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- CORPORATE FINANCE
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***In Uruguay, investments in cleaner production are rewarded with tax breaks.***

***We advise the entrepreneur in the choice and combination of indicators that the company could compromise to submit an investment project in the COMAP.***

## Investment Promotion: Cleaner Production Indicator Specific Aspects to Consider in an Investment Project

In Uruguay the Investment Law No. 16.906/1998 grants tax exemptions for new investment projects. The project folder must be submitted in the Application Committee (COMAP) and fulfill a matrix of objectives and indicators which are laid down in the regulations (Decree 02/2012).

OBJECTIVE	INDICATOR	%
Employment	EAU / $\sqrt{EI_{IU}}$	30%
Decentralization	Montevideo: HDI Other department: DPI	15%
Exports Increase	$\frac{\text{Exports}_{(USD)}}{[0.2 \times (EI_{USD})^{2/3}]}$	15%
CP or R+D+i	1 point per 5%	20%
Sectorial	According to the Sector of Activity	20%

EAU: Employment Account Unit  
EI<sub>IU</sub>: Eligible Investment in millions of Indexed Units  
EI<sub>USD</sub>: Eligible Investment in millions of USD  
DPI: Departmental Poverty Index  
HDI: Human Development Index  
CP: Cleaner Production  
R+D + i: Research and Development and innovation

As seen in the Matrix, one of the objectives that companies might compromise is Cleaner Production (CP).

Nowadays, companies increasingly look for process improvements and energy consumption optimization, with the goal of achieving cost efficiency and contribute to environmental stewardship. In Uruguay, initiatives that pursue these goals are rewarded with tax breaks.

### Cleaner Production

The term Cleaner Production was defined by UNEP (United Nations Environment Programme) as: "The continuous application of an integrated environmental strategy to processes, products and services to increase efficiency and reduce risks to humans and the environment". This definition has been used as the working definition for the indicator of cleaner production.

In an investment project which will be submitted in COMAP, the following incorporations shall be counted as eligible investments under the Cleaner Production concept:

#### Assets:

- ◇ Electric utility vehicles.

- ◇ Electric forklifts.
- ◇ Photovoltaic solar panels and solar collectors.
- ◇ Windmills.
- ◇ Thermal generation equipment that replace fossil fuels.
- ◇ Steam generator replacement for fuel oil to gas more efficient equipment.
- ◇ Wood-burning boilers.
- ◇ Equipment power generation through cogeneration.
- ◇ LED lighting devices and capacitors.
- ◇ Electronic ballasts.

In the event that any of the aforementioned assets is mandatory for the development of the entrepreneurship (national or local regulations), it is not regarded as countable under this indicator.

Besides the aforementioned assets, an investment project, that generates externalities mentioned below, should achieve savings or efficiency above the minimum standards required by the regulations issued by national government agencies or departments. If there are no local regulations, it should do so over the internationally recognized standards. Furthermore, these externalities should be able to be effectively controlled and monitored in quantity level.

#### Externalities:

- ◇ Energy efficiency.
- ◇ Consumption savings in water, raw materials, supplies and waste.
- ◇ Internal recycling to save energy, water, waste and to improve product quality and environmental quality.
- ◇ Using the best available technology (BAT).
- ◇ Environmental improvement of air, water and soil quality.
- ◇ Keep human health.
- ◇ Changes in the products and processes aiming at improving quality.
- ◇ Other activities that generate positive impacts at a Cleaner Production level defined by COMAP.

Investments that are included in the indicator of Adaptation and/or Climate Change Mitigation (considered in the Sectorial Indicator and evaluated by the Ministry of Agriculture) will not be counted for this indicator.