



Issues In Ownership Of Real Estate

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- 1. Is perpetual fee simple ownership of real property permitted? If not, what are the principal forms of ownership, or other principal form of ownership, of real property?**

Yes, perpetual fee ownership of real property is the only established form of full ownership consecrated by Uruguayan law.

- 2. What instruments are used to convey fee simple ownership, or other principal form of ownership, of real estate?**

According to the Civil Code, it is mandatory for the transfer of fee simple ownership of real estate to execute a public deed before a Notary Public. Further, to complete the transfer of the realty, the possession of the real estate must be delivered to the acquiring party (tradición). Any other manner of transfer is considered null and void and produces no effect.

- 3. How in this jurisdiction is the ownership of real property recorded or searched? Who generally performs the search?**

In order to become effective before third parties, a purchase and sale agreement of real estate property, duly executed before a notary public, must be filed before the Real Estate Registry of the Department where the real estate is located. Prior to the execution of the purchase and sale agreement the acting notary public shall perform a due diligence search of the title deed of the seller. This search shall go back in time for a period of at least 30

years due to statute of limitation provisions in Uruguay, in order to verify the goodness and perfection of the title of the seller and the absence of restrictions to transfer ownership or the existence of debts, liens, encumbrances and other contingencies that may affected the property.

4. What assurances of ownership are available to purchasers of real property (e.g., title insurance or title opinions)? What is the cost of obtaining such assurances?

Uruguay has an excellent real estate legislation akin to the Torrens System, under which title to real estate and all rights pertaining to real estate, in order to be valid before third parties, must be registered before the pertinent public registry. The chronological order in which such rights are registered give precedence to the various rights registered with respect of a property. The system is so safe that title insurance is unheard of in the country.

5. What are the most common forms of investment vehicles? What are the most common entities employed to own investment real estate in a tax efficient manner?

Real Estate are usually held by individuals or companies whether corporations or limited liability companies. There is no limitation for foreign entities to hold land in Uruguay and from a tax perspective there is no difference whether the company is Uruguayan or foreign.

6. Has this jurisdiction adopted, or is it considering, legislation permitting the creation of real estate investment trusts or similar entities?

Yes, since year 2003, the Uruguayan legislation contemplates the existence of real estate investment trusts.

7. What state or local transfer, stamp or similar taxes are levied generally on sellers or buyers upon the direct transfer of real estate?

Both sellers and buyers are subject to the payment of the real estate transfer tax (Impuesto a las Transmisiones Patrimoniales) at a rate equivalent to 2% of the cadastral value of the real property. The sellers, being individuals, shall also be subject to the payment of Income Tax (Impuesto a la Renta) at a rate of 12% of the fiscally adjusted difference between purchase and sale price. Should the seller is a corporation; the sale of the real estate is taxed with Income Tax at a rate of 25%.

The buyers have to pay the notary's fees (3% of the purchase price plus VAT at a rate of 22%).

8. What state or local transfer, stamp or similar taxes are levied generally on sellers or buyers upon the transfer of interests in entities which own real estate?

In case of s stock purchase agreement of a company that owns real estate, if the shares in question are registered shares, the sellers are taxed with Income Tax at a rate of 2,4% of the purchase price . If the said company has bearer shares, the operation in question is tax exempt.

9. How significant is local regulation and taxation of real estate? How significant is the variation of real estate law among political subdivisions of this jurisdiction?

In principal, real estate matters are basically governed by the Uruguayan Civil Code and other laws of national jurisdiction.

Regarding local regulations, all the matters related to construction permits, restrictions of construction, characterizing of the soils in rural, urban or sub-urban zones, etc, are the resort of municipal governments. Further municipal taxes also collect the property tax on the real estate "Contribucion Inmobiliaria".

Notwithstanding the above and due to a law passed by the Parliament last May (the territorial planification law) the national Government has a variety of attributions to regulate real estate matters previously of municipal resort. Said law is pending of regulation.

Environmental issues are also regulated by national law.

Regarding taxes on real estate, the same are taxed with Net Worth Tax, which is a national tax at a rate of 1.5% of the value (in case the owners are legal entities) and at lower rates (in case the owners are individuals).

Finally, real estate is subject to a national tax whose beneficiary is the public education system (impuesto de enseñanza primaria) calculated on the fiscal value of the property in question.

10. Must ultimate beneficial owners of entities which own real estate be disclosed as a matter of public record?

It is no necessary to disclose the beneficial owners of legal entities who own real estate. However, regarding rural land, according to law 18.092 and its modifications and regulations, in the case that rural property is held by legal entities, such entities must have registered shares or quotas the owners of which must be individuals. Otherwise, an authorization from the Executive Branch must be obtained. Said restriction will not apply in the case of rural land not designated to agriculture activities.