



Solution Alliance

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# THE PROPERTY PURCHASE PROCESS IN URUGUAY



# Who can purchase property in Uruguay?

- Uruguayan Nationals
  - Non-Uruguayans:
    - With Uruguayan Citizenship (Dual Nationality)
    - Without Uruguayan Residency or Citizenship
    - Without Having Ever Entered Uruguay
- ✓ In Sum: There are is no differential treatment, restrictions or impediments for foreign buyers of property



# How can property be purchased in Uruguay?

- By one or more individuals:
- By a Company / Corporation:
  - Local Company: Sociedad Anonima (SA), SRL, etc.
  - Foreign Company: Delaware LLC, Panama Corp., BVI Co., etc.
- By an Individual through a fully owned Corporation:
  - Local Company: Sociedad Anonima (SA), SRL, etc.
  - Foreign Company: Delaware LLC, Panama Corp., BVI Co., etc.



# What can a foreign buyer purchase in Uruguay?

- Beachfront Properties:
    - No prohibitions
  - Rural Properties:
    - Farms, Ranches
    - No issues regarding borderline properties
  - Apartments, Houses, etc.
- ✓ In Sum: There are no restrictions as to what type of properties foreign buyers can acquire



# How are properties individualized in Uruguay?

- By the property's Title / Deed with its "Padron" number
- Plus its "Plano" (Map)
- Plus a recorded entry in the Public Registry
- And: For rural land, online "CONEAT" system of mapping shows the property's soil types and productivity index



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# Structuring the Property Purchase

- The purchase process requires the assistance by a Notary Public.
- The Notary Public is appointed by the buyer.
- What is a Notary Public?
  - A type of lawyer, usually member of a Law Firm
  - Registered with the Supreme Court of Justice
  - He/She is responsible for looking after the buyer's interest in the purchase process, ensuring the property has a clean title





# What is the Notary Public's role?

- Protects the interests of the buyer in the purchase process, verifying the good standing of the deed/title
  - The Notary conducts an analysis of the title and studies the property's ownership history 30 years back
- Drafts the Purchase Document and structures the Purchase
- Acts as Escrow Agent for the down payment / deposit on the Property
- Records the purchase at the Public Registry
- Optional: Custodian of the deed after the purchase



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# What are the Public Registries and How do they Work?

- Every property in Uruguay has a number that identifies it, the “Padron” Number
- Ownership of every property (individualized by its “Padron” Number) is recorded in a Public Registry
- The Public Registry (which is subdivided into sections, and geographically) has all the necessary information that has to be verified to make sure the buyer obtains a clean title:
  - Ownership history, Liens, Mortgages, Etc.



# The Purchase Process: Steps?

- The buyer selects a property, and agrees on the price
- The buyer's Notary Public contacts the seller, and drafts the first document, the "Boleto de Reserva", which:
  - Secures the purchase, committing seller and buyer
  - Sets a Penalty if either party breaches the commitment
  - Sets the amount that is deposited simultaneously with signing of the Boleto de Reserva (usually 10% of the price), which stays in escrow with the Notary that the buyer appointed
  - Allows 30-45 day window to verify the good standing of the property
  - Sets the closing date, when the full price is paid and the property is transferred



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## The Purchase Process: Steps? (cont.)

- After signing the “Boleto de Reserva”, the buyer’s Notary verifies the good standing of the property and its title/deed:
  - Analyzes title/deed
  - Verifies information in Public Registry
  - Verifies tax situation, etc.
- The Notary drafts the purchase document (“Escritura de Compraventa”)
- The purchase document is signed, the property is transferred, and the price is paid
- The Notary records the purchase in the Public Registry



# The Purchase Process: Steps? (cont.)

## Case 1: Full Price Paid

Boleto de reserva

Deposit w/ Notary

Title study

30-45 days

Compraventa

Full price paid

Possession of property handed over

## Case 2: Price Paid in Installments

Boleto de reserva

Compromiso

Price partially paid

Document is recorded

Possession may be handed over

Compraventa



# Purchase Transaction Costs for the Buyer

- Transaction Costs total approximately 8% in Uruguay:
  - Real Estate Agent Fee: 3% plus VAT (22%) = 3.66%
  - Notary Public's Fee: 3% plus VAT (22%) = 3.66%
  - Deed Registration Stamp Duties ("Montepios"): 0.55%
  - Registry and Tax Certificates Stamp Duties: USD 200 on average
  - Property Transfer Tax: 2% of the Fiscal Value of the Property (which is usually substantially lower than the market value)
- The Transaction Costs when selling are lower:
  - Real Estate Agent Fee: 3% plus VAT (22%) = 3.66%
  - Property Transfer Tax: 2% of the Fiscal Value of the Property





# Financing Your Purchase

- Seller Financing:
  - Usually Short-Term (less than 2 years)
  - Interest rate: Usually Approximately 8%
- Bank Financing with Local Banks (For Non-Residents):
  - Up to 10 years
  - Up to 50% of the Property's Value
  - Interest Rate: 9%
  - Income Proof and other documentation required

\* Note: These conditions are the current market ones, Nov. 2007



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