

FT Wealth Americas society

'Leaving without leaving': Argentines are flocking to Uruguay to avoid a high tax burden

Just an hour's boat ride away sits a haven from economic instability — with increasingly attractive tax breaks for foreigners, as well as good security and public services

Michael Stott in Buenos Aires YESTERDAY

One of the least obvious beneficiaries of the uncertainty surrounding Argentina's unpredictable presidential election this year was a property developer across the River Plate estuary in Uruguay.

"We sold a whole load of units," says Eduardo Bastitta. "Whenever there's a shock in Argentina, our sales pick up."

Bastitta is building the most audacious project yet to lure Argentines tired of high taxes and chronic economic instability over the water to a country often dubbed the Switzerland of Latin America. His MásColonia project aims eventually to double the 26,000 population of the historic Uruguayan town Colonia del Sacramento, which sits 40km from Buenos Aires, offering Argentines the option of "leaving without leaving", as he puts it — establishing tax residence in investor-friendly Uruguay but enjoying a rapid boat commute to central Buenos Aires in under an hour.

Ultra-wealthy Argentines, such as ecommerce and finance platform MercadoLibre founder Marcos Galperín, or oil billionaire Alejandro Bulgheroni, have long owned homes in Uruguay, drawn by its stability, security and tax breaks for the rich. There is already an established colony of well-heeled Argentines in the Carrasco district of Montevideo, the Colonia countryside and in the beach resort of Punta del Este, sometimes nicknamed Uruguay's Miami, where there is a greater choice of schools.



Marcos Galperin, founder of ecommerce and finance platform MercadoLibre, moved to Uruguay in 2020 © Patrick T. Fallon/Bloomberg

But over the past three years, Uruguay's business-friendly President Luis Lacalle Pou has greatly expanded the tax breaks on offer, opening his country up for the first time as an option for the globally mobile mass affluent. Before taking office in 2020, he was already speaking of his plans to woo foreign investors and their families, targeting up to 100,000 new residents from Argentina alone.

"First I am going for the families, and once the families are here, they are going to bring their money," he told local media. "This country is going to become a destination for the Southern Cone [region] and the world."

In his first months in government, Lacalle Pou was as good as his word. He slashed the minimum investment in Uruguay needed to qualify for tax residence by three-quarters to as little as \$380,000 and reduced the minimum stay per year required in the country to 60 days from 180.

For qualifying residents, Uruguay exempts all foreign income from tax for up to 11 years. After that point, interest and dividend income are taxed at a flat 12 per cent. No capital gains tax or wealth tax is levied on foreign assets.

The small South American nation's advantages extend well beyond taxation, good security and decent public services. A long seaboard of sandy white beaches awaits those who settle, as well as a burgeoning art and restaurant scene, which draws the international jet-set during the northern hemisphere winter to a cluster of select boho-chic resorts that are often compared to St Tropez.

Norwegian billionaire hotelier Alex Vik, whose mother is from Uruguay, has three luxury retreats in Uruguay, clustered in and around the fishing village of José Ignacio, beloved of international celebrities and sometimes compared to the Hamptons in the 1960s.

"So far, the Argentines who went to live in Uruguay were generally the very wealthy," says Bastitta. "But this project is designed to be very accessible to anyone in the region, not just Argentina, to come and live here."



Eduardo Bastitta, whose development project in Colonia del Sacramento is luring Argentines across the River Plate © Nico Perez

The smallest properties in MásColonia's initial development of 500 apartments are 35 sq metres, which sell for just \$70,000. With a deposit of just \$20,000, buyers can take out a 22-year mortgage at a fixed rate of 4.5 per cent — unthinkable in Argentina, where interest rates are the world's highest at 133 per cent and local currency mortgages an impossibility.

Bigger units in the project's \$100mn first phase range up to \$400,000, enough to qualify the buyer for Uruguayan tax residency. More than three-quarters of properties have already been sold and more than 60 per cent of the buyers are Argentines, Bastitta says.

Construction is about to start, with completion scheduled for 2025. The developer is already planning fresh projects every year after that, as long as demand holds up, up to a total investment of as much as \$2bn. "The project envisages bringing in another 30,000 residents to Colonia, in other words doubling the town's population and doubling its area," he says. "It's a lovely project."



Montevideo, the capital of Uruguay, already has an established colony of well-heeled Argentines © Getty Images

Facundo Garretón, an Argentine businessman and former legislator now living in Uruguay, says that for him the last straw was when the Peronists won the 2019 election, ousting business-friendly president Mauricio Macri and returning former radical-left leader Cristina Fernández de Kirchner to power as the highly influential vice-president.

"I said: 'I don't want to live in a country where people elect governments like that'," he said. "I was thinking that a disaster would happen like the one Argentina is experiencing today. That was my main motive. I went to Uruguay and did all the paperwork to become a resident."

Thousands of Argentines followed in his footsteps. After declining during the Macri years to 1,482 in 2018, the number of Argentines seeking residence in Uruguay shot up after the change of power.

In 2020, the first full year of the Peronist government, it more than tripled to 6,816 then almost doubled again the following year to a record 12,489, although numbers fell back in 2022. During the Peronists' four-year term, which ended last month, more than 30,000 Argentines are estimated to have made the move to Uruguay.

Alberto Iribarne, Argentina's ambassador to Uruguay, estimates that about 60,000 of his fellow citizens are currently living there. "There's an enormous cultural affinity," he says, pointing out that Uruguayans enjoy their yerba mate tea and dulce de leche desserts just as much as their cousins across the estuary, and speak Spanish with similar accents. Both love football. "But the biggest incentive, above all for the top people, is the tax breaks."

Gustavo Grobocopatel, an Argentine agribusiness baron who has lived in Uruguay for years, notes that there is a tradition of Argentine politicians and intellectuals seeking exile in the country going back to the 19th century.

"I chose Uruguay because it's like Argentina in a way. The cultural side, friendships, beliefs, values are very similar," he says. Grobocopatel settled in Colonia, which he describes as "like a suburb of Buenos Aires".

Most of the ultra-wealthy Argentines living in Uruguay are unwilling to speak publicly about their reasons for seeking low-tax lives across the estuary from their homeland. Privately though, they confirm their disaffection with their homeland's fixation with left-wing politics and high taxes. "The wealth tax brought in by the Peronists [in 2020] was really a terrible punishment," one said. "In one year they imposed a surcharge so that it totalled up to 5 per cent of assets and there was always the risk of fresh taxes. Then there was the pandemic."

Argentina imposed one of the world's longest lockdowns, a quarantine flouted by President Alberto Fernández when he held a party at his official residence, with guests including his hairdresser, provoking outrage. The lockdown proved costly but ultimately ineffective: estimates of excess mortality during the pandemic produced by The Economist indicates that Uruguay had fewer deaths per 100,000 population than Argentina, despite largely eschewing lockdowns.

It placed its trust in a strong public health system, high levels of education and contact tracing technology while avoiding lockdowns. “We could walk on the beach during the pandemic and enjoy the restaurants while Argentina was locked down,” says an oligarch, who prefers to remain anonymous. “That also influenced the decision to stay here.”

“Members of the Argentina expatriate community in Uruguay who were hoping for a swing back to moderate centre-right government in this year’s election to return home have had their hopes dashed. Patricia Bullrich, the mainstream conservative candidate, was eliminated in the October first round election and the November 19 run-off was won by [Javier Milei](#), a flamboyant TV economist who describes himself as an “anarcho-capitalist” and has vowed to close down the central bank and dollarise the economy.

Milei’s convincing win has taken Argentina into uncharted waters, with the libertarian determined to embark on a programme of radical economic reform even though he lacks a congressional majority and faces powerful opposition from the Peronists, who have dominated Argentine politics since the country returned to democracy in 1983.

“Peronist voters are not interested in inflation, poverty, destitution and far less corruption,” lamented Agustín Antonetti, a rightwing social media influencer, on X. “They are the jihadis of politics, it’s a religious vote.”

Peronists control the country’s powerful labour unions and have the ability to mobilise supporters for mass protests which can paralyse the capital and the surrounding area. This, coupled with Milei’s volatile and eccentric personality, are likely to make for a turbulent next few years.”

“With what happened now . . . truckloads more Argentines will be moving to Uruguay,” says Garretón, — speaking before the second round — noting that a friend who runs one of the main international schools in Punta del Este reported a big jump in requests for places after the first round result.

“The problem is that it’s not just the people with a lot of wealth any more. Now all the knowledge is going too, all the people with the knowledge to develop businesses. The most valuable and innovative businesses have been founded by Argentines who are today living in Uruguay.”

Or, as one Argentina business leader put it: "Let all the Argentines come to Uruguay who want to. Just don't let them bring their voting habits with them."

This article is part of [FT Wealth](#), a section providing in-depth coverage of philanthropy, entrepreneurs, family offices, as well as alternative and impact investment

[Copyright](#) The Financial Times Limited 2023. All rights reserved.
