URUGUAY APPROVES VAT EXEMPTION FOR TOURIST SERVICES



To boost tourism and support the local economy, Uruguay has announced a measure to exempt non-resident tourists from the Value Added Tax (VAT) during their stay in the country. This exemption will be effective from November 15, 2024, to April 30, 2025. It will primarily benefit foreign visitors in gastronomy, party and event services, and vehicle rentals without a driver.

The VAT exemption applies only to individuals who are not residents of Uruguay and who make payments using debit or credit cards issued outside the country or through electronic transfers from foreign funds. For the exemption to be valid, the transaction must involve a local acquirer or collection entity to ensure that payments are processed through financial institutions based in Uruguay.

Sectors Benefiting from the VAT Exemption Measure

The VAT exemption for tourists will cover three critical areas of tourist services in high demand among foreign visitors:

Gastronomy: This category includes restaurants, bars, canteens, confectioneries, tea rooms, and similar establishments. It also covers gastronomic services offered in hotels, motels, apart-hotels, inns, tourist accommodations, country hotels, tourist farms, country inns, country houses, and campsites, as long as these services are separate from the accommodation. This arrangement allows visitors to enjoy local cuisine in various locations without worrying about VAT on their bills.

Services for parties and events: Catering services and those organized for parties and events will be exempt from VAT for non-resident tourists. This exemption is particularly appealing for tourists visiting Uruguay for special occasions like weddings, corporate meetings, and family celebrations, as it reduces the overall costs associated with organizing and enjoying these events.

Vehicles Rental (without a driver): An additional exemption applies to the rental of cars without drivers, making it easier for tourists to explore the country independently. This policy encourages visitors to choose car rentals, promoting tourism in various regions and positively impacting areas beyond the most popular tourist destinations.

Conditions

To qualify for the VAT exemption, non-resident tourists must meet specific requirements outlined in the decree. Payments must be made by debit or credit cards issued outside of Uruguay or through electronic transfers from overseas. Additionally, these transactions must be processed by a financial institution or acquirer based in the country.

These conditions ensure that the tax benefit applies solely to non-resident tourists and that national financial institutions monitor the transactions. This approach guarantees the process's transparency and helps prevent potential abuses or misuse.

The decision to exempt non-resident tourists from VAT is part of a government strategy **aimed at revitalizing tourism and boosting consumption in key sectors of the economy.** In response to the COVID-19 pandemic impact on tourism, Uruguayan authorities are working to recover and enhance the influx of foreign tourists, which is a vital source of income and employment.

If implemented successfully, this measure could serve as a growth engine for the tourism season of 2024-2025 and play a significant role in the sustained recovery of the tourism sector. It would contribute positively to the well-being of local businesses and regional economies.

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