



URUGUAY

International Comparison of Insurance Taxation

October 2007



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Uruguay – General Insurance

1 Definition

Definition of property and casualty insurance company

Accounting

A company that carries on property and casualty insurance that is subject to insurance legislation.

Taxation

Not defined by tax legislation.

2 Commercial accounts/ Tax and Regulatory returns

Basis for the company's commercial accounts

Accounting

Accounting standards are set out by the regulatory authority (Superintendency of Insurance and Reinsurance).

Taxation

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.

Separate annual tax return required by tax authorities for general income tax and net worth tax.
Tax returns must be filed monthly. For other taxes such as value added tax (VAT), insurance company, income tax on reinsurance and other taxes applicable to the insurance business.



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Uruguay – General Insurance (continued)

3 Technical reserves/ Equalisation reserves	Accounting	Taxation
Unearned premium reserves (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 ended after 01/01/99.
Claims incurred but not reported (IBNR)	Calculated taking into account the Insufficient Calculation Reserve.	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/catastrophe reserves	N/A.	N/A.
4 Expenses/Refunds	Accounting	Taxation
Acquisition expenses	Fully charged in year accrued.	Follows accounting treatment. The Tax Reform introduces the following condition: 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).



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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.
5 Investments	Accounting	Taxation
Gains and losses on investments	Included in P&L when accrued.	Follows accounting treatment.
Investment reserves	Not applicable.	Not applicable.
Investment income	Included in P&L.	Included in taxable income.
6 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 Tax Reform introduces the Non-Residents Income Tax (IRNR) that taxes reinsurance premiums. Income tax, withholding tax, and VAT withholding also apply to reinsurance premiums related to such risks.
7 Mutual companies	Accounting	Taxation
Mutual companies (all profits returned to members)	No special treatment.	No special treatment.



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Uruguay – Other Tax Features

8 Further corporate tax features

Loss carry-overs

Taxation

Three-year carry-forward. No carry-back. With the Tax Reform this changes to a five-year carry-forward, 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 30%, but for fiscal years beginning 1 July 2007, the tax rate will be 25%.

Corporate tax rate

Currently the tax rate is 30%. But for the fiscal years beginning 1 July 2007, the tax rate will be 25%.

9 Other tax features

Premium taxes

Taxation

The income tax is levied monthly on gross premiums that are Uruguayan-sourced. Rates are 5% for general business, 2% for marine, 15% for fire and 7.5% for automobiles.

Nonresident reinsurers pay an effective rate of 2% for Uruguayan-sourced covered risks except for Uruguayan source marine operations, which have an effective tax rate of 0.8%.

Capital taxes

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 Nbr. 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.



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Uruguay – Life Insurance

1 Definition Definition of life assurance companies	Accounting A company that carries on life insurance business subject to insurance legislation.	Taxation Not defined by tax legislation.
2 Commercial accounts/ Tax and regulatory returns Basis for the company's commercial accounts	Accounting See General Insurance.	Taxation See General Insurance.
Regulatory return	See General Insurance.	See General Insurance.
Tax return	See General Insurance.	See General Insurance.
3 General approach to calculation of income Allocation of income between shareholders and policyholders	Accounting Regulated by the terms established in the policy.	Taxation No tax rules on the matter.
4 Calculation of investment return Calculation of investment income and capital gains	Accounting See General Insurance.	Taxation See General Insurance.



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Uruguay – Life Insurance (continued)

5 Calculation of underwriting profits or total income	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	See General Insurance.	See General Insurance.
Gains and losses on investments	See General Insurance.	See General Insurance.
Reserves against market losses on investments	See General Insurance.	See General Insurance.
Dividend income	Included in gross income.	Dividends derived from capital participations are tax-exempt.
Policyholder bonuses	No special disclosure.	Tax-deductible.
Other special deductions	No special disclosure.	Deductibility depends on kind of expense.
6 Reinsurance	Accounting	Taxation
Reinsurance	See General Insurance.	See General Insurance.
7 Mutual companies/Stock companies	Accounting	Taxation
Mutual companies	See General Insurance.	See General Insurance.



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Uruguay – Other Tax Features

8 Further corporate tax features

Loss carry-overs

Taxation

See General Insurance.

Foreign branch income

See General Insurance.

Domestic branch income

See General insurance.

Corporate tax rate

See General Insurance.

9 Policyholder taxation

Deductibility of premiums

Taxation

No personal income tax in Uruguay.

Interest build-up

No personal income tax in Uruguay.

Proceeds during lifetime

No personal income tax in Uruguay.

Proceeds on death

No personal income tax in Uruguay.



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Uruguay – Other Tax Features *(continued)*

10 Other tax features

Premium taxes

Taxation

The income tax is levied at 0.5% on Uruguayan source gross premiums collected by resident companies. Uruguayan source premiums collected by nonresident companies (reinsurers) are taxed at an effective rate of 0.2%.

The VAT of 23% is exempted on policies covering risks of death, disablement, personal injury and age-related.

Capital taxes

See General Insurance.

Captive insurance companies

See General Insurance.



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