



Tax Newsletter

Timely news and information on national tax issues

New Independence Requirements for External Auditors

Code of Professional Ethics for Auditors and Accountants

Last January 24, 2018, the Oversight Board of the Profession of Public Accounting and Auditing (CVPCPA per its Spanish acronym) approved Resolution No. 01/2018, which contains the **new Code of Professional Ethics for Auditors and Accountants**,

The new Code of Ethics contains various important aspects;

however, at this time we shall focus on addressing the principle of **"Independence,"** as well as on the new aspects or circumstances that such Code establishes as the **"Loss of Independent Judgment,"** in the case of providing additional specific services within the exercise of the external audit profession.

Principle of Independence

Roman numeral I of Art. 5 of the new Code of Ethics establishes that the auditor or accountant, upon

expressing any professional opinion, accepts the obligation to hold an opinion that is free from conflicts of interest and is impartial.

Similarly, Art. 6 mentions that the auditor or accountant must maintain independent judgment in those engagements that they perform that are related to expressing opinions that are unbiased, in accordance with their own convictions, knowledge and experiences, and without any interference, meddling or pressure from others.

Independence can be threatened in the following cases:

- Self-interest threat
- Self-review threat
- Advocacy threat
- Familiarity threat
- Intimidation threat.

When a circumstance that could threaten independence arises, the Public Accounting professional must document their respective evaluation of the risk level, and if they establish that the risk is acceptable, they must put the necessary safeguards in place.

Loss of Independent Judgment – External Auditors

Art. 10 of the new Code of Ethics lists the different aspects or circumstances in which there is a threat to independence for the Public Accounting professional, **in which case it shall be considered that there is no independence, nor impartiality, for expressing an opinion that serves as a basis for decision-making by third parties.**

In this respect, **External Auditors must pay special attention to those services that would be considered as a Loss of Independent Judgment**, which are described in letter k) of Art. 10 of the Code of Ethics, detailed as follows:

“When the Public Accounting professional provides, directly or through a partner or employee of their Firm, in addition to the

external (financial) audit services, the following services (*):

- **Transfer pricing studies**
- **Actuarial advisory services**
- **Legal services other than those permitted by law.”**

(*) We have indicated just some examples of the restricted services included in letter k) of Art. 10 of the Code of Ethics.

Additionally, Art. 11 of the Code of Ethics establishes that the auditor or accountant, upon providing more than one service to the same entity (client), must adhere to the independence requirements defined in the Standard for Assurance of Compliance with Tax Obligations (NACOT per its Spanish acronym), the Law Regulating the Practice of Accountancy, and other laws applicable to the profession.

Violations and Penalties

Finally, it is important to highlight that according to Art. 91 of the Code of Ethics cited above, and with respect to Art. 22 of the Law Regulating the Practice of Accountancy, **non-compliance with the independence and ethics requirements included in the current laws, is considered as a “serious violation” or “very serious violation.”**

For the case of serious violations, they shall be penalized by the CVPCPA with a fine of 2 to 15 monthly minimum wages of the commercial and services sector; and the very serious violations shall be penalized with a suspension of 1 to 5 years from the ability to exercise the profession, per that established in Art. 47 of the Law

Regulating the Practice of Accountancy.

Therefore, it has become quite relevant for Auditors and Accountants to review in detail the new provisions of the Code of Ethics now in effect in El Salvador, and analyze the effects that this represents in the exercise of the profession and the services that they currently provide in the business community.



Alberto Raimundo
Tax Audit Manager
Deloitte El Salvador
sraimundo@deloitte.com



Ghendrex García
Tax and BPS Partner
Deloitte El Salvador
ggarciaq@deloitte.com
www.deloitte.com/sv

Regulatory Summary

The General Office of Internal Revenue is betting on modernization

On July 11, 2018, the General Office of Internal Revenue (DGII per its Spanish acronym) issued a statement informing taxpayers that with the purpose of adopting successful practices for the strengthening and modernization of the Tax Administration, it participated in the international event named "**Introduction to Public Management: Specialization in Tax Administration**," whose purpose was to provide and facilitate basic information for modern management focused on encouraging voluntary compliance.

The event was held from July 9-13, 2018, and included the participation of officials and general directors of the Tax Administrations of Central America, Panama, the Dominican Republic, Cuba, Peru, Bolivia, Ecuador, Brazil and Paraguay, and addressed the following topics:

- Main restrictions on the efficiency and efficacy of Tax Administrations of the region;
- Information Management;
- Risk Analysis and Human Resources Management;
- Strategic and Operations Planning;
- Risk Management and Technology in Tax Administration;
- Economic Context, Key Features of Tax Systems and Trends in Recent Reforms;
- **The impact of the Electronic Invoice in Latin America;** and
- **The Tax Reform in the United States.**

This international activity was opened by the Executive Secretary of the Inter-American Center of Tax Administrations (CIAT per its Spanish acronym), Marcio Verdi, and the General Director of Taxation of Costa Rica, Carlos Vargas, thanks to the organization of the Institute of Fiscal Studies of Spain (IEF per its Spanish acronym), CIAT and the Regional Technical Assistance Center of the International Monetary Fund (IMF) CAPTAC-DR.

The announcement can be viewed at the following link:

<http://www7.mh.gob.sv/pmh/es/Novedades/9153-Impuestos-Internos-apuesta-la-modernizacion.html>

Tax Calendar August 2018

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	31	

August 1-6

Public holiday due to celebrations of the Feast of San

August 20

- Declaration and payment of VAT (F-07)
- Monthly declaration of Payment on Account, Tax Withheld on Income from Financial Transactions, and the Special Contribution for Citizen Security and Coexistence (F-14).
- Declaration and payment of Specific Taxes, Ad Valorem Taxes and Special Contributions (F-06).
- Report on Donations (F-960).
- 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).

August 27

- Monthly Report on Withholdings, Collections, and Advances on Account of VAT (F-930).
- Monthly Report on Documents Printed for Taxpayers of the VAT (F-945).

Contacts:

Federico Paz

Lead Partner of the Tax and Legal Services Practice

fepaz@deloitte.com

Ghendrex García

Tax and BPS Partner

ggarciaq@deloitte.com

Cosette Fuentes

Legal Services Manager

cq.fuentes@deloitte.com

Eduardo Mejía

Tax Controversy Manager

edmejia@deloitte.com

Daniela Vargas

Tax Consulting Manager

dvargas@deloitte.com

Magdalena Tobar

Tax and Municipal Compliance Manager

mtobar@deloitte.com

Alberto Raimundo

Tax Audit and Compliance Manager

sraimundo@deloitte.com

Wilmer García

Transfer Pricing Manager

wsgarcia@deloitte.com

Alvaro Miranda

Transfer Pricing Manager

ajmiranda@deloitte.com

Henry Aguirre

BPS Manager

haquirre@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/aboutto 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.

© 2018. Deloitte El Salvador