

Governmental Support

GOVERNMENTAL SUPPORT

Over the last ten years the Brazilian government has viewed the IT-BPO industry as strategic, which has led to the prioritization of incentives and the creation of institutional support. These measures have improved the competitiveness of companies, both in domestic and international markets.

DIRECT INCENTIVES: TURNOVER TAXES, PAYROLL TAXES, AND INCOME TAXES

Spending on staff training and development, and research and development can be deducted against income tax at 200% and 160% to 200%, respectively. There is also a 50% deduction on excise tax (IPI) when purchasing equipment for research and development, and this tax is exempt when software development materials are imported. Another benefit is the tax deductibility on technology transfers, licenses and royalties.

For exporting companies, the social security (INSS) contributions may be reduced by up to 50%, depending on the \$ amount of exports. They are also exempt from contributing to a network of employer entities known as the "S System". When products are purchased to be exported, social charges (PIS/Cofins taxes) are not applicable.

In downtown São Paulo, as an example, municipal project "Nova Luz" is revitalizing the region and promoting the creation of a complex of IT-BPO companies. The project offers several fiscal incentives, such as a 50% reduction on Property Tax (IPTU) and a 60% reduction in Service Tax (ISS).

Companies installed in technological parks, in any region, do not pay property taxes and receive discounts on service taxes.

In the Northern and Northeastern States of Brazil, the government subsidizes 40% of salaries paid to research-focused staff. If they work in technology parks, the subsidy increases to 60%.

Other benefits, such as subsidized infrastructure, are offered by municipalities or States that wish to attract IT-BPO companies.

INVESTMENTS

IT-BPO companies in Brazil can count on several public credit facilities at subsidized rates. The Brazilian Development Bank (BNDES) is the main public funding agency and Finep, an agency that finances scientific innovation and technological research and is subordinated to the Ministry of Science and Technology, offers a special credit line for technology projects. The main public banks in the country Banco do Brasil and Caixa Econômica Federal also offer credit at special rates and terms.

The government also stimulates the establishment of consortiums and joint ventures in the sector, as well as investments through funds and venture capital into small and mid-sized companies, and business incubators.

QUALITY

The Brazilian government has also systematically supported, together with Brasscom and other sector-related entities, initiatives aimed at qualifying human resources and increasing certifications and innovations.