



Tax Newsletter

Timely news and information on national tax issues

Considerations regarding the December 2024 income oversight plan



During the second week of December 2024, many taxpayers received a notification from the Tax Administration (*Ministerio de Hacienda*) informing them about the income oversight plan that such office would be carrying out during the month of December.

This plan consists of virtual and physical monitoring of the invoices issued for each sale made by the taxpayer, with the purpose of carrying out direct oversight over the transactions, in order to estimate the taxpayer's full compliance with their tax payment obligations. In addition, the Tax Administration has stated that if any instances of non-compliance are detected, the income obtained from sales not invoiced or omitted would be considered as income obtained from sales made, attributable to this fiscal year and the tax period subject to oversight.

Furthermore, this notification mentions that the Tax Administration may review the purchases reported by the taxpayer. Therefore, if there is any increase in the purchases in order to alter the net effect of the VAT payable, such office could

With respect to the above, it is important to consider the following:

1. A recommended practice in all organizations is to check the effectiveness of the internal controls so that companies can comply with the tax obligations related to the issuance of invoices, such that the income obtained by the company is duly and totally documented.
2. With respect to purchases, taxpayers should document the existence and necessity of the expense for both VAT and Income Tax purposes.
3. The notification sent by the Tax Administration is a general notification sent to most taxpayers, and thus it is not necessary to directly send any information regarding income or purchases to the Tax Administration.
4. In the event that the Tax Administration performs an inspection, it should be kept in mind that the conclusions that may be reached by the auditors are not final, since the taxpayer can exercise their right to challenge them and recur to different levels of proceedings

(administrative or judicial) to provide evidence and arguments that refute the conclusions of the Tax Administration's auditors.

5. Even if no inspection is made during the month of December, it should be considered that the Tax Administration has a term of 3 years to be able to request information regarding a taxpayer's operations. Therefore, it is always important to implement controls that allow taxpayers to comply with their tax obligations and prevent incidents with significant consequences.

Due to all of the above, it is necessary to remain on the alert for specific notifications that may be sent by the Tax Administration in order to timely deal with them, as well as thoroughly verify timely and proper compliance with all tax obligations.

In the event of a review by the Tax Administration, it will be important to ensure that their actions comply with the following principles:

- a) Justice;
- b) Equality;
- c) Legality;
- d) Swiftiness;
- e) Proportionality;
- f) Economy;
- g) Efficiency; and,
- h) Material truth.

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