


El Salvador

<p>This guide provides an overview of the Salvadoran Value Added Tax (VAT) system. It focuses on how it affects foreign companies that do business with El Salvador. It is broad in scope and is unlikely to address the circumstances of your case. It should be interpreted as such and not as advice. Please contact a Kreston El Salvador VAT professional if you need further guidance on how VAT impacts your business.</p>	<p>El Salvador: VAT / Indirect Taxes</p> <p>BA. Leonardo Rivas leo.rivas@kreston-elsalvador.com</p> 
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<p>What is the name of the tax?</p>	<p>VAT – Value Added Tax. (The Tax on the Transfer of Movable Goods and the Rendering of Services)</p>
<p>Who is the tax authority?</p>	<p>Tax Administration – Ministry of Finance</p>
<p>What kind of tax is it?</p>	<p>It is an added value tax that is imposed on business transactions including the acquisition, sale, and provision of goods and services. Up until the end consumer, this impacts all phases of marketing cumulatively.</p>
<p>What types of operations are subject to the tax?</p>	<p>Tax-generating events are classified as follows:</p> <ol style="list-style-type: none"> 1. Transfer of tangible movable property (defined as any tangible property that is transportable) 2. Service provision 3. Import of commodities and services.
<p>What are the VAT tax rates?</p>	<p>The applicable rates are the following:</p> <ul style="list-style-type: none"> • 13% - Predetermined rate for the indicated generating events. • 0% - Zero rate, in the case of exports of goods and services.
<p>What are the VAT-exempt activities?</p>	<p>Imports:</p> <ol style="list-style-type: none"> 1. Donations according to agreements entered into by the country. 2. Machinery made by the taxpayer. 3. Import of vehicles dedicated to public passenger transport. 4. Imports of antiretroviral or similar drugs. <p>Provision of services:</p> <ol style="list-style-type: none"> 1. The leasing of real estate for habitation. 2. Public cultural performances permitted by the relevant institutions. 3. Deposit activities, money loans, and the payment or accrual of interest conducted by banks, or any other institution supervised by an official agency. 4. Public ground transportation of passengers.
<p>Territoriality of transfers of goods and services</p>	<p>Transfer of movable property: Transfers will count as an event generating this tax if the moveable properties are situated in the nation, regardless of whether they are temporarily located in it or elsewhere.</p> <p>Provision of services: The provision of services constitutes tax-generating events when they are provided directly in the country, even though the respective contracts have been perfected outside of it, and regardless of the place where the remuneration is paid or received.</p>

What does a VAT number (Taxpayer Registration Number) look like?	Taxpayer Registration Number (NRC by its acronym in Spanish) N.R.C. 7XXXXX-9
Is there a registration limit?	None.
When must a non-established entity register?	<ol style="list-style-type: none"> 1. Voluntarily, by conducting operations that result in one of the generators. 2. Beginning with the next month, if the value of the transferred goods or services exceeds USD\$ 4,375.00.
Any special regulations	<p>Transfers of movable property or provision of services by non-residents</p> <p>The purchaser of the goods, borrower or beneficiary of services is obliged to pay the tax when the person who transfers the goods or provides the service does not have a domicile or residence in the country.</p> <p>Registration of foreign-domiciled financial firms with the Central Reserve Bank</p> <p>Financial entities not domiciled in El Salvador that intend to grant loans to people domiciled in El Salvador may choose to register with the Central Reserve Bank to obtain an exemption from withholding Income Tax and VAT on credit interest.</p>
Does a non-established entity need a tax representative?	In El Salvador, fiscal representation is required. Residents in Salvadoran territory.
How frequently do VAT returns have to be filed?	Monthly.
Are there penalties for late registration?	<p>Yes. Penalties are for non-registration or late registration:</p> <ol style="list-style-type: none"> 1. Not registering in the Taxpayer Registry being obliged to do so. 2. Register outside the period established for this purpose.
Are penalties applied in other situations?	Yes, there are sanctions related to the omission of filing a tax return, filing after the stipulated period, arithmetic errors, among others.
Can VAT incurred by foreign companies be recovered?	In El Salvador there is no provision or agreement to recover or refund VAT to non-resident companies, other than the general provision to credit the VAT on purchases against the VAT on sales made.
Can VAT be credited?	As a general rule, the VAT tax credit paid on purchases made or imports can be credited against the VAT tax debit on sales made.
Do I need to issue an invoice?	In El Salvador, it is mandatory to issue documents authorized by the Tax Administration to document all operations related to sales.
Are there any benefits for the export activity related to VAT?	<p>Yes.</p> <p>If the credits cannot be fully deducted from the debits, the exporting entity may request a refund of said remaining VAT to the General Directorate of Internal Taxes of the Tax Administration.</p>