



Tax Newsletter

Timely news and information on national tax issues

Effect of increase in minimum wage on the determination of thresholds for tax obligations and calculations of fines

On 7 July 2021 an Executive Decree was published in the Official Gazette regarding the new minimum wage rates that went into effect on 1 August 2021.

Among the regulations of such decree is the increase in the minimum wage rate for the commercial sector, which stipulates that regardless of the number of days of the month being remunerated, the monthly payment shall be US\$ 365.00. To that effect, it is worth mentioning that for purposes of the tax laws, when referring to a minimum wage, it refers specifically to the wage set for workers of the commercial sector to the equivalent of thirty days (US\$ 360).

Based on the above, such wage increase must be taken into account in the tax perspective since it will

have an effect on the determination of the thresholds for various tax obligations, as well as for the calculation of fines in the event of any non-compliance.

A. Impact on tax obligations

According to the Tax Code (TC), some examples of tax obligations that will be affected by the increase in the minimum wage are as follows:

1. Taxpayers with income equal to or greater than 2,753 monthly minimum wages, equivalent to US\$ 991,080.00, must present the Report on Suppliers, Customers, Creditors and Debtors (F-987) in the months of January and July of each year. (Art. 125 par. 1 TC).

2. Among the taxpayers obligated to appoint an auditor to issue a tax opinion are those that have obtained total income in the previous year greater than 4,817 minimum wages of the commercial and services sector, which is equivalent to US\$1,734,120. (Art. 131 letter b. TC).
3. For purposes of the deduction of costs and expenses, the payments made that are related to such deductions, for amounts equal to or greater than 58 minimum wages (equivalent to US\$ 20,880), must be made by check, bank transfer, or credit or debit cards. (Art. 206- A TC).

B. Impact on the calculation of fines

In cases of non-compliance with formal and substantive tax obligations, the Tax Code regulates a series of economic penalties that can be determined either based on the monthly minimum wage in effect for the commercial sector, or established minimum fines that are limited to a specific number of minimum wages.

In this respect, it is important for taxpayers to consider the impact of the increase in the minimum

wage for purposes of determining contingencies resulting from their operations and in order to know whether compliance with a specific obligation that is determined based on minimum wages, such as the appointment of a tax auditor, is applicable to them.



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Tax Calendar

August 2021

The updated 2021 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	31				

Download the 2021
Obligations Calendar



August 20

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)

August 27

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)

August 2, 3, 4, 5 and 6

Public holiday due to celebrations of the Feast of San Salvador

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