

Tax Alert

Changes in the Income Tax and Value Added Tax Returns affecting Companies in the Consumer Industry

Recently, the Superintendency of Tax Administration has made changes to the tax return forms, which affect companies in the consumer industry, as follows:

a. **Income Tax**

On 8 March 2022, the Superintendency of Tax Administration -SAT- announced through a virtual event some changes made to the Annual Income Tax Return for taxpayers registered under the Regime over Profits from Lucrative Activities.



Among the changes particularly affecting companies in the consumer industry is the determination of the Cost of Sales. The changes have resulted in the following sequence for the determination of the cost: section 8.2.1 with the Prime Cost will appear in the form; then section 8.2.2, in order to include the detail of the Production Cost, and finally section 8.2.3 that totals the Cost of Sales. Therefore, depending on the functions assumed, companies in the consumer industry should convert the cost of sales information normally generated by the perpetual inventory system in an ERP to the formulas based on the period inventory system included in the sections of the Annual Income Tax Return mentioned above.

The changes made to section “8.3 Expenses” are as follows:



Box Bono 14 (mid-year bonus) is added.



The Per Diems box is divided into:

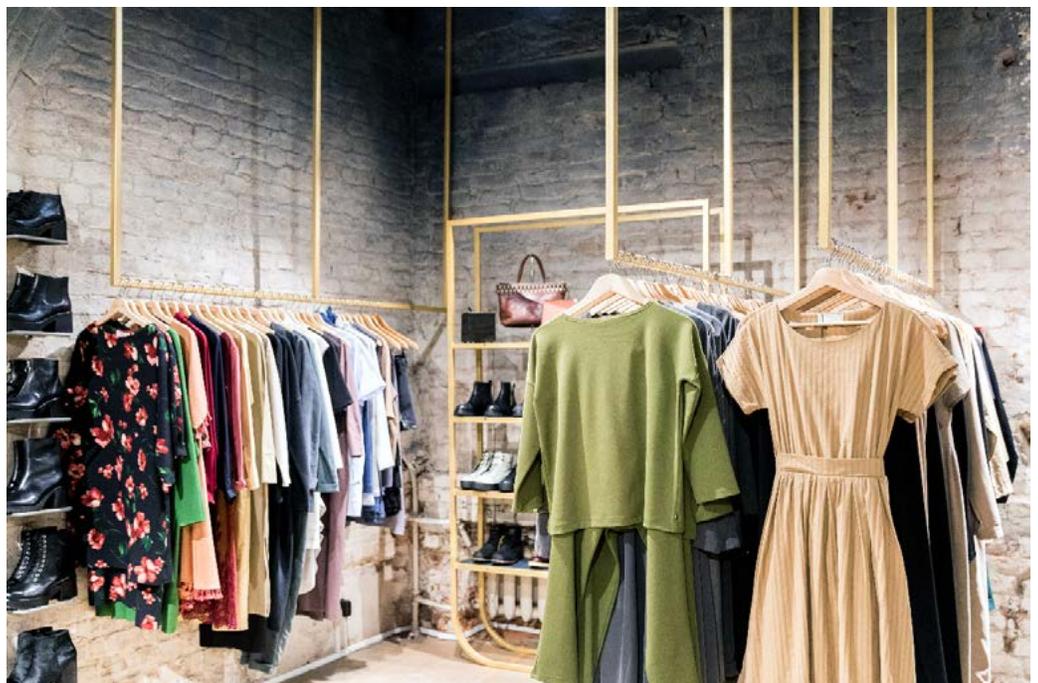
- Local Per Diems; and
- Foreign Per Diems.



The Donations box is divided into:

- Donations; and
- Donations in favor of Universities, Cultural or Scientific Entities.

These changes to form 1411 require that companies in the consumer industry keep better accounting control of the expenses incurred for these items so that they may be appropriately presented within the Annual Tax Return form.



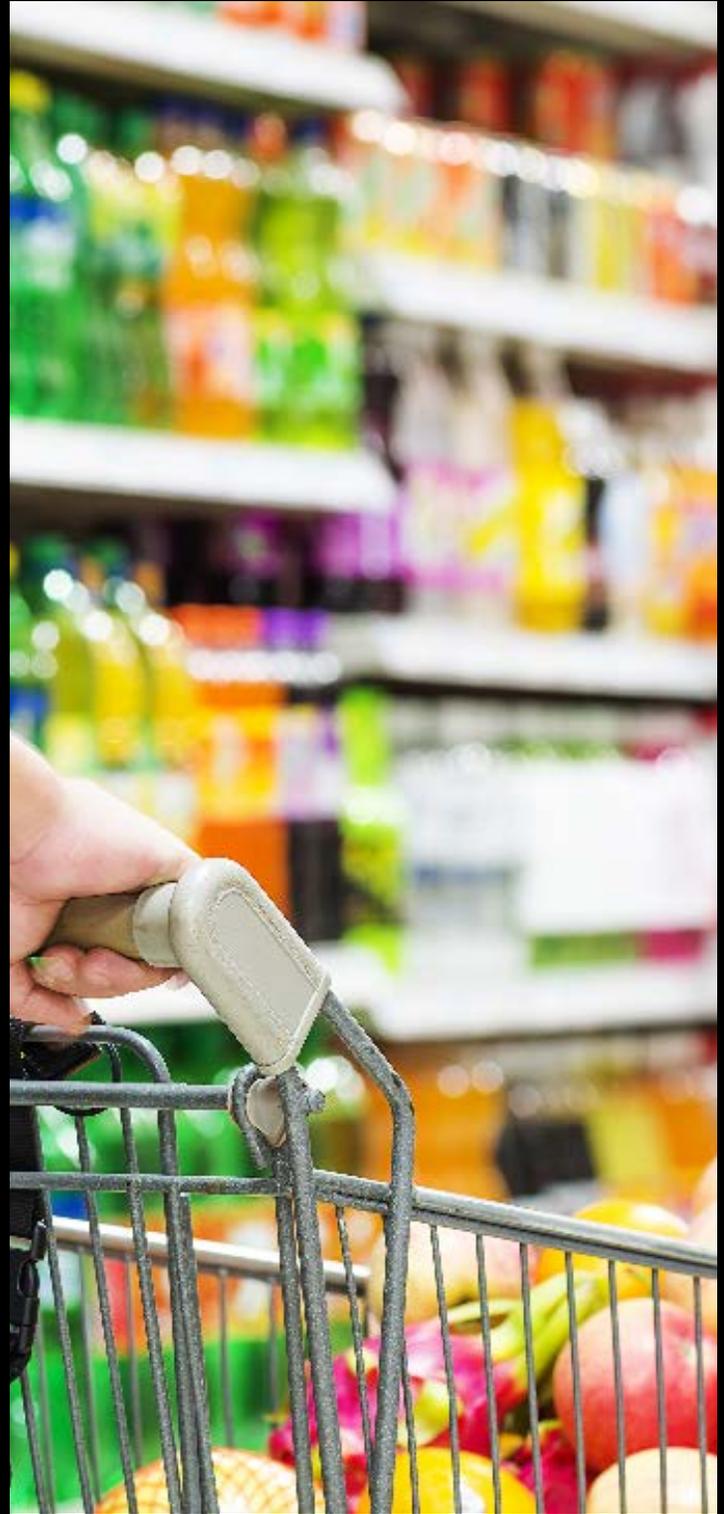
b.

Value Added Tax

On 31 March 2022, the Constitutional Court dismissed the temporary suspension of the section named "Detail of local suppliers (tax credit) of tables 5 and 6 in form SAT-2237 General VAT," with the court interpreting that such obligation does not violate the constitutional rights of taxpayers. Thus, this annex of the tax return for the VAT was reinstated and taxpayers are obligated to complete such information when filing form SAT-2237 General VAT.

Based on the above, companies in the consumer industry should monthly prepare and report a detail of the 10 main supplies of each monthly tax period for the Value Added Tax. Such detail must be consistent with the Book of Purchases and Services acquired.

It is important that companies in the consumer industry prepare and document their work papers such that they can extract from their accounting systems the information required by these changes and convert it into the format required by the forms for the Income Tax and Value Added Tax Returns.



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