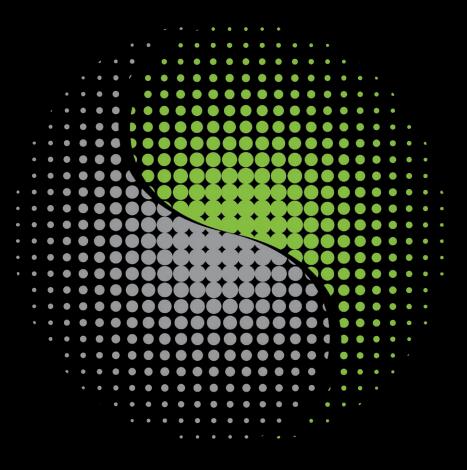
Deloitte.

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.

Global news, local views Deloitte tax@hand newsfeed

Descarga la APP









Federico Paz Lead Partner of the Tax and Legal Services Practice fepaz@deloitte.com

Cosette Fuentes Legal Services Manager cg.fuentes@deloitte.com

Alberto Raimundo Tax Audit and Compliance Manager sraimundo@deloitte.com

Wilmer García Transfer Pricing Manager wsgarcia@deloitte.com

Henry Aguirre BPS Manager haguirre@deloitte.com Ghendrex García Tax and BPS Partner ggarciaq@deloitte.com

Magdalena Tobar Tax and Municipal Compliance Manager <u>mtobar@deloitte.com</u>

Daniela Vargas Tax Consulting Manager <u>dvargas@deloitte.com</u>

Alvaro Miranda Transfer Pricing Manager ajmiranda@deloitte.com

Eduardo Mejía Tax Controversy Services Manager edmejia@deloitte.com

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities. DTTL (also referred to as "Deloitte Global") and each of its member firms are legally separate and independent entities. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte is a leading global provider of audit and assurance, consulting, financial advisory, risk advisory, tax and related services. Our network of member firms in more than 150 countries and territories serves four out of five Fortune Global 500®companies. Learn how Deloitte's approximately 264,000 people make an impact that matters at www.deloitte.com.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms or their related entities (collectively, the "Deloitte network") is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte network shall be responsible for any loss whatsoever sustained by any person who relies on this communication.