



Tax Alert

Important aspects to consider for the tax close

For those taxpayers that have opted to determine the income tax under the Regime Over Profits from Lucrative Activities, the definitive annual settlement must be filed within the first 3 months of the calendar year. Since this year 31 March is a non-business day, based on what the Tax Code establishes regarding the counting of filing terms, the deadline for filing the settlement with the Tax Administration is **1 April 2024**.

By this date, taxpayers must be sure that they have performed a proper analysis of the **applicability of the deductibility of their expenses**, based on their nature, the application of the quantitative and qualitative limits set by law, and the supporting documentation for these expenses. Some of the aspects to be considered are the following:



Compliance with withholding agent obligations

For those taxpayers that have been classified as withholding agents by the Tax Administration, or that are obligated to act as withholding agents due to the tax regimes in which their suppliers are classified, it is necessary to confirm that the corresponding withholding was correctly made in all applicable cases and that the amount withheld was paid to the tax office within the term established by the specific law for each tax.



Documentation of transactions with foreign related parties

It is important to consider that our legislation establishes the obligation to demonstrate that transactions performed with related parties domiciled abroad comply with the arm's length principle. Therefore, for those taxpayers that have these types of transactions, it is necessary to demonstrate the proper determination of prices and amounts of the considerations or profit margins applied in the transactions with their related parties, through a report issued by a transfer pricing expert.



Reconciliation of income

Due to the nature and origin of certain transactions, there may be income that is taxed for income tax purposes but is not taxed for Value Added Tax purposes, and vice versa. Therefore, it is necessary to have a reconciliation and reasoning for why such income was excluded from a specific tax, with the purpose of guiding the tax office in the event of any questioning of such exclusion.



Audited financial statements

Taxpayers that have been classified by the Tax Administration as VAT withholding agents or as special taxpayers must provide to the tax authorities the duly audited financial statements that support the figures included in the annual tax return.

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