



## Tax Newsletter

Timely news and information on national tax issues

### Main changes in the preparation and filing of the Tax Returns for VAT (F-07) and Payment on Account and Tax Withheld for the Income Tax (F-14) in El Salvador.

As of the filing of the Tax Returns for the Value Added Tax (F-07) and the Payment on Account and Tax Withheld for the Income Tax (F-14), corresponding to the month of March 2021, whose deadline was 19 April 2021, the General Office of Internal Revenue (DGII or Tax Administration) implemented changes to these filings. This represented an additional challenge for taxpayers, given the new requirements they had to comply with in the preparation of such tax returns.

This article provides a general summary of the main changes to the Tax Returns for the Value Added Tax (F-07) and the Payment on Account and Tax Withheld for the Income Tax (F-14) that taxpayers must keep in

mind upon preparing and filing these tax returns from now on.

#### What are the main changes that were applicable in the preparation of the Tax Return for the VAT (F07)?

- New boxes were added to the form:
  - ✓ Purchases from Excluded Parties (Box 66)
  - ✓ Exports of Services (Box 94)
  - ✓ 13% VAT Withholdings (Box 172)
  - ✓ 13% VAT Withholdings made by the declarant, paid in the tax return being amended.

- It is now mandatory to complete annexes with details of sales and purchases, withholdings, collections and advances of VAT in order to upload the information onto the Tax Administration's platform:

Annex Number	Description
1	Detail of Sales to Taxpayers
2	Detail of Sales to the Final Consumer
3	Detail of Purchases
4	Detail of Sales on Account of Third Parties (Box 108)
5	Detail of Purchases from Excluded Parties (Box 66)
6	Advance on Account of the 2% VAT made to the Declarant (Box 161)
7	1% VAT Withholding made to the Declarant (Box 162)
8	Collection of 1% VAT made to the Declarant (Box 163)
9	Collection of 1% VAT made by the Declarant (Box 169)
10	Withholding of 1% VAT made by the Declarant (Box 170)
11	Advance on Account of the 2% VAT made by the Declarant (Box 171)
12	Withholding of 13% VAT made by the Declarant (Box 172)

It is worth mentioning that the Tax Administration has made available to taxpayers the *"User's Manual for the uploading of Files of the Annexes to the Declaration of the Tax on the Transfer of Movable Goods and the Rendering of Services F-07V13,"* which informs taxpayers about the process (guide) and requirements for completing each annex and for the uploading of that information when filing the declaration online. This manual can be downloaded using the following link:  
<https://www.transparenciafiscal.gob.sv/downloads/pdf/700-DGII-MN-2021-26031.pdf>

**What are the main changes that were applicable in the preparation of the Tax Return for the Payment on Account and Tax Withheld for the Income Tax (F-14)?**

- In the section for the calculation of the Advance on Account of Income Tax, there were no changes to its filing. Therefore, it is only necessary to detail the amount of the gross income obtained in the period, according to the economic activity of each taxpayer.
- An Annex was added to detail the Creditable and Non-Creditable Withholdings, for both residents and non-residents, made during the tax period being declared.

Once again, the Tax Administration has made available to taxpayers the *"User's Manual for the uploading of Files of the Annex on Income Tax Withholdings made to residents and no-residents in the Declaration of Payment on Account and Tax Withheld on Income F14v15,"* which informs taxpayers about the process (guide) and requirements for completing the annex and for the uploading of that information when filing the declaration online. This manual can be downloaded using the following link:  
<https://www.transparenciafiscal.gob.sv/downloads/pdf/700-DGII-MN-2021-26032.pdf>

### General aspects of the process for the Filing of the Annexes to the Tax Returns on the Platform

Based on the main changes in the tax returns mentioned in this article, taxpayers should consider the following general aspects for the filing of the corresponding Annexes:

- Format of the File: All the content of the files corresponding to the Annexes should be in "Text" format.
- The columns of the Annexes (Excel files) should not have heading or titles.
- File to be imported:
  - ✓ The Excel file for the Annex for each tax return should be saved using a name that does not exceed 25 characters.
  - ✓ The file should be generated and saved in "CSV" format (separating contents using semicolons).

## Main Recommendations for the Online Filing of Tax Returns

- Verify that the uploaded file has a “.csv” extension
- Verify that there are no blank boxes or columns related to transaction amounts.
- Verify that the number of the annex is entered in the last column of the file.
- Columns cannot be added to the Annex formats; only rows may be added, as needed.
- Verify that the correct file is being uploaded to the required detail in each section of the tax return.
- Verify that the headings of the Annexes, that is, the name of each of the columns of the file, is deleted.
- Verify that the maximum number of characters per column is not being exceeded.
- If a taxpayer has to file tax returns with a zero value, the taxpayer only needs to enter the Tax Administration’s online platform and file such tax returns with a zero value (it is not necessary to upload files or annexes onto the online platform).
- The Tax Administration has enabled a special option in the event a taxpayer needs to amend Tax Returns for VAT or Payment on Account of previous periods so that they can be amended in the traditional manner as they had been previously filed.

**Based on the above and recent experience, it is recommended that companies timely review their tax controls and verify whether they are able to perform the following:**

- 1) Generate reports on transactions for purchases, sales, and VAT and Income Tax withholdings that facilitate providing all of the information required in each Annex in detail.
- 2) Issue or have an updated database of suppliers and customers from their systems (master data), which contains the general information required for suppliers and customers, per the requirements of each Annex.

- 3) Provide the Resolution Numbers for the Authorization of Series and Correlative Numbers issued by the DGII for purchase and sale transactions recorded in the VAT Control Books in each monthly period, as applicable.

Undoubtedly, these new requirements and procedures represent a great challenge for the employees in charge of compliance with tax obligations in an organization (company), due to the amount of detailed information required in each of the annexes that must be completed for the filing of the monthly tax returns for VAT (F-07) and the Payment on Account and Tax Withheld for the Income Tax (F-14).

Therefore, companies should make all the necessary efforts and work in coordination with all of their various departments (purchasing, billing, payments to suppliers, and information technology – IT, among others) in order to systematize all of the information that populates the annexes that must be completed in the filing of the monthly tax returns for VAT (F-07) and the Payment on Account and Tax Withheld for the Income Tax (F-14). Furthermore, they should consider using the assistance of external tax consultants that can provide added value in the preparation of the returns prior to their filing, and thus avoid any exposure to penalties due to incomplete or inaccurate information in the event of a review by the Tax Authorities.

Finally, it is important to keep informed regarding any changes/updates made by the Tax Administration to the Annexes and Manuals in the coming months since this is a new process that could be subject to frequent changes.



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# Tax Calendar

## April 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	

Download the 2021  
Obligations Calendar



### April 19

#### 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 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 26

#### 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 30

#### Other Obligations

- Report on transactions with related parties or parties domiciled, established or located in countries, states or territories with preferential tax regimes, of low or zero taxation or tax havens (F-982)

### April 1 and 2

#### Holy Week holidays

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