



Tax Newsletter

Timely news and information on national tax issues

Provisions for Appointment of the Tax Auditor for the 2020 period

Among the tax control tools that serves to support and strengthen the Tax Administration's functions in El Salvador is the Tax Code. Articles 129 to 138 of this code establish special provisions for the "Tax Opinion and Report" that taxpayers meeting certain specific requirements must issue.

The issuance of the Tax Opinion and Report is delegated by legislators to "public accounting" professionals, so that they exercise this activity as independent auditors, and in

compliance with the different standards issued by the Oversight Board of the Profession of Public Accounting and Auditing (CVPCPA per its Spanish acronym) that for this case have been defined as follows:

- Standard for Assurance of Compliance with Tax Obligations (NACOT per its Spanish acronym), agreement No 51, dated 3 November 2016; and,

- International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code).

The Tax Opinion is a document containing an opinion on the taxpayer's compliance with its tax obligations, issued by a Public Accountant or Certified Public Accountant, pursuant to their professional powers, in accordance with that established in the Law Regulating the

Exercise of the Public Accounting Profession.

A report is attached to this opinion, containing the detail of the work performed by the Auditor and the results obtained, which forms the basis of what is expressed in Tax Opinion.

The Tax Opinion and Report are issued with respect to the review of one tax period, from 1 January to 31 December of every year, and filed before the Tax Administration on 31 May of the year following the one being reviewed. Thus, it is an annual tax obligation.

The obligation to appoint a public accounting professional for Tax Audit purposes falls under the responsibility of the taxpayer (individual person, legal entity, non-profit institutions, de facto entities or without legal personality, among others) in accordance with the conditions established in Article 131 of the Tax Code.

This appointment is made, provided that the taxpayer meets the specific conditions established in the article cited above.

In regard to the above, it is important to mention that on 10 April 2019, an amendment to Article 131, letter b) of the Tax Code was approved through Legislative Decree No. 297, which was published in the Official Gazette N° 86, Volume No. 423 dated 14 May 2019.

This amendment establishes a modification to the income parameters that determine the obligation to appoint a Tax Auditor and report it to the Tax Authorities, which is effective for the 2020 tax period.

Given the amendment indicated above, the current requirements for determining whether a taxpayer is obligated to appoint a Tax Auditor for the 2020 period are as follows:

- a) Have an amount of "total assets" at the closing of the immediately preceding year equal to at least US\$1,142,857.14.
- b) Have obtained "total income" in the previous year equal to at least 4,817 minimum wages of the commercial and services sector, calculated in US dollars.**
- c) Companies resulting from a merger or transformation.
- d) Companies that have agreed to a dissolution and liquidation.

Therefore, in relation to letter b) of Article 131 of the Tax Code, it is necessary to verify the level of total income obtained by the taxpayer with respect to the 4,817 minimum wages of the commercial and services sector.

For tax purposes, the monthly minimum wage is the amount equivalent to the minimum wage for thirty days for day shifts of ordinary workdays set by decree issued by the executive branch for workers of the commercial and services sector, as established by paragraph 2 of Article 228 of the Tax Code.

Executive Decree No. 6 (Official Gazette No. 240, Volume 417 dated 22 December 2017) establishes the amount of US\$10 as the minimum wage for day shifts of ordinary workdays for the commercial and services sector; thus the monthly

minimum wage for tax purposes is US\$300 (30 days x US\$10).

Therefore, the total income threshold indicated in letter b) of Article 131 of the Tax Code for determining whether a taxpayer is obligated to appoint a Tax Auditor in the 2020 tax period **would be an amount equal to or greater than US\$1,445,100** - (4,817 x US\$ 300).

Finally, it is important to remember that the appointment of the Tax Auditor must be made in the first 5 months of the period to be examined, that is, no later than **31 May 2020**. In addition, such appointment must be reported to the Tax Administration within the first 10 business days following the agreement for making the Tax Auditor's appointment. In the case of legal entities, this is done through a General Partners' or Shareholders' Meeting, and for all other taxpayers, it is done through a service agreement with the designated public accounting professional.



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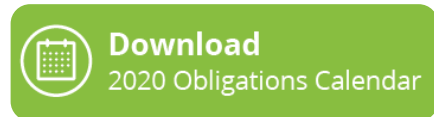
Tax Calendar

April 2020

The updated 2020 tax calendar is now available on the Tax Administration's website, which includes the public holidays and the deadlines for all tax obligations.

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

Download our
2020 Obligations
Calendar



April 22

VAT

Declaration and payment of the Tax on the Transfer of Movable Goods and the Rendering of Services (F-07).

Financial Income and Transactions

Monthly declaration of Payment on Account, and Tax Withheld on Income, Financial Transactions, and the Special Contribution for Citizen Security and Coexistence (F-14)

Specific and Ad-valorem

Declaration and payment of Specific Taxes, Ad Valorem Taxes and Special Contribution (F-06).

Other obligations

- Report on Specific and Ad Valorem Taxes on Producers and Importers of Alcoholic Beverages, Potable Ethyl Alcohol and Beer, Carbonated Beverages, Isotonic Beverages, Fortified Beverages or Energy Drinks, Juices, Nectars, Soft Drinks and Concentrated or

Powder Mixtures for the Preparation of Drinks (F-955).

- Report on Specific and Ad Valorem Taxes on Producers and Importers of Firearms, Ammunitions, Explosives and Similar Items, Producers of Tobacco and Producers, Importers and those that clear fuels through customs (F-988)
- Monthly Report of Sales to Producers, Distributors or Retailers of Tobacco and Tobacco Products (F-956)
- Report on Authorizations Made to Accounting Systems, Legal Accounting Books, VAT Books or Records, Certifications and Reports issued on Modifications to Legal Books, Subsidiary Books and Special Records (F-463)
- Statement of Origin and Application of Funds (F-950)

April 29

VAT

Monthly Report on Withholdings, Collections, or Payments on Account of VAT (F-930).

Printing Presses

Monthly Report on Documents Printed for Taxpayers of the VAT (F-945).

April 30

Other obligations

- Income Tax Return and Declaration of Special Contribution by Large Taxpayers to the Citizen Security Plan for the 2019 Period (F-11).
- Balance Sheet and Statement of Income for Taxpayers that keep Formal Accounting; Statement of Income and Expenses and Tax Reconciliations 2019 (F-971).
- Report on Capital Gains and/or Losses 2019 Period (F-944).
- Declaration of Real Property 2019 Period (F-30).

April 6 to 13

Holy Week

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