



## Tax Newsletter

Timely news and information on national tax issues

### Transfer Pricing

## El Salvador is now a member of the OECD Development Center

Last February, El Salvador became a member of the **Development Center of the Organization for Economic Cooperation and Development (OECD)**, which is a great step forward in support of the country's inclusive growth and reform agenda.

With its membership, El Salvador joins an extensive group of countries that were already part of the Development Center, including

the following countries of the region: Colombia, Mexico, Dominican Republic, Costa Rica, and Panama, among others.

The Development Center is an institution that helps developing countries and emerging economies find innovative policy solutions to promote sustainable growth, reduce poverty and inequalities, and improve people's lives.

#### What can El Salvador expect from its membership?

Through its membership, **comparative perspectives** on the country's structural trends and governance will be made available to El Salvador. According to the directors of the Development Center, as a member "El Salvador will benefit from opportunities for knowledge sharing and policy dialogue with other member

*countries. These opportunities will help the government identify and learn from relevant experiences as it designs and implements its own reform agenda.”*

### **What changes can be expected in Transfer Pricing?**

In tax matters, specifically in regard to **Transfer Pricing (TP)**, it is expected that through this membership in the Development Center, in the coming years El Salvador will start to adopt the new measures resulting from the **BEPS** (Base Erosion and Profit Shifting) Project of the OECD, such as the new TP documentation requirements for taxpayers:

- *Master File (MF),*
- *Country-by-Country Report (CbC).*

### **What has been the trend in other countries of the region once they have become members of the OECD Development Center?**

Other Central American countries, members of the Development Center, have already made amendments to their TP regulatory framework, implementing the new TP documentation, as in the case of Panama and Costa Rica.

In 2016, the government of Panama introduced into its tax regulations the requirement to file the MF, a document that compiles general, relevant information on the Business Group. Similarly, in May 2019 it incorporated the CbC Report into its tax regulations, which refers to specific information on each affiliate of the Business Group, domiciled in any country of the world. In the case of Costa Rica, in 2017 it introduced into its tax laws the obligation to file the MF, and in 2018 the filing of the CbC Report. The regulations of each country detail the different requirements for the filing of this new documentation.

In addition to the above, any Salvadorian company whose parent company is located in a country requiring the documentation mentioned above (for example, Costa Rica and Panama) may receive requests from its corporate office for specific information on its revenues, expenses, tax payments and profit/loss that were included in the TP study, which will allow the parent company to complete this documentation in its country of residence.

Thus, as previously mentioned, the trend indicates that the countries of the region, such as in the case of Guatemala and El Salvador, will gradually adopt these measures that

supplement the TP regime as a natural progression resulting from their membership in the OECD Development Center.

Finally, it is important to remember that since the year 2011, El Salvador has been a member of the Global Forum on Transparency and Exchange of Information for Tax Purposes, an organization which promotes international cooperation against tax evasion. To that end, through this Forum there is access to the automatic exchange of information between governments, with the purpose of standardizing best practices in the tax issues.



**Alvaro Miranda**  
Transfer Pricing Manager  
[ajmiranda@deloitte.com](mailto:ajmiranda@deloitte.com)  
[www.deloitte.com/sv](http://www.deloitte.com/sv)

# Tax Calendar

## July 2019

The updated 2019 tax calendar is now available on the Tax Administration's website, which includes the public holidays and the 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			

### Day 12

#### 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, Tax Withheld on Income from 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)
- Report on Authorizations Made to 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).

### Day 19

#### VAT

Monthly Report on Withholdings, Collections, and Advances on Account of VAT (F-930).

#### Printing Presses

Monthly Report on Documents Printed for Taxpayers of the VAT (F-945).

#### National Records Center (CNR)

Property and Mortgage Registry: Semi-annual Report on the Registration of Real Property.

#### Commercial Registry

Semi-annual Report on the Establishment, Transformation, Merger, Dissolution or Liquidation of Companies.

#### Municipalities

Semi-annual Report on the Registration, Obtaining of Licenses, Permits or Termination of Activities in Commercial, Industrial and Service Establishments or Establishments of any other Economic Nature.

Semi-annual Report on the Suppliers or Creditors of Movable Tangible Property or Services

#### Other Obligations

Report of Importers, Distributors, Manufacturers of Vehicles and their Representatives (F-990).

#### Day 31

Summary of the Report on Suppliers, Customers, Creditors and Debtors (F-987).

Report on Performance of Surgeries, Operations and Medical Treatments (F-958)

## Contacts:

**Federico Paz**  
Lead Partner of the Tax and  
Legal Services  
[fepaz@deloitte.com](mailto:fepaz@deloitte.com)

**Ghendrex García**  
Tax and BPS Partner  
[ggarciaq@deloitte.com](mailto:ggarciaq@deloitte.com)

**Magdalena Tobar**  
Tax and Municipal  
Compliance Senior Manager  
[mtobar@deloitte.com](mailto:mtobar@deloitte.com)

**Cosette Fuentes**  
Legal Services Manager  
[cg.fuentes@deloitte.com](mailto:cg.fuentes@deloitte.com)

**Henry Aguirre**  
BPS Manager  
[haquirre@deloitte.com](mailto:haquirre@deloitte.com)

**Alvaro Miranda**  
Transfer Pricing Manager  
[ajmiranda@deloitte.com](mailto:ajmiranda@deloitte.com)

**Wilmer García**  
Transfer Pricing Manager  
[wsgarcia@deloitte.com](mailto:wsgarcia@deloitte.com)

**Jhonny Flores**  
Tax Consulting Manager  
[jflores@deloitte.com](mailto:jflores@deloitte.com)

**Daysi Acosta**  
Tax Compliance Manager  
[daacosta@deloitte.com](mailto:daacosta@deloitte.com)

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