Articles

National tax measures adopted in response to COVID-19 crisis: Uruguay

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Abstract**

This national report provides a general overview of the tax measures that have been adopted in Uruguay in response to the health and economic crisis caused by the COVID-19 pandemic. The state of national health emergency due to the COVID-19 outbreak was declared on 13 March 2020, just a few days after a new president began his mandate. Different health, social and economic measures, including in the tax area, have been taken since then. The balance between the protection of human health, the minimization of social and economic distortions and the respect for human rights has guided the Uruguayan strategy. Measures adopted - praised for being timely - have accompanied the evolution of the pandemic. The spread of the virus has been under control from the beginning and the "engines" of the economy have been kept working, even if this meant, at their minimum level. Those sectors of the economy, where activities had been suspended, have

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** The report has been prepared in October 2020, and therefore it reflects the state of play at and the measures adopted until that time. Since then, additional tax measures have been taken and, as per the summer season, some have targeted the promotion of internal tourism (a 9% VAT reduction on the provision of certain services related to the sector, the extension of the 0% VAT regime for accommodation services provided to residents, income tax exemptions for summer rental income). As of December 2020, COVID-19 cases have increased in the country – actually Uruguay is said to be experiencing its "first wave" – and a bill is being discussed to temporarily prohibit crowds and, until 10 January, the entrance of persons to the country.

gradually returned to a "new" normality, i.e. under specific health protocols. As a result, the effects of the crisis have been minimized as far as possible and the Uruguayan case has stood out in Latin America and worldwide.

KEYWORDS

Uruguay – COVID-19 – Pandemic – Economic crisis – Economic recovery – Tax measures

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Abbreviations

BPS *Banco de Previsión Social* (Social Security Bank)
DGI *Dirección General Impositiva* (Tax General Directorate)
IASS *Impuesto de Asistencia a la Seguridad Social* (Social Security Assistance Tax)
IRNR *Impuesto a las Rentas de los No Residentes* (income tax on non-residents)
IRPF *Impuesto a las Rentas de las Personas Físicas* (income tax on resident individuals)
SSC social security contributions
UI Unidades Indexadas
UYU Uruguayan pesos

Part I Introduction: General Overview

1. Declaration of the state of national health emergency

On 11 March 2020 the World Health Organization characterized the COVID-19 outbreak as a pandemic. A couple of days later, on 13 March, the first four cases of infected persons were detected in Uruguay and the executive branch immediately declared the state of national health emergency due to the pandemic originated by the COVID-19 virus (coronavirus)[1].

It is worth mentioning that a new government took office on 1 March 2020 with the promise to recover from the fiscal deficit of 4.7 per cent of the gross domestic product registered in 2019. In this context, the unexpected COVID-19 outbreak defied even more the novel government. Despite this complex scenario, the handling of the crisis has been so far successful, its effects have been minimized as far as possible and the Uruguayan case has stood out in Latin America and worldwide. In fact, it is the only Latin American country for which travel restrictions at the EU external borders have been lifted[2].

2. Health, social and economic effects

To prevent the spread of the virus, among the first measures adopted were: the suspension of entertainment events – currently authorized if in compliance with health protocols specially established for this economic sector[3] – and the preventive temporal closure of thermal touristic centers – restriction already lifted[4]. Employers were encouraged to promote, when possible, on line work and lectures delivered at education centers were suspended[5]. What is more, during the so-called "Tourism Week"[6], vacation resorts, camping sites, etc., were specifically addressed by temporarily closing public ones and encouraging private owners to follow the same path[7]. What is more, during that week, Uruguayan citizens and residents in the country were forbidden to travel abroad for vacations[8].

Though no lockdowns have been imposed, the government has encouraged the population to stay home as much as possible and to avoid crowds. In response, the population have showed great consciousness and responsibility by complying with these recommendations. However, compulsory isolation for, at least, 7 to 14 days have been mandatory

1 Decree No 93/020 of 13 March 2020.

2 European Commission, 'Travel during the coronavirus pandemic' <https://ec.europa.eu/info/live-work-travel-eu/health/coronavirus-response/travel-during-coronavirus-pandemic_en> accessed 9 October 2020.

3 Decree No 182/020 of 24 June 2020.

4 Decree No 197.020 of 15 June 2020.

5 Decree No 101/020 of 16 March 2020.

6 The Tourism, Holy or Eastern Week started on 5 April 2020 and finished on 12 April 2020.

7 Decree No 112/020 of 31 March 0.

8 Decree No 105/020 of 24 March 2020.

under certain circumstances (basically, if infected with the virus, in direct contact with infected people, or arriving in the country)[9].

Furthermore, borders have been temporarily closed, except for, and in general[10], Uruguayan citizens and residents in the country. Those abroad, when the state of emergency was declared, were assisted by the government to return home and every effort possible was made to help people "trapped" in the region return to their home countries; in this regard, the assistance given to the crew and passengers of the Greg Mortimer cruise[11] clearly illustrates those humanitarian efforts. Additionally, specific measures were adopted – in consensus with the Brazilian authorities - to tackle the situation of inhabitants living in cities located at the dry border with Brazil in order to minimize the effects on their daily life[12].

"[A]ction must be taken in a consensual, transparent and responsible manner to avoid the spread of COVID-19, seeking a balance between the protection of human health, the minimization of social and economic distortions, and the respect for human rights", our translation; this phrase that belongs to the preliminary considerations of the decree declaring the state of national health emergency, reflects the guidelines followed by the government in addressing the COVID-19 crisis. In this sense, and as repeatedly mentioned by the authorities, the Uruguayans' health has been the priority but simultaneously, efforts have also been made on keeping the "engines" of the Uruguayan economy working, even if this meant, at their lowest level.

Despite being Uruguay a relatively small country of approximately 3.5 million inhabitants, its particular geographical location – between Argentina and Brazil, where the pandemic is having a great impact in terms of casualties and affected population – makes the scenario quite complex. Fortunately, and at least for now, Uruguay has been successful in controlling the spread of the virus, and the case has caught worldwide attention. Officially, since the declaration of the state of emergency, 259.772 tests have been processed of which 2.251 have been positive for COVID-19. While 1.971 of those positive cases have already recovered, unfortunately 49 deaths have been reported[13].

One of the aspects that has probably played an important role in the fight against the pandemic is the good connectivity, digital infrastructure and access to the Internet by most

[9] Decree No 93/020 of 13 March 2020, Decree No 94/020 of 13 March 2020, Decree No 102/020 of 19 March 2020, Decree No 104/020 of 24 March 2020, Decree No 159/020 of 2 June 2020, and Decree 195/020 of 15 July 2020.

[10] Some other exceptions were established, e.g. diplomats, humanitarian corridors. See Decree No 104/020 of 24 March 2020. A second decree (Decree No 159/020 of 2 June 2020) added new exceptions, such as family reunification and temporary entries for employment purposes.

[11] For further details, see the official announcements at https://www.gub.uy/ministerio-relaciones-exteriores/comunicacion/comunicados.

[12] Decree No 103/020 of 23 March 202.

[13] These numbers correspond to the official data released on 9 October 2020; Presidencia, 'Sistema Nacional de Emergencias reportó 285 personas con COVID-19' (9 October 2020) <https://www.presidencia.gub.uy/comunicacion/comunicacionnoticias/informe-sinae-covid-09-10-20> accessed 9 October 2020.

part of the population that exists in Uruguay[14]. Additionally, it is worth mentioning the positive effects derived from the 'Plan Ceibal'[15] and the 'Plan Ibirapitá'[16] that have been promoting, respectively, the digital inclusion of school children ("one laptop per child") since 2007 and of retired people since 2015[17].

The COVID-19 pandemic has also accelerated some digital phenomena, including regulation. For instance, Law No 19.869 of 2 April 2020 was enacted establishing "general guidelines" for the implementation and development of the telemedicine, and Decree No 208/020 of 23 July 2020 updated the legislation on the constitution, organization and functioning of the cooperative sector in conformity with information and communication technologies.

Part II Tax measures adopted

1. Direct tax measures

Law No 19.874 of 8 April 2020 created the "COVID-19 Solidarity Fund" to finance public activities aimed at (i) the protection of the population during the state of health emergency, (ii) supporting the Public Health Ministry and other public health suppliers, and (iii) paying health and unemployment insurances served by the Social Security Bank (BPS, as per the Spanish abbreviation, Banco de Previsión Social).

This law also created two temporary taxes, the "COVID-19 Health Emergency Tax", and an additional tax to the "Social Security Assistance Tax" (IASS, as per the Spanish abbreviation, Impuesto de Asistencia a la Seguridad Social) that is imposed on income originated in pensions and other similar remuneration[18]. Both taxes were in force in April and May[19]. The COVID-19 tax was imposed on income obtained by public employees and other state suppliers – excluding those participating, directly or indirectly, in the health care activity – when the monthly net amount received exceeded UYU 80.000[20]. Revenue from said tax was destined to the COVID-19 Solidarity Fund. Meanwhile the IASS additional tax,

[14] See CEPAL, 'Universalizar el acceso a las tecnologías digitales para enfrentar los efectos del COVID-19' (26 August 2020) <https://www.cepal.org/es/publicaciones/45938-universalizar-acceso-tecnologias-digitales-enfrentar-efectos-covid-19> accessed 9 October 2020.

[15] Plan Ceibal, 'Acerca del Plan Ceibal' < https://www.ceibal.edu.uy/es/institucional> accessed 9 October 2020.

[16] Plan Ibirapitá, 'Acerca del Programa Ibirapitá' <https://ibirapita.org.uy/acerca-del-programa-ibirapita/> accessed 9 October 2020.

[17] RFI, 'En Uruguay, les élèves confinés bénéficient d'une politique d'éducation virtuelle unique' (26 March 2020) <https://www.rfi.fr/fr/am%C3%A9riques/20200326-uruguay-%C3%A9l%C3%A8ves-confin%C3%A9s-b%C3%A9n%C3%A9ficient-politique-%C3%A9ducation-virtuelle-unique> accessed 9 October 2020.

[18] Decree No 133/020 of 24 April 2020 < and Resolution (DGI) No 741/2020 of 27 April 2020.

[19] The two-month extension foreseen by the law had finally no application.

[20] On 30 April 2020, USD 1.893.

imposed on pensions and similar retributions, applied on monthly net amounts over UYU 100.000[21] and the revenue was destined to finance the Social Security Bank.
The COVID-19 fund also received a contribution from the agriculture and livestock sector – except for family producers and small milk and cheese producers. Indeed, this sector renounced for a whole year to a quarterly tax credit that it is regularly granted, being the equivalent amount transferred to the COVID-19 fund[22].
The unemployment rate in Uruguay, which was 8.9 per cent in 2019, rose to 10.6 per cent in July 2020[23]. To fight unemployment, measures such as the exemption of social security contributions (hereinafter, SSC) were granted to more vulnerable economic agents. In March and April, a 40 per cent exemption was granted in relation to SSC corresponding to the owners of one-person-businesses and the members of partnerships or cooperatives that did not register more than 10 employees in March. An exemption of 40 per cent was also granted to taxpayers under the Monotributo and Monotributo Social MIDES, two simplified optional regimes destined to taxpayers of small economic size which unify in one contribution both SSC and national taxes. For the remaining non-exempt 60 per cent, payment facilities were established[24]. Meanwhile, based on the power given by Law No 19.893 of 19 August 2020, the executive branch exempted businesses providing school transport services from paying the employer contribution to finance the state social security system, during the period 1 April 2020 - 31 March 2021[25]. Law No 19.898 of 28 August 2020 empowers the executive branch to grant businesses proving school canteen services the same benefit; however, a decree establishing such exemption has not been issued yet[26]. A new bill[27] recently presented intends to empower the executive branch to also grant this benefit to other business activities: the organization of parties and events and the land transport of tourists and guided tours.
Meanwhile, workers in the construction sector – a sector paralyzed during the first weeks after the declaration of the state of national health emergency – received an extraordinary payment in March[28]. Population above 65 years old and still active that could not telework but, following the recommendations, stayed at home during the state of health emergency

[21] On 30 April 2020, USD 2.366.

[22] Law No 19.878 of 22 April 2020, Decree No 164.020 of 11 June 2020 and Resolution (DGI) No 1078/2020 of 17 June 2020.

[23] Instituto Nacional de Estadística, 'Boletín Técnico' (July 2020) <http://www.ine.gub.uy/documents/10181/30865/Actividad%2C+Empleo+y+Desempleo+Julio+2020/2cbfbb74-76e1-4ac0-9d20-ce33012d8975> accessed 9 October 2020.

[24] Law No 19.872 of 3 April 2020 and Law No 19.876 of 22 April 2020.

[25] Decree No 259/020 of 18 September 2020.

[26] Law No 19.898 of 28 August 2020.

[27] Bill of 30 September 2020.

[28] Decree No 108/020 of 24 March 2020.

was granted the right to benefit from the statutory health insurance until 31 August 2020[29]. Moreover, and seeking "to maintain the productive sector and the value chains, supporting most vulnerable small businesses", owners of one-person businesses and each of the members of partnerships with no employees under the Monotributo Social MIDES, were granted a monthly subsidy from April to July[30]. For businesses under the optional tax regime IVA mínimo (businesses with annual turnover up to UI 305.000[31]) it was established that monthly payments – a fixed notional amount determined annually – will be due only when income is accrued[32].

A monthly subsidy was also granted for June and July 2020 to national artists; indeed, as mentioned, the prohibition to carry out entertainment events – one of the first measures adopted – was lifted in June, subjecting the activities to a strict health protocol and, therefore, to extraordinary expenses in prevention[33].

Another measure taken[34] has been to grant unemployed private workers – with a rental contract guaranteed by the Contaduría General de la Nación[35] – a non-refundable state contribution up to 50 per cent of the rental fee. Furthermore, the executive branch encouraged public companies to suspend cuts in the provision of public services such as electric power supply and telecommunication services to residential users and small businesses in the event of non-payment[36].

To promote the maintenance and creation of employment, businesses re-hiring former employees or hiring new personnel were granted a non-refundable state contribution per worker for three months. To qualify for this benefit, the recruitment had to have occurred between 1 July and 30 September 2020[37].

Furthermore, and also to boost employment and generate positive externalities, Decree No 138/020 of 29 April 2020 promoted projects of large economic dimension – i.e. of at least UI 60 million[38] – related to the construction of offices or houses for sale or rental, and of private land development initiatives. This special regime applies to projects presented before December 2021 and comprises investment executed before April 2025. It grants

[29] Decree No 109/020 of 25 March 2020, Decree No 132/020 of 24 April 2020, Decree No 149/020 of 26 May 2020, Decree No 191/020 of 7 July 2020 and Decree No 233/020 of 17 August 2020.

[30] Law No 19.877 of 28 April 2020 and Decree No 185/020 of 29 June 2020 .

[31] Unidad Indexada. The UI is a unit of value that is adjusted according to the inflation measured by the Consumer Price Index. On 1 January 2020, UI 305.000 were equivalent to USD 35.828.

[32] Decree No 224/020 of 12 August 2020.

[33] Decree No 192/020 of 7 July 2020.

[34] Decree No 142/020 of 21 May 2020.

[35] This organism within the Ministry of Economic and Finance has among other tasks, the coordination and administration of the state guarantee in rental contracts for housing purposes.

[36] Decree No 119/020 of 6 April 2020 and Decree No 120/020 of 6 April 2020.

[37] Decree No 190/020 of 1 July 2020 and Decree No 219/020 of 7 August 2020.

[38] On 9 October 2020, equivalent to USD 6.65 million.

a corporate income tax exemption of 15 to 40 per cent of the investment amount, and a wealth tax exemption on real estate for 8 or 10 years depending on the geographical location. It also grants a VAT and custom duties exemption on imports of equipment and materials destined to the project and a VAT credit on local purchases.

Additionally, amendments to an existing special investment regime have been introduced. Under this regime companies whose investment projects are promoted by the executive branch are granted attractive tax benefits in the field of corporate income tax, wealth tax, import taxes and duties and VAT[39].

2. Indirect tax measures

To support the export sector, and recognizing the unexpected decline in the international demand, deadlines for the reshipment of stocks of goods under the temporary admission regime (i.e. tax and duty-free entry of goods for subsequent reshipment) occurring this year, i.e. 2020, have been postponed 18 months[40]. Similarly, an extraordinary extension of 12 months was granted to stocks of goods under the so-called “custom deposit regime” (i.e. duty and tax-free entry of goods for subsequent inclusion in other custom regime, reshipment or re-export)[41].

In order to equip the health system with medical inputs and equipment for a potential increase in the number of infections among the population, the Ministry of Economy and Finance issued a resolution on 24 March establishing a list of goods (e.g. sanitizing gel, masks, oxygen, ventilators, beds for intensive therapy centers) that can benefit from the “assistance and rescue shipments” special custom regime. This regime, under the Uruguayan Custom Code, allows the tax and duty-free import or export of goods destined to help victims of an emergency situation or catastrophe. Additionally, a “fast track” for administrative purposes was established.

Other legislation was introduced in order to address specific sectors which have been affected by the contraction in international demand[42].

3. Procedural tax aspects

Law No 19.879 of 30 April 2020 declared as from 14 March 2020[43], an “Extraordinary Jurisdictional Break” for all procedures at the judicial branch and the High Administrative Court (Tribunal de lo Contencioso Administrativo). During this break, all time periods related to jurisdictional procedures were suspended. The High Supreme Court (Suprema Corte de

[39] Decree No 151/020 of 26 May 2020 and Decree No 268/020 of 30 September 2020.

[40] Decree No 137/020 of 29 April 2020.

[41] Decree No 177/020 of 23 June 2020.

[42] Decree No 209/020 of 29 July 2020, Decree No 239/020 of 26 August 2020 and Decree No 269/020 of 30 September 2020.

[43] Note that the beginning of the break has not been established as from the day of declaration of the state of national health emergency, but from the following day.

Justicia) and the High Administrative Court were, respectively, commended to declare the end of said break in view of the state of health emergency, the possibilities for the normal rendering of services and the effective access to justice. The end of this break was declared from 15 May by the High Supreme Court[44] and from 1 June by the High Administrative Court[45].

As for the activities at the Tax Administration office or DGI (as per its Spanish abbreviation, Dirección General Impositiva), means of remote communication with taxpayers had already been implemented before the COVID-19 outbreak as part of the e-government agenda. Due to the pandemic, digital procedures were reinforced and taxpayers have been encouraged to resort to them[46]. However, in site assistance has not been suspended, but the time schedule reduced, and, in particular, the annual campaign to assist taxpayers in preparing their annual personal income tax returns has been carried out successfully under the health protocols established for this purpose.

The Uruguayan Tax Code establishes that DGI may grant extensions and payment facilities when tax obligations cannot be fulfilled. As the pandemic has posed difficulties on taxpayers to comply with their tax obligations, the DGI has been issuing resolutions[47] extending deadlines originally set for complying with tax obligations in relation to the presentation of tax returns and the completion of payments. Additionally, other resolutions stipulated the fractioning of tax payments without charging interests.

Among others, different facilities were given on corporate income tax and wealth tax annual payments, and monthly advance payments. These facilities were established in accordance to taxpayers' annual turnover. Extensions for complying with other requirements (e.g. the presentation of annual audit reports[48]) were granted and withholding obligations were also differed under certain circumstances[49].

Deadlines for the provision of information in relation to equity participations holders and ultimate beneficial owners were suspended from 13 March to 15 August[50]. Indeed, social distancing, limited access to public and private entities and closure of borders may have interfered in the completion of the procedures necessary to obtain and communicate the required information and non-compliance may have triggered sanctions, such as fines, the suspension of the annual certificate issued by the Tax Administration - with severe con-

44 7°, Resolution S.C.J. No 29/2020 of 30 April 2020.

45 Acordada No 11 of 27 May 2020.

46 See, e.g. DGI, 'Expedientes administrativos' <https://www.dgi.gub.uy/wdgi/page?2,principal,_Ampliacion,O,es,0,PAG;CONC;40;1;D;expedientes-administrativos;3;PAG;> accessed 9 October 2020.

47 Resolutions (DGI) No 550/2020 of 20 March, No 707/2020 of 20 April 2020, No 718/2020 of 21 April 2020, No 898/2020 of 20 May 2020, No 1089/2020 of 18 June 2020, No 1251/2020 of 16 July 2020, No 1626/2020 of 8 September 2020, No 1785/2020 of 28 September 2020.

48 Resolution (DGI) No 665/2020 of 3 April 2020.

49 Decree No 128/020 of 15 April 2020 and Decree No 154/020 of 1 June 2020.

50 Law No 19.885 of 4 June 2020 and Decree No 193/020 of 15 July 2020.

sequences for the daily operation of businesses -, the prohibition to distribute profits and the exclusion of stakeholders.

For similar reasons, other deadlines for complying with procedural obligations have also been postponed or the procedures themselves, simplified[51].

4. International tax aspects

The Uruguayan tax authority has made no statement in relation to the international effects – i.e. basically, worldwide lockdowns and restrictions on international travel – of the COVID-19 crisis on the status of resident (either for individuals or businesses), the creation of a permanent establishment, or the tax treatment of cross-border workers. Neither from a domestic nor tax treaty perspective.

However, new legislation has been issued on the configuration of the Uruguayan tax residence for individuals under the domestic legislation. Though the new legislation follows the general economic policy of promotion of inbound investment and generation of employment announced by the new government, and probably would have been enacted independently of the COVID-19 crisis, its effects will probably be potentiated by the good management of the crisis registered in Uruguay, free of imposition of severe restrictions and lockdowns and therefore, attractive to foreigners who bear severe restrictions in their home countries.

In this regard, two new hypotheses for the acquisition of the status of tax resident in the country by individuals under the already existing "economic interests" criterion[52] were introduced in June 2020. The reason: the promotion of inbound investment by offering a "country of opportunities" for "personal and economic purposes"[53]. Indeed, individuals investing, as of 1 July 2020 (i) at least, UI 3.5 million – approximately USD 345.000 – in real estate situated in Uruguay and reporting, at least, 60 days of physical presence in the country in the calendar year, or (ii) directly or indirectly, at least, UI 15 million in a local business and generating, at least, 15 new full-time jobs during the year, will be considered Uruguayan residents. In relation to this last condition, new full-time employment generated must not imply a decrease in jobs in related companies.

Furthermore, and under the same arguments, Law No 19.904 of 18 September 2020 extended the tax holidays being granted, since 2011, to those individuals acquiring the status

[51] Resolution (DGI) No 632/2020 of 30 March 2020, Resolution (DGI) No 964/2020 of 29 May 2020 and Resolution (DGI) No 1716/2020 of 21 September 2020.

[52] It is important to share the definition of fiscal residence according to the Uruguayan legislation. In this sense, it is understood that a natural person is resident in Uruguay if he/she fulfills any of the following hypotheses: (i) stays within the Uruguayan territory for more than 183 days during the calendar year, (ii) establishes within the mentioned territory the principal nucleus or the base of his/her activities or his/her economic or vital interests.

[53] Decree No 163/020 of 11 June 2020 and No 174/020 of 17 June 2020.

of resident in Uruguay[54]. The original benefit offered an individual the one-time option to pay the personal income tax on non-residents (IRNR, as per the Spanish abbreviation, Impuesto a las Rentas de los No Residentes), within a six-year period (including the year in which the change of status was verified). Therefore, within this period, individuals acquiring the Uruguayan resident-status were not taxed on, otherwise, taxable foreign-source income. The new law makes some amendments by establishing that as from the calendar year 2020, individuals acquiring the Uruguayan resident-status, can opt to either (i) pay the IRNR for an eleven-year period (including the year in which the change of status is verified)[55], or (ii) the personal income tax on resident individuals (IRPF, as per the Spanish abbreviation, Impuesto a las Rentas de las Personas Físicas) at a tax rate of 7 per cent (instead of the general 12 per cent tax rate on taxable foreign-source income).

Part III Final comments and prospective tax measures

The Government has not enacted a recovery plan; however, since the beginning of the state of national health emergency, measures have been carefully studied before being introduced and, as stated, have accompanied the evolution of the pandemic and the gradual restart of economic activities. In relation to the tourism sector, one of the main economic sectors in the country, the effects of the health crisis have been particularly severe. Indeed, restrictions to inbound travel for tourism are still in force - particularly because of the health situation in neighboring countries. Nevertheless, the Uruguayan government is particularly committed to lifting these restrictions for Europeans; indeed, as mentioned in the introduction to this contribution, Europe has lifted travel restrictions for a few countries, including Uruguay, and currently Uruguayans are allowed to travel and enter Europe for vacation purposes. The government has announced that a decision on this regard will be taken by the end of October.

It is unlikely that due to the COVID-19 new taxes are introduced; indeed, as declared by the President, the government is committed to keeping its electoral promise of not in-

[54] In general, the Uruguayan tax system adheres exclusively to the source principle, therefore, taxing Uruguayan-source income obtained by both resident and non-resident taxpayers. However, there is an exception to the application of the source principle under the personal income tax law as the worldwide principle applies to certain items of income. In effect, since 1 January 2011, under the personal income tax on residents (IRPF) resident individuals have been taxed on the worldwide income they obtain from movable capital "originated in deposits, loans, and in general in all placement of capital or of credit of any nature" at a tax rate of 12 per cent. Therefore, income such as interests and dividends, is taxable on a worldwide basis; other type of income, e.g. capital gains, pensions, rents, is taxable if Uruguayan-sourced. In this regard, domestic legislation defines "Uruguayan-source income" as income derived from activities developed, assets located or rights economically used within the Uruguayan territory.

[55] Based on the second phrase of Article 4(1) of the OECD (and the UN) model convention and its commentary, this option may have some implications on the application of double tax treaties.

creasing the tax burden, which, additionally, is considered to harm the functioning of the "engines" of the economy.

Recognizing the devastating consequences of the crisis among the most vulnerable population that may have even lost its source of income, the executive branch presented a bill[56] in July that intends to improve the so-called Programa Uruguay Trabaja by broadening its scope, funding, and beneficiaries. This programme was created by Law No 18.240 of 17 December 2007 with the objective of promoting labor as a socio-educational factor among the most socio-economic vulnerable population.

Hopefully, the negative effects of the pandemic on the inter-annual variation of tax revenues have softened as from June (-3.4%), July (-0.3%), and August (-2.6%); the severest drop (-19.2 %) was registered in May 2020[57].

Following the international trend to move towards a green economy, it should be noted that Law No 19.889 of 9 July 2020[58] created the "Environment Ministry". Environmental issues were previously handled by the Ministry in charge of housing, land planning and environment (Ministerio de Vivienda, Ordenamiento Territorial y Medio Ambiente). The creation of a new Ministry is a sign of the prioritization of the subject and it seems reasonable to expect further actions with a regulatory purpose in this matter, including tax measures.

In relation to the direct and indirect tax challenges arising from the digitalization of the economy, specific provisions within the Uruguayan income tax and VAT systems apply to certain type of digital businesses[59]. So far, no official statement has been pronounced by the authorities in relation to the taxation of the digital economy and the different alternatives that are being discussed internationally.

Finally, the COVID-19 pandemic has brought uncertainty and unpredictability worldwide and each country's situation may rapidly vary, including the Uruguayan. Therefore, governments should remain vigilant, reacting and introducing timely measures that accompany the evolution of the health and economic situation as well as the specific country's characteristics.

[56] Bill of 15 July 2020.

[57] DGI, 'Informes mensuales de recaudación' <https://www.dgi.gub.uy/wdgi/page?2,principal,dgi--datos-y-series-estadisticas--informes-mensuales-de-la-recaudacion-2020,O,es,0,> accessed 9 October 2020.

[58] Articles 291 to 304 of Law No 19.889 of 9 July 2020.

[59] For further analysis, see Riccardi Sacchi, Andrea L., 'While in the quest for the Holy Grail… Uruguay is already taxing income from Uber and Netflix' (GLOBTAXGOV, 8 March 2019) <https://globtaxgov.weblog.leidenuniv.nl/category/andrea-laura-riccardi-sacchi/> accessed 9 October 2020; 'While still in the quest for the Holy Grail… is (tax) uncertainty all we have?' (GLOBTAXGOV, 15 September 2020) <https://globtaxgov.weblog.leidenuniv.nl/2020/09/15/while-still-in-the-quest-for-the-holy-grail-is-tax-uncertainty-all-we-have/> accessed 9 October 2020.

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