

# Global Tax Alert

News from Americas Tax Center

## Uruguay modifies regulations on the deductibility of software expenses

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The Uruguayan Executive Power has issued a regulatory Decree that modifies the regulations on the deductibility of software expenses.

The Decree limits the deduction for software expenses incurred by corporations to the percentage that income for the software provider was taxed, considering that such income could be fully taxed, partially taxed, or fully exempted. The software provider must include the percentage of exemption within its invoice.

Also, the Decree allows corporate taxpayers to deduct 60% of the expenses related to software development and associated services that result in exempt income for the service provider. This provision applies to tax years beginning 1 January 2018.

Corporations may deduct depreciation for assets created from software and acquired in tax years beginning from 1 January 2018, if the general expense deductibility requirements are met. Thus, the depreciation would be deductible in the percentage in which the income is taxed to the counterpart (software developer). As mentioned, this percentage must be included within the software provider invoice.

Additionally, the Decree requires the supporting documentation issued by the software provider of each transaction to include the asset registration number as well as the percentage of exemption applicable to its income.

For further information, see EY Global Tax Alert, [Uruguayan Executive Power proposes changes to corporate income tax regime and new benefits for taxpayers](#), dated 23 May 2018.

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