

Tax Newsletter

Timely news and information on national tax issues

Temporary suspension of the application of the special contribution for the stabilization of collective public transportation service fares and reduction of VAT on fuel

On 13 March 2022, the Legislative Assembly of El Salvador passed a series of economic and tax provisions recommended by the executive branch, with the purpose of lessening the impact that the general increase in prices has had on the basic basket of goods. Three of these measures (Legislative Decrees Nos. 307, 308 and 321) are aimed at reducing the price of hydrocarbons, given that it is a key input for all of the country's economic sectors.

To facilitate the understanding of these measures, the General Office of Internal Revenue -DGII- issued an Orientation Guide (MH-CJVI DGII/006.002/2022) with the purpose of illustrating the calculation of fuel prices and its documentation as a result of the suspension of the collection of the taxes contained in Decree -Law- No. 762 dated 24 July 1981 and the Special Contribution regulated in Legislative Decree No. 257 dated 22 December 2021, as well as the reduction of the rate of the Tax on the Transfer of

Movable Goods and the Rendering of Services (VAT), contained in Legislative Decree No. 296 dated 24 July 1992.

The measures are summarized below:

- The collection of the taxes known as the Economic Compensation and Stabilization of Collective Public Transportation Service Fares (COTRANS) and the Economic Stabilization Fund (FEFE) will be suspended during the effective term of Legislative Decrees Numbers 307 and 308, both dated 13 March 2022.
- Reduced rates for the Tax on the Transfer of Movable Goods and the Rendering of Services (VAT) will be applied from 23 March to 4 April 2022, inclusive of both dates, in accordance with article 1 of Legislative Decree Number 321. The reduced VAT rate applicable to premium gasoline is 4.75%. For regular

gasoline or low sulfur diesel fuel, the reduced rate is 5% and 1.75%, respectively.

SCOPE OF APPLICATION AND COMPLIANCE WITH THE DECREE

These provisions will be applicable to importers or refiners of gasohol, diesel, gasoline or their mixtures with other fuels, as well as to those that distribute these fuels, such as service stations. These parties are obligated to strictly comply with the rates indicated in Legislative Decree No. 321 and should adopt the pertinent and necessary measures in their invoicing systems so that the reduced VAT rates are applied upon their effective dates, thus reflecting a decrease in hydrocarbon prices.

For purposes of the above, as a consequential measure, taxpayers may use the application of discounts configured in their IT systems, equivalent to the amount of the reduction in the rate of the Tax on the Transfer of Movable Goods and the Rendering of Services (VAT), until the modifications to the configuration of the rates are completed in their systems, which must be documented and proven by the taxpayer. In the pre-printed legal documents (VAT control) that are issued for fuel sales transactions, zero will be entered in the COTRANS box, indicating that nothing has been charged for this item. Taxpayers must ensure that their systems are programmed for determining the prices with reduced rates, such that FEFE and COTRANS are not charged and the corresponding VAT rate for each type of fuel is calculated.

Importers, refiners and distributors of fuels should include the transactions in their tax return for the VAT, during the periods that Legislative Decree number 321 is in effect, classified according to the tax rates they were subject to. The Tax Administration will make available the respective form.

Those taxpayers that have inventories that paid such taxes at the time of their acquisition should not charge them to the final consumers. In these cases, the amounts for these items will be recorded as a deductible expense for income tax purposes because they are considered to be the effects of the current provisions, necessary for the preservation of the source, in accordance with articles 28 and 29 numeral 6) of the Income Tax Law, which the taxpayer must demonstrate for tax purposes.

In summary, the tax benefit obtained from the application of this temporary legal regime corresponds to US\$0.28 per gallon of fuel, composed of the sum of the following amounts: US\$0.16 for FEFE, US\$0.10 for COTRANS and US\$0.02 for the effect of VAT on FEFE, plus the decrease in VAT resulting from the application of the reduced rate of this tax to the tax base.

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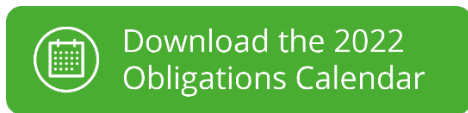
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Tax Calendar

April 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



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 Taxes

- Declaration and payment of Specific Taxes, Ad Valorem Taxes and Special Contribution (F-06).
- 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 of 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 Registered under the VAT (F-945)

April 11-18

Holy Week holidays

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