

International comparison of insurance taxation

Uruguay

General insurance – overview

Definition	Accounting	Taxation
Definition of property and casualty insurance company	A company that carries on property and casualty insurance that is subject to insurance legislation.	Not defined by tax legislation.
Commercial accounts/ tax and regulatory returns	Accounting	Taxation
Basis for the company's commercial accounts	Accounting standards are set out by the regulatory authority (Superintendency of Insurance and Reinsurance).	Taxation based on statutory accounts adjusted by fiscal rules.
Regulatory return	A specific return as established by the standards issued by the Superintendency of Insurance and Reinsurance.	Not applicable.
Tax return	Not applicable.	Tax authorities require separate annual tax return for general income tax and net worth tax. For other taxes such as value added tax (VAT), premium tax, income tax on reinsurance paid and other taxes applicable to the insurance business, tax returns must be filed monthly.
Technical reserves/ equalisation reserves	Accounting	Taxation
Unearned premiums reserve (UPR)	Calculated by time apportionment.	Allowed as it adjusts non-accrued income.
Unpaid claims reported	Calculated on case-by-case basis.	Accounts provision allowed, although adjusted by "insufficient calculation reserve" from fiscal years after 1 Jan. 1999.
Claims incurred but not reported (IBNR)	Calculated by the company. There are no standards issued for this reserve. The "Insufficient Calculation Reserve" also has to be taken into account. This reserve is calculated depending on the sufficiency of the reserve in the previous year. With a margin of tolerance of 20%.	Accounts provision allowed, although adjusted by "Insufficient Calculation Reserve".
Unexpired risks	Not applicable.	Not applicable.
General contingency/ solvency reserves	Calculated taking into account a technical report specifying the objective, methodology, etc. Should be authorised by the Superintendency of Insurance and Reinsurance.	Not specifically regulated by tax legislation.
Equalisation reserves	Not applicable.	Not applicable.
Expenses/ refunds	Accounting	Taxation
Acquisition expenses	Fully charged in year accrued.	Follows accounting treatment. Expenses can be deducted only if they are duly documented and taxable for the counterpart. If the counterpart's tax rate is lower, pro-rating must be applied (except for personal services).

General insurance – overview (continued)

Expenses/ refunds	Accounting	Taxation
Loss adjustment expenses on unsettled claims (claims handling expenses)	Included in the outstanding claims reserve (OCR).	Allowed in full.
Experience-rated refunds	Credited when accrued.	Follows accounting treatment.
Investments	Accounting	Taxation
Gains and losses on investments	Included in a P&L when accrued.	Follows accounting treatment.
Investment reserves	The company can decide to value the investment at cost. In this alternative, a reserve for impairment should be created (against patrimony).	Not applicable for tax purposes.
Investment income	Included in P&L.	Included in taxable income.
Reinsurance	Accounting	Taxation
Reinsurance premiums and claims	Reinsurance premiums accrued are deducted from gross premiums. Reinsurance claims recoveries are netted against claims incurred.	Follows accounting treatment. Premiums paid to group companies should be at arm's length. Reinsurance premiums are subject to general income tax withholding if the covered risk is located in Uruguay. The Non-Residents Income Tax (IRNR) stipulates this reinsurance premiums rates: 2.5% Marine/ 2% Fire/ 0.5% Automobiles and other business. Income tax, withholding tax and VAT withholding also apply to reinsurance premiums related to such risks.
Mutual companies	Accounting	Taxation
Mutual companies (All profits returned to members)	No special treatment.	No special treatment.

General insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	5 years carry forward (no carry back) for fiscal years beginning 1 July 2007.
Foreign branch income	Source of income principle applies. Foreign source income not taxable.
Domestic branch income	Calculated under ordinary rules based on branch accounts. Currently, the tax rate is 25%.
Corporate tax rate	Currently, the tax rate is 25%.
Dividend income	Dividends derived from capital participations are taxable at 7% rate when generated in fiscal years beginning 1 July 2007.
Other tax features	Taxation
Premium taxes	<p>The income tax is levied monthly on gross premiums perceived that are Uruguayan-sourced. Rates are 5% for general business, 7% for fire and automobiles, and 0% for marine.</p> <p>Non-resident reinsurers pay an effective rate of 2% for Uruguayan – sourced covered risks except for Uruguayan source transport operations, which have an effective tax rate of 0%, fire with rate of 0.93% and automobiles with rate of 1.87%.</p>
Capital taxes and taxes on securities	Net worth tax is levied annually on all assets located, placed, or economically used in Uruguay, less some specific liabilities. Insurance reserves can be deducted in full, according to Law Nr. 16.736 in force since 1996. Tax rate for corporations is 1.5%.
Captive insurance companies	All companies, resident or non-resident, are taxed on their Uruguayan source income.
Value added tax (VAT)	<p>In general, premium rates for insurance and reinsurance companies covering risks in the country are taxed by VAT at the rate of 22%.</p> <p>However, current legislation provides for certain exceptions.</p>
Social Security	The Law Nr. 18, 396 added complementary contribution of 1.4% of the monthly premium. In force beginning 1 Jan. 2009.

Life insurance – overview

Definition	Accounting	Taxation
Definition of life insurance companies	A company that carries out life insurance business subject to insurance legislation.	Not defined by tax legislation.
Commercial accounts/ tax and regulatory returns	Accounting	Taxation
Basis for the company's commercial accounts	Accounting standards are set out by the regulatory authority (Superintendency of Insurance and Reinsurance).	Taxation based on statutory accounts adjusted by fiscal rules.
Regulatory return	A specific return as established by the standards issued by the Superintendency of Insurance and Reinsurance.	N/A.
Tax return	N/A.	Tax authorities require separate annual tax return for general income tax and net worth tax. For other taxes such as VAT, premium tax, income tax on reinsurance and other taxes applicable to the insurance business. Tax returns must be filed monthly.
General approach to calculation of income	Accounting	Taxation
Allocation of income between shareholders and policyholders	Regulated by the terms established in the policy.	No tax rules on the matter.
Calculation of investment return	Accounting	Taxation
Calculation of investment income and capital gains	See "General Insurance".	See "Investments" section in General Insurance.
Calculation of investment income and capital gains	Accounting	Taxation
Actuarial reserves	Calculated on a statistical basis as established by specific standards approved by the Superintendency of Insurance and Reinsurance.	Allowed in full.
Acquisition expenses	Fully charged in year accrued.	Follows accounting treatment. Expenses can be deducted only if they are taxable for the counterpart. If the counterpart's tax rate is lower, pro-rating must be applied (except for personal services).
Gains and losses on investments	Included in a P&L when accrued.	Follows accounting treatment.
Reserves against market losses on investments	See "General Insurance" section "Investment reserves".	See "General Insurance" section "Investment reserves".
Dividend income	Included in gross income.	Dividends derived from capital participations are taxable at 7% when generated in fiscal years beginning 1 July 2007.
Policyholder bonuses	No special disclosure.	Tax-deductible.
Other special deductions	No special disclosure.	Deductibility depends on the kind of expenses. See general criteria in section "acquisition expenses".

Life insurance – overview (continued)

Reinsurance	Accounting	Taxation
Reinsurance premiums and claims	Reinsurance premiums accrued are deducted from gross premiums. Reinsurance claims recoveries are netted against claims incurred.	Follows accounting treatment. Premiums paid to group companies should be at arm's length. Reinsurance premiums are subject to general income tax withholding if the covered risk is located in Uruguay. Non-residents income tax (IRNR) taxes reinsurance premiums: 0.75% life. Income tax, withholding tax, and VAT withholding also apply to reinsurance premiums related to such risks.
Mutual companies/ stock companies	Accounting	Taxation
Mutual Companies	No special treatment.	No special treatment.

Life insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	5 years carry forward (no carry back), for fiscal years beginning 1 July 2007.
Foreign branch income	Source of income principle applies. Foreign source income not taxable.
Domestic branch income	Calculated under ordinary rules based on branch accounts. Currently the tax rate is 25%.
Corporate tax rate	Currently the tax rate is 25%.
Policyholder taxation	Taxation
Deductibility of premiums	No deductibles on Personal income tax in Uruguay (IRPF).
Interest build-up	Taxable by Personal Income tax in Uruguay. Rate 12%.
Proceeds during lifetime	The interest included is taxable by Personal income tax in Uruguay. Rate 12%.
Proceeds on death	Not taxable by Personal Income tax in Uruguay.
Other tax features	Taxation
Premium taxes	Currently the tax rate is 0%.
Capital taxes and taxes on securities	Net worth tax is levied annually on all assets located, placed or economically used in Uruguay, less some specific liabilities. Insurance reserves can be deducted in full, according to Law Nr. 16, 736 in force since 1996. The tax rate for corporations is 1.5%.
Captive insurance companies	All companies, resident or non-resident, are taxed on their Uruguayan source income.
Value added tax (VAT)	VAT of 22% is exempted on policies covering risks of death, disablement, personal injury and age-related.

Contact person Uruguay

Gabriel González

Tel.: +598 291 60463

Email: gonzalez.gabriel@uy.pwc.com

