



## Tax Newsletter

Timely news and information on national tax issues

# Tax treatment of the 2023 Christmas Bonus



On 29 November 2023, the Legislative Assembly passed Legislative Decree No. 900, containing the **“Temporary Provisions declaring as non-taxable income and consequently excluded from the respective withholding for this year of 2023, the Christmas Bonus referred to in the Labor Code and the Additional Cash Compensation Law, up to a maximum of USD 1,500.”** The Legislative Decree is effective as of its publication in Official Gazette No. 225, Volume No. 441, dated 30 November 2023.

With this temporary provision, that established in Article 4 of the Income Tax Law and Article 155 of the Tax Code, with respect to the tax treatment of the income received as a Christmas Bonus, is not in force (for the year 2023).

## **Tax treatment of the Christmas Bonus paid in December 2023**

Companies must pay careful attention when determining the taxable remunerations for the calculation of the Income Tax withholdings in the month of December, since the payment of the Christmas Bonus will have a special treatment for tax purposes.

According to Legislative Decree No. 900 passed by the Legislative Assembly, it is established that the income received by employees as a Christmas Bonus in the month of December 2023 will not be subject to the Income Tax or the withholding for this tax, for up to an amount no greater than USD 1,500. However, those Christmas Bonuses that exceed the amount mentioned above must be subject to the Income Tax withholding on the amount exceeding such maximum.

Therefore, withholding agents must analyze and separate for each employee what will be paid as a Christmas Bonus, as follows:

- a) If the amount of the Christmas Bonus is less than or equal to USD 1,500, this will be considered as non-taxable and not subject to the Income Tax withholding.
- b) If the Christmas Bonus is more than USD 1,500, then the amount in excess of that threshold will be added to the remuneration earned in the monthly period and will be considered as subject to the Income Tax and the withholding for such tax.

In this respect, it is important that taxpayers (companies) consider this information when reviewing the payroll payment calculation adjustments for the month of December, and especially the application of the second recalculation of Income Tax Withholdings on Employees at the closing of the year 2023.

Finally, it is important to remember that companies must separately report in the Annual Report on Income Tax Withholdings (F-910), the amounts for non-taxed Christmas Bonuses (exempt from the Income Tax) and the amounts for Christmas Bonuses that are taxed and subject to tax withholdings, for each individual (employees).

We encourage Human Resources departments of companies to verify in advance the internal **procedures and adjustments to their payroll systems that must be made**, for the proper tax treatment of the payment of the Christmas Bonus in the month of December 2023.

More information:



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# Tax Calendar

## December 2023

Use our [2023 Tax Calendar](#) to keep informed about:



Tax Obligations before the  
Tax Office (Ministerio de Hacienda)



Municipal Tax Obligations



Payroll Management  
Obligations

December 2023

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						

To learn more about **December's** obligations:



Download the 2023  
Tax Calendar

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