

Tax Alert

Oversight of Special Taxpayers with a Low or Zero Effective Income Tax Rate

On 18 January 2024, the Superintendency of Tax Administration -SAT- announced at a press conference and in social media posts the main oversight actions that will be taken for special taxpayers with a low or zero effective Income Tax rate. SAT explained that using the sectoral studies and taxpayer information that the Tax Administration has at its disposal, that is, tax returns, RTUs, online electronic invoicing, import declarations, etc., a financial analysis has been made of taxpayer

tax and customs behavior, considering their economic activity, ranges of gross income, and geographic region.

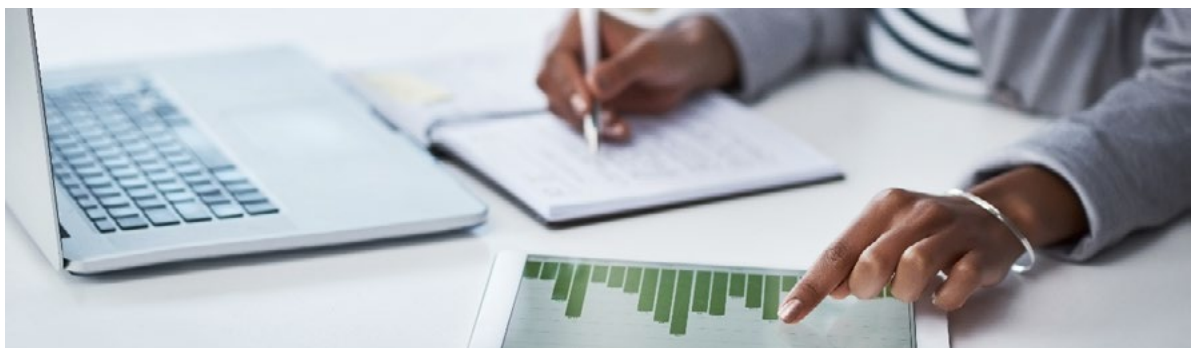
Based on the above, the Tax Administration has established an average effective Income Tax rate per economic sector, economic activity, and geographic location and it has detected atypical and inconsistent taxpayer behavior during the last four years, among which the Tax Administration mentioned the following:



1. Invoicing between related entities to erode the tax base.
2. Not reporting all of the income.
3. Aggressive tax planning strategies.
4. Expenses not related to the economic activity.
5. Local transfer pricing.

We suggest that companies perform a tax and transfer pricing diagnosis of their transactions with the purpose of evaluating any possible tax exposures, as well as their effective Income Tax rate.

The use of technological tools and data governance have been key in allowing the Tax Administration to analyze taxpayer information and strengthen its oversight prior to requesting specific information through information requests.



Contacts



Maria Andrea Gonzalez

Partner
Tax



mgonzalezs@deloitte.com



Kevin Orellana

Manager
Tax



kjorellana@deloitte.com



(502) 2384 6500



deloitte.com/gt

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