

## Monotax in Uruguay

### **Introduction:**

A large informal sector and low coverage of social security is one of the key labour market challenges in India. Uruguay enacted a simplified tax collection scheme for small contributors in 2001 to address informality.

### **Intervention:**

Uruguay enacted a simplified tax collection scheme for small contributors in 2001 to address informality. It is a combination of tax payment and social security contribution for small independent workers and micro-enterprises. People covered by Monotax were entitled for the same social security benefits as salaried workers. The Monotax is voluntary in nature, and people can opt for paying the Monotax or paying the social security contributions and taxes in the normal way.

In 2000, the Uruguayan self-employed workers were not covered under the social security systems. By 2006, only 17.6 per cent of the independent workers were covered by the scheme.

To increase the scheme uptake, several restrictions were relaxed such as location and type of activity and billing value. The number of firms increased three-fold with the new reforms.

### **Impact/Learnings:**

Monotax has been successful in improving the coverage of social security among low income population and independent workers. The uptake of the scheme was higher among women, with 60 percent of the Monotax payers being women.

*Source: Monotax: Promoting formalization and protection of independent workers, ILO Policy Brief. <https://www.social-protection.org/gimi/RessourcePDF.action?ressource.ressourceId=48020>*