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In Uruguay, a Tax Haven With Lots of Beaches and Little Crime

The South American country's new policies are attracting Argentines fleeing a deep economic crisis, and some Americans and Europeans, too.



La Tahona, a gated community near Montevideo. Source: La Tahona

By Ken Parks and Daniel Cancel

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At the Atlantic resort of Punta del Este in Uruguay, signs of an influx of wealthy residents are everywhere. The yacht club is now busy year-round, enrollment in private schools has

swelled, and Italian developer Cipriani is breaking ground on what it says will be the “largest luxury complex in South America.”

Wedged between Argentina and Brazil, Uruguay has long attracted wealthy visitors from both countries, especially during the summer months of December through February. But in recent years, more rich foreigners, including Americans and Europeans, have been putting down stakes.



A harbor at Punta del Este. *Photographer: Andy Kramer/Alamy*

The draw isn't only the roughly 140 miles of Atlantic coast dotted with beach towns, including a stretch that's been dubbed the Hamptons of South America. Months after taking office in March 2020, President Luis Lacalle Pou, a 50-year-old proponent of free-market policies (and an avid surfer), issued a decree making it easier for foreigners to make Uruguay their domicile for tax purposes. To be eligible under the new tax residency rules, expats must spend no fewer than 60 days in Uruguay and buy property worth at least about \$500,000 or invest a minimum of \$2.2 million in a business. The payoff: no taxes on foreign investment income for 11 years.

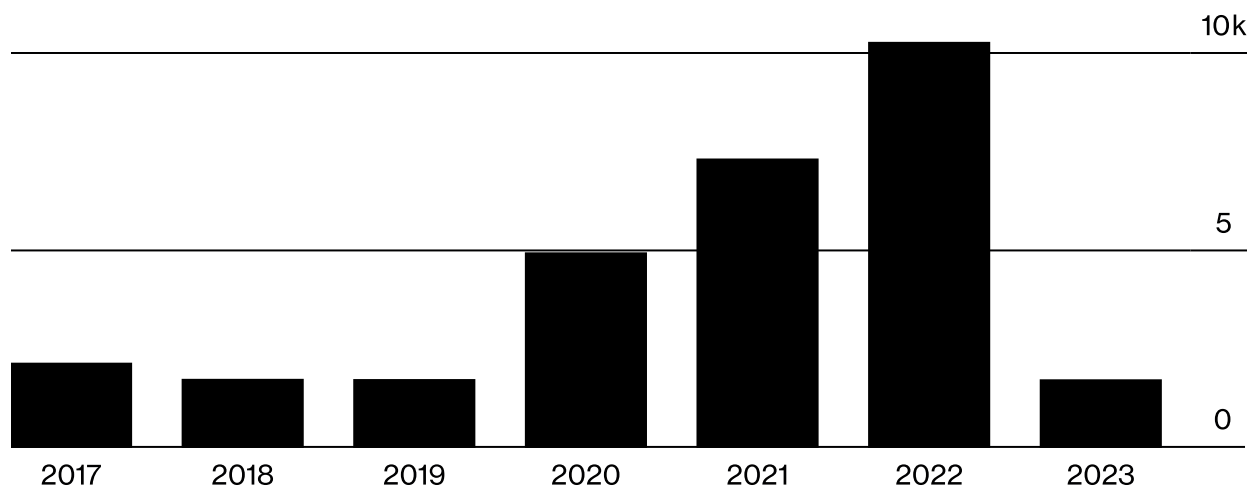
“Over time we saw very important changes in terms of Uruguayan laws that attracted more of a presence of ultrahigh-net-worth” individuals, says Thiago Alonso de Oliveira, chief executive officer of Brazilian luxury developer JHSF Participações SA, which operates a gated community in Punta del Este.

Those changes are in sharp contrast to the tax-the-rich ethos taking hold elsewhere in Latin America, as governments look to cover budget deficits and address inequality issues that the pandemic exacerbated. Colombia slapped a new tax on the wealthy that took effect this year, and Brazil’s Congress is debating legislation that would do the same.

In a corner of the world frequently rocked by political turmoil and plagued by yawning income gaps, Uruguay has long stood out for its enviable levels of stability and one of the highest living standards in Latin America thanks to an extensive welfare state and buoyant exports of farm goods and software. It’s also largely free of the violent crime—such as kidnapping for ransom—that haunts the rich in Brazil, Mexico and other Latin American countries.

The country is now home to some of the region’s leading tech entrepreneurs, including Argentina-born Mercado Libre co-founder Marcos Galperin, Nubank co-founder David Vélez and Globant co-founder and CEO Martín Migoya.

Argentines Obtaining Permanent Residency in Uruguay



Source: Uruguay’s Foreign Ministry
2023 data as of Sept. 19.

There’s been a notable uptick in immigration from neighboring Argentina in recent years, as the economy there has cratered and inflation soared. Argentina’s consumer price index

logged a 138% year-on-year increase in September, compared with 3.9% in Uruguay. More than 22,400 Argentines secured permanent residency from 2020 to 2022, according to data compiled by Uruguay's Foreign Ministry—a fourfold jump from the previous three years. The exodus has eased this year, but it could well resume after Argentines elect a president later this month. (Uruguay's fiscal authorities do not release data on tax residency status.)

The influx is benefiting local businesses and services that cater to the well-heeled. “Five or six years ago, the club practically closed in the winter. Now it's active all year,” says Juan Etcheverrito, who oversees the yacht club in Punta del Este under the honorary title of commodore.

At the Garzón School, a K-5 bilingual education center in the community of La Barra, where tuition runs \$20,000 a year, immigrants make up more than four-fifths of the student body, says co-head Samuel Irving, a British expat. The school's waiting list is so long that it plans to break ground early next year on a \$7 million campus for 180 students that will combine high-tech features such as a robotics lab with 38 hectares (94 acres) of countryside.

“We have a lot of families from the tech startup sector and a lot of the families that have local businesses,” says Leona Dauphin, who runs the school with Irving.

Enrollment at the K-12 bilingual International College in Punta del Este has grown about 28% since 2019, to about 550 students. Two-thirds of enrollees are foreign-born and come from 22 different countries, admissions director Marcia Alves says.

Uruguay's proximity to countries that are home to large family fortunes and new tech money, such as Brazil, Argentina and Chile, have made Uruguay a popular destination for money managers in recent years. “If you base out of Miami, you might see a client once a year,” says Rodolfo Castilla, sales manager at wealth management platform Insigneo Financial Group. “If I'm based out of Uruguay—which has a better tax regime, regulatory framework and stability—I might see clients once a month.”

At the end of 2022, 951 financial advisers managed almost \$29 billion on behalf of more than 36,000 clients, according to central bank data. Many of the firms operate out of free-trade zones in and around the capital, Montevideo, and soon in Punta del Este, because

that exempts them from most taxes. “Uruguay made a conscious decision to be a services hub,” Castilla says.

International developers have wasted no time in building expensive digs for the new arrivals. JHSF is expanding its Fasano las Piedras gated community near Punta del Este, where homes can sell for several million dollars. Amenities include a luxury hotel with rates that start at about \$500 a night, an 18-hole championship golf course and a private airstrip. “There is a growing number of permanent residents at Las Piedras,” says JHSF CEO Alonso. “We are seeing more Americans and Europeans than before.”

Construction started earlier this year on the first phase of the Cipriani Ocean Resort Club Residences & Casino in Punta del Este, a \$450 million development that will include a hotel and three residential towers ranging from 30 to 60 stories.

Many senior executives are also settling in or near Montevideo because of its international airport and broader service offerings. The share of foreigners living at the 350-hectare La Tahona gated community near the capital has increased since the pandemic, to about a third of its 1,200 families, says Ignacio Añon, whose family controls the complex.

La Tahona plans to double its housing stock to about 2,600 units by 2030 to meet demand. A portion of the expansion will be funded through a sale on Nov. 8 of \$60 million in six-year bonds, Añon says.

During an interview in Miami in April, Mercado Libre co-founder Galperin, an Argentine who’s been a resident of Uruguay for two decades, summed up the appeal of his adopted country: “Unfortunately, it seems to be an exception in Latin America. It’s basically a country that I would say embraces democracy and embraces capitalism. And those two things are generally good for business.” –*With Anna Jean Kaiser*

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