

## Tax Alert

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*Tax information*



### Employer's Annual Report and Annual Settlement of Employee Income Tax Withholdings

With the first two months of 2021 now coming to an end, the deadlines for obligations that are not so common, but that employers must comply with concerning their employees, are fast approaching. These obligations are due by the end of February, before two different government entities. As a reminder, following is a brief summary of these obligations:



## ***Employer's annual report***

The Employer's Annual Report is a mandatory report that must be submitted to the Labor Ministry's Department of Management and Labor Statistics, which contains information related to each employer and its employees with respect to a specific year, in this case, the year 2020.

The obligation is established in Article 61 of the Labor Code, and the term for complying with the submission of the report is the first two months of the year. Therefore, the deadline for this year is 26 February 2021.



## ***Annual Settlement of Employee Income Tax Withholdings***

Companies that have employees in their organization are obligated, as withholding agents, to make Income Tax withholdings on their employees' earnings.

In addition, as withholding agents, one of their obligations is to present the Annual Settlement of Employee Income Tax Withholdings, in accordance with Article 79 of the Tax Update Law, Decree 10-2012. Such article indicates that if the employer determines that excess withholdings were made on its employees' earnings, the employer must refund to the employees the sums withheld in excess and report it to the Tax Administration within the first two (2) months of the calendar year, through the means it makes available.

Based on the above and according to the law, the deadline for the submission of the Annual Settlement of Employee Income Tax Withholdings is this Friday, 26 February 2021.

Failure to comply with this obligation will be penalized in accordance with Article 94 numeral 13) of the Tax Code, Decree 6-91.

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