

# ITC

Information and Communication Technologies

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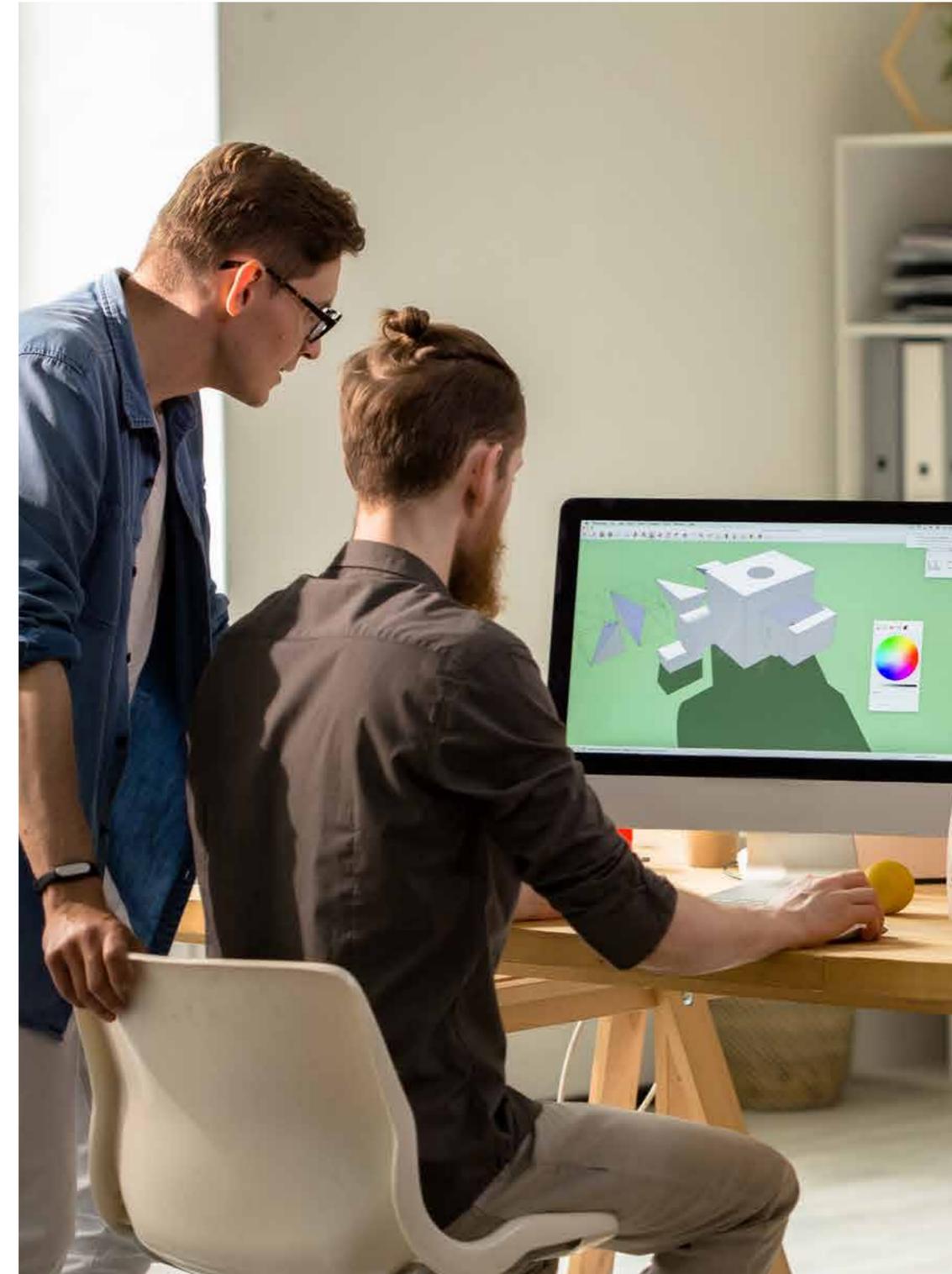


Invest in  
Montevideo



# Why Montevideo?

- The country's epicenter of science, technology and innovation.
- Availability of qualified STEM talent.
- Support for attracting foreign talent.
- Tax incentives.
- An ecosystem of innovation and entrepreneurial development.
- Laboratory city for testing new technologies.





# Tax Exemptions for the Software Industry

## Exemption of IRAE (Corporate Income Tax) on Software

IT companies can be exonerated of a percentage of IRAE. The regulation makes a distinction between software production companies and IT service providers.

### Software Production

Intellectual property of software must be registered with the National Library (Law No. 9,739) and production development activities must be conducted in the national territory. The exemption will be based on the application of the following coefficient for the proportion of Uruguayan source work:

$$\frac{\text{Direct costs of software development} \cdot 1.3}{\text{Total direct costs of software development}}$$

Direct expenses and costs incurred to develop each software product include services subcontracted to third parties, both resident and non-resident, or to related resident parties. Also, if several software products are registered, this coefficient must be estimated for each of them, considering the costs incurred from production to registration of each software product. Additionally, the expenses and total direct costs incurred to develop each software product include, in addition to the expenses and costs included in the numerator (without the 30% increase), the expenses and costs corresponding to the concession of use or acquisition of intellectual property rights, and services subcontracted with non-resident related parties.

### IT Services

IT services include software development services to third parties that have not been registered by the developer, as well as services associated with software developed both by the provider and by third parties.

The exemption for IT services, unlike software products, will be 100% and will depend on whether the income originates from activities conducted in Uruguay and on compliance with a series of requirements:

- An activity is deemed conducted in Uruguayan territory when the expenses and direct costs incurred in Uruguay represent more than 50% of the total expenses and direct costs.
- The company must employ qualified and adequately remunerated full-time personnel in a number commensurate with the services rendered.
- It should be noted that the exemption for software services may be total or null, and partial exemption is not allowed.



# Employment-related Incentives

## Recruitment of professionals

IT companies that meet certain requirements can hire university professionals in a non-dependent employment relationship, achieving greater competitiveness in terms of labor costs.

## Youth Employment Law

There is a series of incentives that promote the hiring of young personnel in companies, offering benefits of exemptions in the contributions to the Social Security Administration (BPS) of the hiring companies. Staff hired under this scheme cannot exceed 20% of the company's workforce. Contracts may have different modalities that are detailed below:

## New Hires

- **First Work Experience:** Promotes the hiring of young people between the ages of 15 and 24 without formal work experience, for a period of between 6 and 12 months. The subsidy is 25% of the salary of the person hired.
- **Work Practice for Graduates (Internships):** Promotes the hiring of young people between the ages of 15 and 29. Internships may or may not be paid and must be related to the area of study. If the person is paid, up to 50% of their salary is subsidized. Unpaid internships have a maximum of 120 hours.

- **Youth Employment Protection:** Promotes the hiring of young people between the ages of 15 and 29 who are in a situation of socioeconomic vulnerability, for a period of between 6 and 18 months. The subsidy equals 80% of the salary of the person hired for women and 60% for men.

## Students

- **Reduction of working hours:** Aimed at young people between the ages of 15 and 29 who are undergoing studies. The company obtains a subsidy according to the reduction in hours.
- **Study leave:** Companies can grant study leave to workers between the ages of 15 and 29 who are undergoing studies (up to eight days of study leave in addition to those already established by the law that regulates study leave. For each day of leave granted, the company will receive a subsidy equivalent to 80% of the corresponding salary).



# Free Trade Zones

Free trade zones are regulated by law and their users can be exempt from all taxes, either existing or to be created, with the exception of Social Security contributions. Commercial, industrial and/or service activities are allowed.

Montevideo is home to three of the main free trade zones in the country:

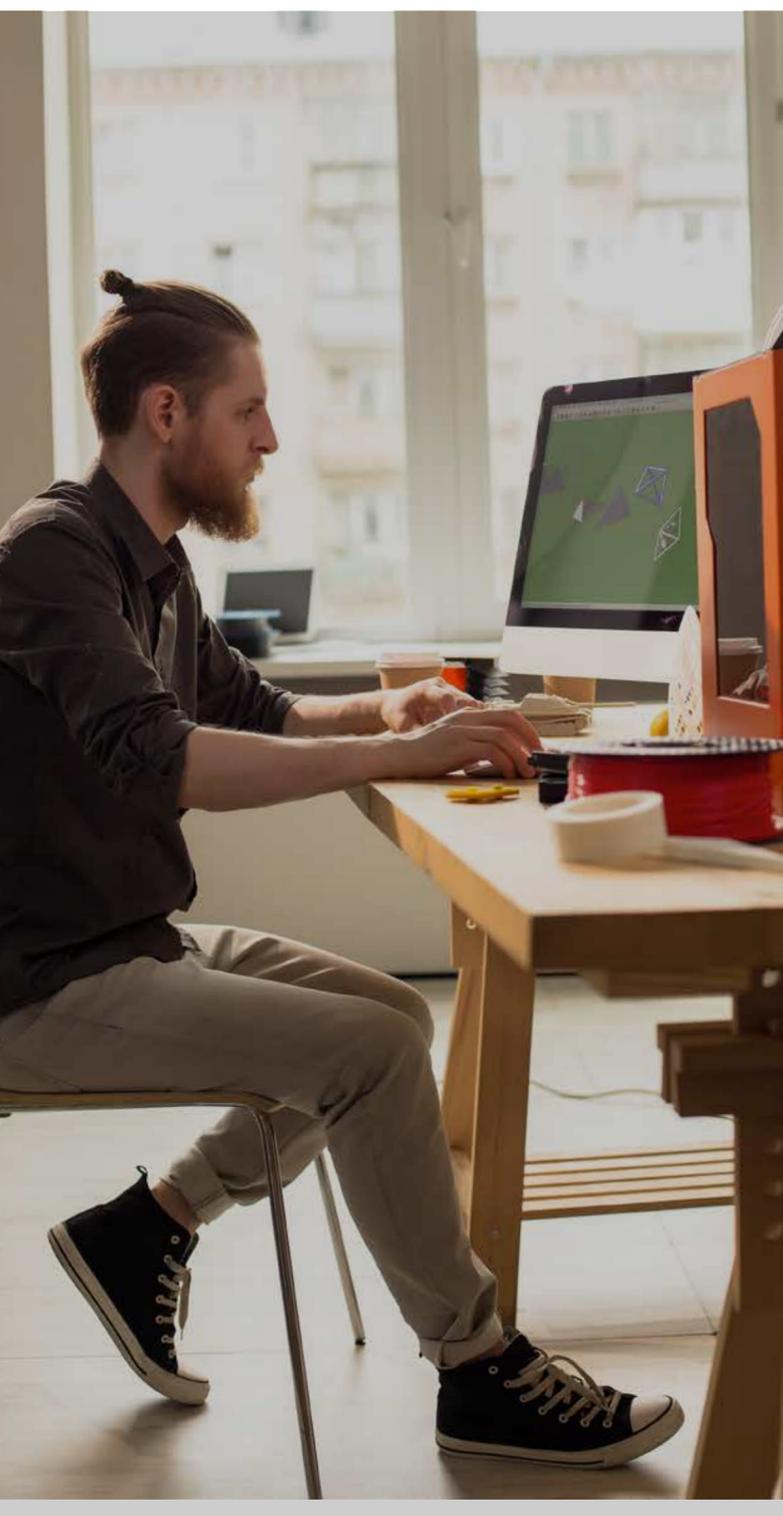
- Aguada Park [www.aguadapark.com](http://www.aguadapark.com)
- WTC Free Zone [www.wtcmontevideofreezone.com](http://www.wtcmontevideofreezone.com)
- Zonamérica [web.zonamerica.com/#/zonamerica-uruguay](http://web.zonamerica.com/#/zonamerica-uruguay)

Principales beneficios:

- 100% exemption from Corporate Income Tax (IRAE) and any other existing or future national taxes (does not include contributions to Social Security).
- Exemption from VAT on purchases and sales of goods and services, both to and from abroad.
- Dividends distributed among shareholders residing abroad are also tax exempt in Uruguay.
- IT companies can hire up to 50% of foreign staff, as they are considered service companies.

- Foreign staff can choose to contribute to social security in Uruguay or in their country of origin.
- Non-resident entities are exempt from IRAE for their operations conducted with foreign assets declared in transit or maintained within a free zone, when they are not destined for the national customs territory, as well as when sales to the national territory do not exceed 5% of total sales of goods in transit or held within the free zone.

Goods traded by the free zones with the rest of the world are exempt from customs duties.

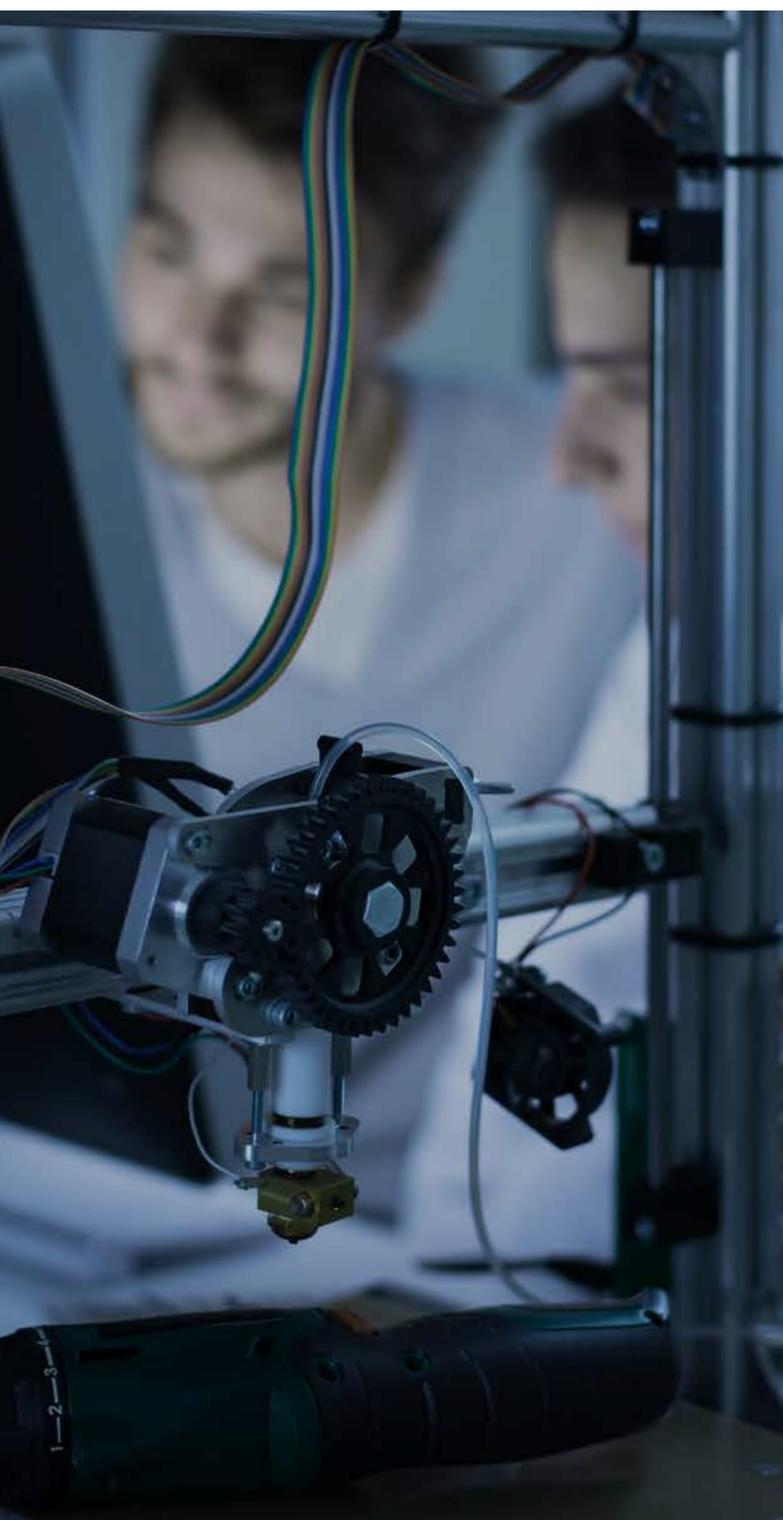


# Related Institutions

- **Agesic: Agency for the Development of Electronic Government and the Information and Knowledge Society**  
[www.gub.uy/agencia-gobierno-electronico-sociedad-informacion-conocimiento/](http://www.gub.uy/agencia-gobierno-electronico-sociedad-informacion-conocimiento/)
- **ANII: National Agency for Research and Innovation**  
[www.anii.org.uy](http://www.anii.org.uy)
- **CAVI: Uruguayan Chamber of Video Games**  
[www.cavi.uy](http://www.cavi.uy)
- **Uruguayan Chamber of Fintech**  
[www.fintech.org.uy](http://www.fintech.org.uy)
- **CEDU: Chamber of Digital Economy of Uruguay**  
[www.cedu.org.uy](http://www.cedu.org.uy)
- **CUTI: Uruguayan Chamber of Information Technologies**  
[www.cuti.org.uy](http://www.cuti.org.uy)
- **Inefop: National Institute of Employment and Vocational Training**  
[www.inefop.org.uy](http://www.inefop.org.uy)
- **LATU: Technological Laboratory of Uruguay**  
[www.latu.org.uy](http://www.latu.org.uy)



- **MIEM: Ministry of Industry, Energy and Mining**  
[www.miem.gub.uy](http://www.miem.gub.uy)
- **ORT: ORT University**  
[www.ort.edu.uy](http://www.ort.edu.uy)
- **PLAN CEIBAL**  
[www.ceibal.edu.uy](http://www.ceibal.edu.uy)
- **UCU: Catholic University of Uruguay**  
[www.ucu.edu.uy](http://www.ucu.edu.uy)
- **UDE: Universidad de la Empresa**  
[www.ude.edu.uy](http://www.ude.edu.uy)
- **Udelar: Faculty of Engineering of the University of the Republic**  
[www.fing.edu.uy](http://www.fing.edu.uy)
- **UM: Universidad de Montevideo**  
[www.um.edu.uy](http://www.um.edu.uy)
- **UTU: Technological University of Uruguay**  
[www.utu.edu.uy](http://www.utu.edu.uy)



# Economic characteristics

The ICT sector has had an early development in Uruguay, with a strong export profile that places it in a prominent position in the region. The country is the largest per capita software exporter in South America and the third one in absolute terms. In recent years, the sector has shown strong dynamism, growing well above the rest of the economy. According to the latest available figures, published by CUTI (2021), the sector's turnover amounted to US\$ 1,794 million in 2020, or 3.3% of GDP. The exports of the sector increased strongly between 2010 and 2020, reaching US\$ 868 million during 2020. The main export destinations are the United States (74.5%) and the United Kingdom (5.3%).

The sector is very intensive in terms of the use of qualified human resources. During the year 2020, around 19,500 people were employed (ECH-INE, 2020). The participation of people with tertiary education (graduates or undergoing studies) in the ICT sector stood at 76% during 2020, when in the total employed population this figure stood at 26%.

In this sector, 98% of the workers speak English and 51% Portuguese. Employment is mainly concentrated in IT service jobs, where software and mobile app developers, technicians and systems analysts predominate. In addition, other professionals hold an important share of the jobs, especially electrical engineers.

Other tasks such as administration and accounting represent a high percentage of jobs in the ICT sector.

Both employment and companies are highly concentrated in the Metropolitan area. Montevideo is home to 81% of the workers, and Canelones to 14%. Thus, the two departments concentrate 95% of jobs in the sector. Regarding the location of IT companies within Montevideo, there is a large concentration in the most central areas of the city (Centro, Pocitos and Punta Carretas). Regarding the academic offering, the number of IT degree paths, both technical and academic, and either undergraduate or postgraduate, have increased in recent years. In particular, there was considerable growth in enrollment in IT-related degrees in 2019, going from 3,066 (2018) to 4,473 (2019), which according to CUTI (2020) is highly concentrated in undergraduate degrees and in Montevideo, which boasts 85% of the total enrollment in IT degrees.



# Success stories

Montevideo is positioned as one of the best cities in Latin America in terms of quality of life, which makes it extremely attractive for foreigners interested in setting up technology companies or working for IT companies based here.

In this sense, several international companies have chosen Montevideo to establish their development centers. Indian company TCS, with more than 2,300 employees, is positioned as the main employer in the industry. It has a commitment to hiring foreign personnel, not only from India but also from the region, taking advantage of the incentives and facilities for obtaining Uruguayan residency. Present in Montevideo since 2002, it has offices both in the free trade zone and outside the free trade territory.

Another good example is the case of American company Oracle-Netsuite, which set up shop in Montevideo in 2012, after acquiring two Uruguayan companies with which it was already associated. This type of investment, involving the acquisition of local companies, also makes Montevideo attractive due to its high concentration of IT businesses. Oracle-Netsuite currently has more than 130 employees and from their base in Montevideo they work on the development of the company's e-commerce suite.

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