



## Tax Newsletter

Timely news and information on national tax issues

### Ad Valorem Tax on Insurance Policies

On 12 October 2022, Legislative Decree No. 520 containing the “**Law of the Fire Department of El Salvador**” (hereinafter, the Fire Department Law) was passed and published in the official gazette No. 204, Volume No. 437 dated 28 October 2022, and will go into effect sixty days after its publication.

The Decree has the purpose of restructuring the regulatory and organizational framework of such institution, which was initially established in the law passed in 1995, and thus update and improve the services provided by the institution. In addition, to strengthen and provide resources to the Fire Department, an ad valorem tax is instituted, as indicated in Chapter IX of the Fire Department Law, whose general considerations are detailed below:

#### Taxable Event

According to Article 41 of the Fire Department Law, the taxable event for the ad valorem tax is the contracting of all types of insurance sold in the country; as well as the extension, renewal, or modification of the respective policies.

Excluded from this tax is the insurance contracted in connection with all types of bank and non-bank credits, and credits granted by any other individual or legal entity authorized in accordance with the law for granting credits, as well as the extension, renewal, and modification of these policies, whether they are mandatory or optional in nature.

#### Tax Base and Rate

An ad valorem tax of 5% is established on the premium of the insured amount, as well as on the extension, renewal, and modification of the respective policies, excluding from such price the Tax on the Transfer of Movable Goods and the Rendering of Services (VAT). (Article 42 Fire Department Law)

#### Taxpayers

The taxpayers subject to this tax are insurance companies with which the insurance policies are contracted, extended, renewed or modified.

Furthermore, transferring the charging of the 5% ad valorem tax to the parties contracting the insurance policies is prohibited. (Article 43 Fire Department Law)

### **Triggering of the Tax, Tax Period, and Obligation to File a Tax Return**

The tax is triggered upon payment of the transaction for the sale, extension, renewal, or modification of the insurance policy. (Article 44 Fire Department Law)

The tax period is monthly, and the payment must be made within the first 10 business days of the month following the period being settled.

Therefore, insurance companies must file a tax return before the General Office of Internal Revenue (DGII), which will provide a form with the technical specifications it deems necessary. In addition, the corresponding tax return must be filed even if there are no transactions made within the tax period. (Article 45 Fire Department Law)

### **Supplementary Application**

The Tax Code will apply to everything not provided for in Chapter IX of this Fire Department Law.

It is thus observed that insurance companies will have a term of 60 days, counted from the day following the publication of the law in the official gazette, to evaluate the tax implications of this new tax (ad valorem tax), and adjust its internal controls for the

sale, extension, renewal, or modification of the insurance contracts, in order to apply this tax to the types of insurance that constitute a taxable event per the new Fire Department Law.

### **Cristina Hernández**

Tax Manager

[roshernandez@deloitte.com](mailto:roshernandez@deloitte.com)

### **Ghendrex García**

Tax and BPS Partner

[ggarcia@deloitte.com](mailto:ggarcia@deloitte.com)

# Tax Calendar

## November 2022

The updated 2022 tax calendar is now available on the Tax Administration's website, which includes public holidays and 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 the 2022  
Obligations Calendar

### November 15

#### 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 Taxes

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

#### Other Obligations

- 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).

### November 22

#### VAT

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

### Printing Presses

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

### November 01

#### Other Obligations

- Form for Report on Representation Letter regarding the Report on Compliance with the Obligations Contained in the International Services Law corresponding to the first half of the year 2022 (F-462) and Appointment of Auditor.

### November 02

Public holiday due to observance of All Souls Day.

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## Contacts

**Federico Paz**

Tax Partner

[fepaz@deloitte.com](mailto:fepaz@deloitte.com)

**Ghendrex García**

Tax and BPS Partner

[ggarciaq@deloitte.com](mailto:ggarciaq@deloitte.com)

**Mario Coyoy**

Transfer Pricing Partner

[mcoyoy@deloitte.com](mailto:mcoyoy@deloitte.com)

**Henry Aguirre**

BPS Senior Manager

[haguirre@deloitte.com](mailto:haguirre@deloitte.com)

**Cosette Fuentes**

Legal Services Senior Manager

[cg.fuentes@deloitte.com](mailto:cg.fuentes@deloitte.com)

**Jhonny Flores**

Tax Consulting Manager

[jflores@deloitte.com](mailto:jflores@deloitte.com)

**Alvaro Miranda**

Transfer Pricing Senior Manager

[ajmiranda@deloitte.com](mailto:ajmiranda@deloitte.com)

**Wilmer García**

Transfer Pricing Senior Manager

[wsgarcia@deloitte.com](mailto:wsgarcia@deloitte.com)

**Bryan Antillón**

Transfer Pricing Manager

[bantillon@deloitte.com](mailto:bantillon@deloitte.com)

**Cristina Hernández**

Tax Manager

[roshernandez@deloitte.com](mailto:roshernandez@deloitte.com)

**Emerson Inocente**

Tax Manager

[einocente@deloitte.com](mailto:einocente@deloitte.com)

**José Ángel Lopez**

Transfer Pricing Manager

[joselopez@deloitte.com](mailto:joselopez@deloitte.com)

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