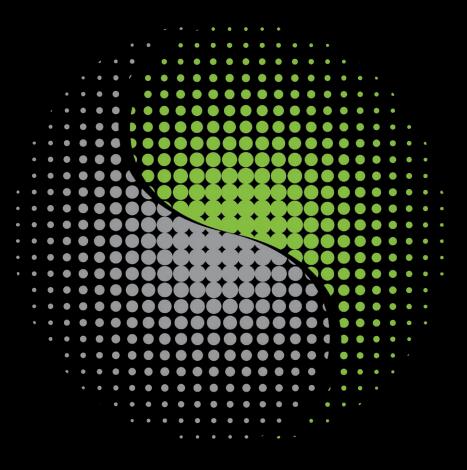
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Tax Alert | El Salvador October 2018



## New Tax Haven Guide DG-002/2018.

**Deloitte Tax News** 

In accordance with that established in Article 62-A of the Tax Code, the General Office of Internal Revenue (DGII) issued at the end of September the *"General Orientation Guide for Facilitating the Recognition of Countries, States or Territories with Preferential Tax Regimes and their Applicable Tax Treatment (DG-002/2018),"* hereinafter referred to as the Orientation Guide or Tax Haven Guide.

This Orientation Guide facilitates for taxpayers the recognition of Countries, States or Territories with Preferential Tax Regimes, with which they perform commercial transactions. **The tax treatment indicated by this Guide is applicable for the fiscal year 2019**. This Guide substitutes Guide N° 001/2017 issued in September 2017.

The main changes found in this new Guide are detailed as follows:

• The list of Countries, States or Territories with low taxation is modified with the addition of the following: Democratic Republic of East Timor, Republic of Palau, Kyrgyz Republic, Turkmenistan, **and the States of Texas and Washington of the United States of America.** 

• **Trust companies and Limited Liability Companies (LLC)** are added to the list of entities that could be considered as tax havens (low or zero taxation). In order to determine whether this tax treatment is applicable to the sample list of companies described in the Guide, the taxpayer should evaluate: (1) whether any of these entities is established, domiciled or located in a Country, State or Territory not named in the Guide, but has an Income Tax exemption, (2) whether it pays Income Tax at a rate lower than 80% that would be generated and paid in El Salvador and, (3) whether it is protected by Law or Administrative Provision under a preferential tax regime of low or zero taxation.

It is important that taxpayers review the changes made in this new Tax Haven Guide and evaluate the possible effects on their commercial transactions, since it is important to remember the 25% Income Tax withholding applicable to payments made to entities domiciled or established in Countries, States or Territories of low taxation, per that established in Article 158-A of the Tax Code. In addition, with respect to the Transfer Pricing regime, new parties may result that for tax purposes should be considered as related parties, or if applicable, should be excluded as comparable companies, in accordance with Article 199-D of the cited code.

To obtain the guide issued by the DGII, click here.

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