviction proceeding? What is the customary length of time for that proceeding?

Eviction proceedings begin with the request for eviction filed before the pertinent court, which in term notifies the tenant of the same. The tenant has a ten day term to present exceptions. If the tenant does not do so the process is concluded and the court will set a date of eviction. On the contrary, if the tenant files exceptions, a monitory procedure regulated by arts. 354 to 360 of General Procedural Code will be followed which usually takes from four to five months.

9. Are there any legal restrictions on pledging a leasehold interest as security for a financing?

The pledge of a leasehold interest is not contemplated under Uruguayan Law.

10. Describe any requirements for landlords to hold security deposits in separate accounts and, if such requirements exist, describe if there can be one separate account for all tenant security deposits or whether each security deposit must be held in its own separate security deposit.

Under Uruguayan Law Lease contracts without guarantees are a possibility, but if the landlords demands a guaranty, lease contracts of real state located in urban or suburban zones must be guaranteed by a deposit of negotiable obligations with the Banco Hipotecario del Uruguay (National Mortgage Bank) or with a personal surety.

11. Describe any required statutory or other legal disclosures to be made to all tenants.

There are no such disclosures requirements.

12. Describe all taxes on rent or other taxes that landlord are required to collect from tenants.

None. Landlords are not required to collect taxes from tenants.

13. Describe any limitations on the ability of landlords to exercise self-help.

Under Uruguayan law landlords cannot exercise self-help, instead they must initiate the eviction process in order to evict tenants from the leased property.

14. Describe whether remedies such as acceleration of rent must be expressly stated or whether they are implied.

Under Uruguayan Law acceleration is implied in lease contracts. Therefore tenant's default in paying the rent creates the obligation to pay the total amount of the contract.

15. Describe whether there are any expedited remedies for tenant default and, if so, what lease provisions (such as waiver of jury trial, for example) would be required for a landlord to seek expedited remedies.

Under Uruguayan Law acceleration is implied in lease contracts. Therefore tenant's default in paying the rent creates the obligation to pay the total amount of the contract.

16. Describe any formal requirements for the execution of a lease.

Lease contracts should be executed in writing for their filing in the pertinent Public Registries. Unregistered lease agreements are not enforceable against third parties.

17. Describe whether a memorandum of lease or other document would need to be recorded for the lease to be enforceable against third parties.

Lease contracts must be registered into the Public Registry of the place where the real state is located to be enforceable against third parties.

18. Describe any restrictions on the transfer of ownership of real properties subject to a lease. Does such a transfer affect the tenant's rights or obligations?

There are no such restriction. However if the lease contract is registered the new owner is bound by its terms. Notwithstanding, landlords can expressly reserve their right to sell the real estate, and in said case the new owner will have the right to evict the tenant, regardless of the registration of the lease agreement.