



**LAW N° 11.073 - JUNE 24, 1948 and modifications of law N° 16375 of May 21st. 1993.**

Art. 1 - Stock companies, the principal line on which is to effect directly or indirectly, for their own account or for the account of third parties, investments abroad, in securities, bonds, shares, certificates, debentures, drafts, personal or real properties, shall not:

- a) Issue their shares by means of public subscription or quote same on the stock exchange within the country;
- b) Utilize public savings or conduct operations of a banking nature, or of reciprocal credit or of capitalization;
- c) Create their assets of shares, debentures, corporate shares or other commercial documents issued by domestic firms other than those covered by this law;
- d) Create their assets of national real property. This prohibition does not apply to operations which have already been made at the date of the promulgation of this Law;

Art. 2 Nor may said companies conduct the following operations:

- a) Take part, for their own account or for account of third parties, in public or private lenders;
- b) Effect, for their own account or for account of third parties, stock exchange operations pertaining to properties which, in view of their nature, may not be included in the creation of their assets;
- c) Annually bring funds into the country, originating from their direct investments for a percentage exceeding 5% (five per cent) of their paid-up capital plus their reserve funds;



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- d) Bring funds originating from the sale of their foreign assets into the country;
- e) Intervene in the placing with the public of the public debt, shares, debentures or other commercial documents;
- f) Participate in the financing of public service enterprises in the country, regardless of the nationality or domicile of the holder of the service's concession;
- g) Contract any type of loan operation with the State, the Municipalities, Autonomous Entities or any other Public Organizations;
- h) In general, conduct operations relative to lending or investing, which imply the establishment of control over national enterprises.

Art. 3 Companies governed by this law, may not include in their portfolio -- for more than one fiscal year--, shares belonging to two or more foreign companies, whose principal industrial activities in the country of residence are the same, in a proportion larger than 30% (thirty per cent) of the capital of each one of the latter companies.

Art. 4 The Inspection of Finance, Banks and Stock Companies, when effecting the inspections of which it has charge, will endeavor especially to see that the provisions of this Law are complied with, notifying the Ministry of Finance of the infractions found.

Art. 5 Violations to provisions of Arts. 1. and 2. are liable to fines from \$ 1.000 (one thousand pesos) to \$ 10.000 (ten thousand pesos) to be applied by the Executive Power and in addition, the legal status of the company of the company may be revoked.



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Art. 6 As long as the Litigious-Administrative Court is not organized, action for illegality provided for in Arts. 270 cont. of the Constitution, will be brought before the Judges of the Treasury and Litigious-Administrative Matters of the capital.

Action will be directed towards obtaining the reversal of the impugned resolution or the corresponding civil reparation, or both, at the choice of the person concerned. Proceedings must be initiated within the peremptory period of twenty days after the resolution has been notified and will be the same as those for common trials of minor importance.

The Judge in charge of the lawsuit may, at any moment order the suspension of the reclaimed resolution, whenever its execution might produce irreparable damages.

The resource of free appeal against sentences of the first instance is open before the Appellate Court, whose sentence shall be final.

Art. 7 Companies governed by this Law, whose only assets in the Republic consist of shares in other companies of the same kind, of balances in current accounts for amounts of less than 10% (ten per cent) of their assets and/or of national public debt, mortgage or municipalities bonds, will pay as only tax, rate or contribution the tax in substitution of the inheritance, legacies and donations which will be calculated at a rate of 3‰ on their capital and reserve. To the capital issued in shares, debentures or bonds plus reserves, there will be added all that part of the demandable liabilities as well as the amount of the funds administered for account of third parties, exceeding twice the total capital issued in shares, debentures and reserves, for the purpose of calculating the capital subject to taxation.



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Said companies may consolidate their fiscal contribution to the State, by paying the 3‰ tax in a term of up to 15 (fifteen) years. In such a case, the company and the holders of the securities will be exempt from any modifications of the fiscal system which may take place during the term which they have consolidated.

The State may require the companies consolidating their fiscal contribution, to pay the corresponding sums in foreign currency. If so, it will agree with the companies upon the foreign currency in which the payment is to be effected, which will be calculated at the selling rate of exchange fixed by the Banco de la República (Bank of the Republic) for the free market. (Present wording, with modifications to Art. 7 of Law N° 12.276 of February 2, 1956)

Art. 8 If, during the term established in the preceding article, the taxable amount is subject to increases, the supplementary amounts which in each case have to be paid by the companies, will be liquidated on the basis of the consolidated rate of the percentage and taking into account the period of time to elapse for the expiration of the term of the advance, counting from the fiscal year during which the increase takes place.

If the taxable amount is reduced during the term of the consolidation, or if the company is liquidated before the termination of same, the tax paid will be considered as definitely collected by the State.

Art. 9 The companies to be organized for the purpose stipulated by this law, must expressly insert in their bylaws that they are subject to the stipulation of same.



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The companies already organized for the purpose stipulated by this Law, will have to adjust their bylaws to the system it establishes, within 180 days from the promulgation of the Law and will be given a 60 day period --following the approval of the reform of their bylaws-- to place their net worth in the conditions set forth by this Law.

Art. 10 The share of this type of companies, may not be given as guaranty, nor pledged to guarantee credits granted to their owners.

Art. 11 The proceeds from the 3‰ tax applicable to the companies covered by this Law, will be earmarked to General Taxes.

Art. 12 The Executive Power shall regulate the present Law.



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**MODIFICATIONS STATED BY LAW N° 16.170 OF  
DECEMBER 28th. 1990**

Companies ruled by law N° 11073 of June 24th. 1948, can perform commercial activities abroad on its own account or on behalf of third parties or for third parties.

**DECREE REGULATING LAW N° 11.073 OF JUNE 24, 1948  
REGARDING FINANCE INVESTMENT COMPANIES -  
OCTOBER 20, 1948**

Art. 1 Law N° 11.073 of June 24, 1948 includes :

- a) Every stock company which directly or indirectly, for its own account or for account of third parties or for third parties, invests in securities, bonds, debentures, shares, certificates, real or personal property, and has invested abroad 51% (fifty one per cent) of the working capital for its account and/or for the account of third parties.
- b) Every stock company which carries out the activities provided for in paragraph a) and the foreign earnings of which exceed 50% (fifty per cent) of its total income.

Art. 2 Those companies which are constituted under the purpose provided for by the Law herein regulated, shall state said purpose when applying for approval of the relevant bylaws before the Ministry of Finance.



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Art. 3 Cash accounts or foreign currency securities which companies may have with domestic or foreign banks or credit institutions, are not considered investments in the country provided that the free disposal of their holders within the Republic does not contravene the provisions set forth in Art. 2 (paragraphs c) and d) and Art. 7

Art. 4 The Inspection of Finance, Banks and Stock Companies shall control that assets, funds and foreign currencies which are part of their own working capital or that administered for account of third parties, be kept within the legal provisions. They shall also control that shares in portfolio of companies which in one same country carry out the same industrial activities, do not exceed 30% (thirty per cent) of the capital of each said companies.

Art. 5 For the conversion of foreign assets and funds mentioned in the former article into domestic currency, equivalencies and quotations established by the Banco de la República (Bank of Republic) in the free market, shall be taken as the basis for such conversion.

The same process shall be followed to calculate the capital when it is expressed in foreign currency in the bylaws.

The Inspection of Finance, Banks and Stock Companies shall request directly from the Banco de la República (Bank of the Republic), the pertinent information to which the corresponding conversion must be adjusted.

Art. 6 Those Finance Investment Companies abroad, whose working capital in the country is formed by shares of other companies governed by the Law regulated herein and/or settlements in current accounts, the



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amounts of which are less than 10% (ten per cent) of its working capital (Law, Art. 7), shall be able to consolidate their tax, paying only 3‰ on its capital and reserves, in a term of no more than 15 (fifteen) years.

Art. 7 The consolidation of the tax, does not exempt companies from social security contributions which must be paid to the Uruguayan entities.

Art. 8 The Inspection of Finance, Banks and Stock Companies shall carry out settlements, taking into account as taxable amount as per the Balance Sheet :

- a) Paid-up capital;
- b) Debentures and/or issued bonds;
- c) Reserves, regardless of their denomination;
- e) the surplus resulting when other accounts of the liabilities plus the amount of funds administered for the account of third parties, exceeds twice paid-up capital, debentures and/or issued securities and reserves.

Art. 9 The companies which are to pay the tax, shall present themselves before the General Bureau of Direct Taxes, declaring the number of years on which they want to effect payment.

Those companies, which are taking steps to amend their bylaws, shall proceed in the same way. They shall attach the receipt which certifies payment of the corresponding tax to the previous fiscal year and the last Balance Sheet of the Company.

The General Bureau of Direct Taxes shall immediately pass the report on to the Inspection of Finance, banks and Stock Companies,



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which shall effect the corresponding liquidation of the amount which must be paid on deposit.

Art. 10 Once the deposit of the consolidated tax has been made, companies shall present themselves before the Ministry of Finance in order to effect the final liquidation of foreign currency, stating in which currency or currencies payment of the tax may be effected.

In each case, the Executive Power shall determine if payment is to be effected in foreign currency and in the affirmative case, specify in which one.

Once the companies have submitted to the General Bureau of Direct Taxes the communiqué of the Banco de la República (Bank of the Republic) informing that the companies have sold the foreign currency equivalent to the amount of the tax to said institution, the General Bureau of Direct Taxes shall consider the deposit as final payment and the tax as consolidated.

Art. 11 Without prejudice to the terms of the preceding article, once the tax liquidation has been done by the Inspection of Finance, companies shall be able to appear before the Ministry of Finance in order to be informed in which currency the tax has to be paid.

If the Executive Power decides that payment shall be made in foreign currency, companies shall have to justify, before the General Bureau of Direct taxes, within the term of sixty days, that the Banco de la República (Bank of the Republic) has sold them the amount of the tax in the currency previously determined by the Executive Power. In this case, the General Bureau of Direct Taxes shall accept the payment in Uruguayan currency and shall draw up the receipt of payment and consolidation of the tax.



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- Art. 12 Investment companies constituted or in process of constitution, which want to consolidate the tax according to Art. 7 of the Law, shall be able to deposit the amount with the general Bureau of Direct Taxes based on the stock capital stated in the bylaws.
- Art. 13 If the taxable amount increases during the period corresponding to the consolidation of the tax paid, the Inspection of Finance, Banks and Stock Companies shall practice the complementary liquidations based on the consolidated percentage and according to the number of years that have not been taken into account, starting from the fiscal year when the increase has taken place.
- Art. 14 When the companies have paid the consolidated tax and during this period the consolidation of taxable amount is reduced, the amounts which have been already paid to the State, shall be considered as final payment.
- Art. 15 When the Finance Investment Companies governed by the Law herein regulated, proceed with their early dissolution, the moving of their legal head-office abroad and, in general, when any act provided for in the Law or bylaws imply that they are contravening the legal provisions which govern them, they shall notify the Executive Power within thirty (30) days thereof.
- The Executive Power shall immediately cancel the authorization granted to operate as a legal entity.



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Art. 16 The Inspection of Finance, Banks and Stock Companies shall carry out controls to the effect that Law N° 11.073 and this regulation be observed and it shall notify the cases when these are contravened to the Ministry of Finance.

Said inspection, shall carry a special registry to enter all data tending to the best control of the companies covered by said Law.

Art. 17 Sanctions provided for in Art. 5 the Law regulated herein, shall be applied to those companies which contravene the provisions of said Law, although they have not expressly stated that they would act within the limits of said legal rules.

Art. 18 Once a violation is found, those companies which have consolidated the tax and contravened Art. 7 of the Law, must pay the pertinent duties to register with the Public Registry of Commerce and all other taxes from which they had been exempted due to the tax consolidation.

Art. 19 Investment companies, at present established in the country under the limitations of Law N° 11.073, shall proceed with the amendment of their bylaws in order to adapt them to the new legal provisions. They shall present themselves before the Ministry of Finance before December 22, 1948.

Within sixty (60) days after approval of the bylaws by the Executive Power, they must adjust their assets in accordance with the conditions set forth on the Law.



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### **DECREE OF NOVEMBER 26, 1949**

In view of Art. 7 of Law Nº 11.073 of June 24, 1948 which sets forth that the State may require stock companies governed by said Law to consolidate their fiscal taxes in foreign currency :

Art. 1 The amount of the tax to be consolidated by stock companies under the provisions of Art. 7 of Law Nº 11.073 of June 24, 1948 shall be paid in US Dollars.

Art. 2 The General Bureau of Direct Taxes shall deliver a document to the interested parties, including the name of the company and the amount in Uruguayan Pesos of the tax for the number of years of the consolidation.

Said document shall be submitted to that Banco de la República (Bank of the Republic) to effect to payment in the foreign currency which will be calculated at the selling rate fixed by the Banco de la República (Bank of the Republic) for the free market.

Art. 3 The Banco de la República (Bank of the Republic), shall receive the amount is US Dollars and credit the equivalent in local currency at the rate established above, in a account denominated "Consolidation of tax Contribution of Finance Companies".

The Banco de la República (Bank of the Republic) shall issue a receipt in duplicate, which must be submitted by the interested parties to the General Bureau of Direct. Taxes.

Art. 4 The period for regularization of payment of the consolidated amount in foreign currency shall expire on December 31st.

Art. 5 This decree shall be published, etc. etc.



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### **DECREE OF SEPTEMBER 12, 1950**

- Art. 1 The Collection Office for Taxes on 'Ganancias Elevadas' (Oficina de Recaudación del Impuesto a las Ganancias Elevadas), shall practice the liquidation of the tax which replaces the Tax on Inheritance assigned to those companies governed by Law Nº 11.073 of June 24, 1948, on the basis of the general balance sheet corresponding to the end of each fiscal year.
- Art. 2 If necessary, according to the opinion of said collecting office, liquidations shall be made after previous verification of the commercial books of the companies subject to the tax, in order to verify that the figures resulting from the respective balance sheets are exact.
- Art. 3 To evaluate the portfolio assets and the funds managed for account of third parties, the following rules shall apply :
- a) The items entered in paragraphed books before June 24, 1948, shall not be modified;
  - b) The items entered in the books after June 24, 1948, shall be computed according to their sale price if purchased by a stockholder or bank.
  - c) The items entered after June 24, 1948 as capital contributions or through the purchase without intervention of brokers or banks shall be taken at their face value at the moment of incorporation into the company's assets. This value may be reduced by 10% (ten per cent) in case those items are subject to freeze, unavailability, prohibition of transfer of the values and/or dividends which affect the



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values or their earnings or if they are affected by an additional tax relative to the fact that they are owned by persons or companies domiciled abroad.

The same rule applies in those cases where credits have been capitalized in current accounts or other credit items which have been entered at any time after June 24, 1948 as counterpart to having entered referenced values into the assets.

In those cases where a reduction of 10% (ten per cent) referred to in the 1st section of the paragraph is admissible, the companies must justify the supporting circumstances by means of a declaration under oath before the collecting office mentioned in Art. 1.

d) If there are shares without nominal value in portfolio, the equivalent amount as that resulting from the profitability of same during the year previous to their entry will be computed, based on the rate of 5% (five per cent).

e) Items entered as payment of dividends on shares in portfolio or as capitalization of reserves, shall be computed according to the norms established under paragraphs c) and d) of this article, with the exception of those which may have been entered into the assets prior to the date of this decree which may not be modified.

Art. 4 As regards conversion of items or foreign funds in local currency the exchange rate applied will be determined by the Banco de la República (Bank of the Republic) based on the current market rate at the moment of their entry into company's assets.

Art. 5 This decree shall be published, etc. etc.

