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- CORPORATE FINANCE  
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*Law 18.795 of  
 "Promotion of Social  
 Interest Housing"  
 provides important  
 tax benefits for  
 construction,  
 refurbishment,  
 expansion or recycling of  
 this specific type of  
 housing.*

*Our firm provides  
 professional advice on  
 the analysis of the  
 project, the structuring  
 of the business, the  
 search for financing, as  
 well as the preparation  
 and presentation of the  
 project to the ANV in  
 order to obtain tax  
 benefits.*

## Real Estate Investment Promotion in Uruguay Incentives and Tax Benefits to the Social Interest Housing

The Law 18.795 of "Promotion of Social Interest Housing" provides important benefits for investments in the development of Social Interest Housing Projects.

Highlighting the granting of Tax Exemptions as well as the creation of a new Mortgage Credit Guarantee Fund.

### Promoted Activities

According to the Law investment projects for construction, refurbishment, expansion or recycling of buildings for social interest housing, both for sale and for rent, are included in this regime. It is also admitted the acquisition of this promoted housing for the subsequent rent.

### Characteristics and Requirements for Projects

In all cases it is considered:

i) Location in urban areas with existing infrastructure services, **differentiating and excluding areas regarded as high supply / demand**, ii) Specific technical requirements of habitability and hygiene, iii) Maximum and minimum areas of construction according to number of rooms, iv) Ceiling on the price of sale in certain areas, both in Montevideo and in the rest of the country, v) Minimum of 2 houses and maximum of 100 houses by project, though exceptional permissions are foreseen.

Renovation, expansion or recycling projects must also satisfy one of the following requirements:

i) Minimal increase of 25% of the square meters built by housing, ii) Minimal increase of 50% of the market value of each housing, iii) Increase in the number of housing units, iv) Technical requirements related to: excluded terminations, specific requirements for new construction, recycling, grounds, among others.

### Tax Benefits

*The Law seeks to promote investment and development of social housing providing similar benefits to the Investment Law in terms of incentives and tax exemptions.* According to this Law a new commission, called "CAIVIS" (Advisory Commission of Investment in Social Interest Housing) which will be the department in charge, jointly with the "ANV" (National Housing Agency), in charge of analyse and recommend the granting of the Promotional Declaration. The CAIVIS will have 20 working days for analyse each project while the ANV stated that they will act with agility despite not having a default deadline.

Tax benefits established by Law and Decree are:  
**Income Tax from Economic Activities (IRAE):**

- Exemption from income derived from the first disposal of promoted projects declared.
- In the case of housing for rent, exemption of 100% of the income in the case of areas identified by "MVOTMA" (Housing Ministry) or in case of using the "FGA" (Rent Guarantee Fund), from the fiscal year that ends the civil work and the following 9 years. The rest of the cases of rent the exception is the 40% of income generated for the same period.
- Full deduction of real estate acquisition costs of projects promoted for the purposes of determining the taxable income for the Income Tax.

**Equity Tax (IP):**

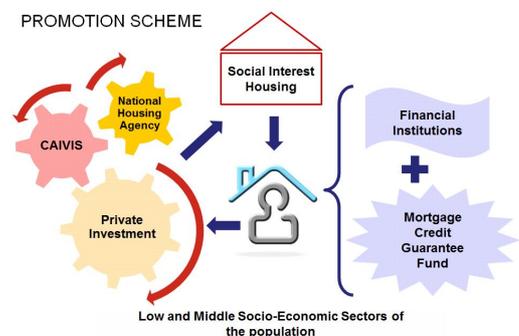
- Exemption of buildings whose construction, renovation, expansion or recycle has been declared promoted, from the beginning to the year that the civil work is completed. If the destination is the rent, it will be also exonerated the following 9 years, if it meets with certain rent periods.

**Value Added Tax (VAT):**

- Exemption of VAT income from the sale of construction, refurbishment and recycling of housing.
- Credit for VAT on purchases of goods and services to be incorporated in the civil works.
- Exemption of VAT for imported goods to be incorporated into the civil works.

**Property Transmissions Tax (ITP):**

- Exemption to the seller, the acquirer, or both, of the first transfer of real estate assets related to promoted initiative.



### Mortgage Credit Guarantee Fund

The Law also foresees the creation, in the ANV, of a Credit Guarantee Fund Mortgage that will aim to partially ensure the provision of credit -intended for the acquisition of a housing- above the amounts not currently guaranteed by banking institutions.