



Tax Newsletter

Timely news and information on national tax issues

Do you know the municipal tax obligations for advertising materials?

According to the Constitution of the Republic and the current Municipal Code, City Halls have enough authority and autonomy to perform their respective local development duties and responsibilities.

Thus, each City Hall has the legal authority to establish taxes, fees and contributions that allow them to obtain the revenue and resources for the fulfillment of their local duties.

This time, we will discuss the payment of fees for services, specifically in regard to: "the

installation of advertising materials of a commercial nature," which generally tax notices, signs, ads, or images that are displayed for advertising purposes, projected or installed in public spaces or visible from public roads.

It is worth mentioning that each City Hall has its own ordinances, which regulate the installation and display of all types of advertising, and also establish the requirements and prohibitions in regard to their placement in public spaces, and the importance that they

represent for the citizens of each municipality, with their purpose being the ordering, beautification and economic development of the city.

When is a company obligated to pay services fees for "advertising materials"?

Each municipal ordinance establishes the specific characteristics for taxing advertising materials; notwithstanding, following are the

most relevant ones found in the different municipal regulations:

- When the advertising materials are visible from public spaces or roads.
- When the materials are for the direct or induced dissemination or promotion of a product, brand, good or service.
- When a service or product is advertised.
- When the main purpose of the company is the installation of advertising in all forms.

Once any of the aspects mentioned above are met, the taxpayers will be subject to the payment of municipal fees, licenses, permits and renewals for the installation of advertising materials.

The main municipal tax obligations that taxpayers must comply with are the following:

- Request permits for the installation of advertising materials.
- Renew operating licenses, permits and registrations.
- Give notice for the removal of advertising materials.
- Report the modifications made to advertising materials.

What aspects should be considered for obtaining installation licenses and renewals?

According to the General Municipal Tax Law, the **placement of ads or signs, and engagement in commercial advertising** are required to pay permits and licenses, which are valid for one fiscal year, and must be paid in the month of the request.

Thus, the obtaining of permission for the installation, license and its renewals for advertising materials in public spaces is subject to the payment of the municipal fees, which will be determined considering the following aspects:

- Type of activity that is being carried out on the property.
- Dimensions and height of the advertising materials.
- Specific characteristics of the advertising materials (metallic, has lighting, among others).

Terms and requirements for the renewal of the license for advertising materials

The license must be renewed in most of the City Halls during the three first months of the year; notwithstanding, there are City Halls such as Antiguo Cuscatlán in which such formality must be done before January 15th of each year.

For such purpose, it is necessary that the taxpayers subject to this tax have the following information:

- Written request, per the forms established by the City Halls.
- Articles of incorporation of the company and their amendments (this is presented only the first time for the installation formalities).
- Municipal tax clearance.
- Receipt for payment of fee for the obtaining of the license.
- Identification Document (DUI), Tax Identification Number (NIT) and Credentials of the duly registered Legal Representative.
- Insurance Policy for damages to third parties and/or original bond (if applicable).

Main situations that could result in the revocation of the permit or of its renewal

There are situations that taxpayers should consider, for which a City Hall may revoke ex officio the permit or the renewal of the license granted for advertising materials; thus, taxpayers must be careful to avoid the situations detailed below:

- Installing advertising materials without complying with the technical characteristics of the permit granted.

- Failing to comply with the municipal tax obligations.
- Advertising materials that contain images or messages that infringe the Laws of the Republic.
- Structures in states of disrepair, folded, corroded, and/or that may fall.
- Disruption of social coexistence.

Penalties for non-compliance

Failure to comply with the payment of the different municipal taxes shall result in the determination of penalties for the violations committed against the laws and municipal ordinances. According to the General Municipal Tax Law, such penalties are the following:

- Fine.
- Revocation of license.
- Revocation of the permit and the renewal.
- Removal of the advertising materials.

It is important mentioning that the penalties defined for these violations are between 1 to 8 minimum wages, and there are City Halls that establish penalties equivalent to 100% of the fee not paid within the legal term.

In addition, taxpayers that install advertising materials without having the municipal permit may incur in fines that vary from 3 minimum wages to up to US\$25,000, with the above depending on the characteristics of the advertising materials and that specified in the municipal ordinance.

General advice for the effective management of the

payment of fees for services for advertising materials

- a) All taxpayers should be careful to request the permit from the corresponding City Hall, **prior to the installation of advertising materials**, in order to avoid penalties, which have significant effects on the company's bottom line.
- b) Taxpayers should **present all the documentation with the specifications of the advertising materials**, in order to obtain the correct classification as a sign or billboard, and thus avoid the charging of a rate that is excessive and not in accordance with the socio-economic reality of the company.
- c) Likewise, **it is very important that each year taxpayers take an inventory of the different advertising materials that they have on their premises and/or placed on public streets**, with the purpose of confirming that they have the valid permits for each

one from the corresponding City Hall.

- d) In the event of disagreements with the classification of the advertising materials determined by the City Hall, taxpayers may appeal this determination and present their arguments in order to determine a reasonable rate by following the steps established in article 123 of the General Municipal Tax Law.



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Regulatory Summary

To the Exporters, Transportation Companies and Users of the Customs Service

On October 3, 2018 the General Customs Office (*Dirección General de Aduanas - DGA*) of the Treasury (*Ministerio de Hacienda*) published a notification to the Exporters, Transportation Companies and Users of the Customs Service, **informing them that as of September 17, 2018 the Metalío Intermediate Customs Post began operations**, and is located on the road at the La Hachadura border crossing.

According to the notification from the DGA, with this initiative it seeks to organize and expedite transit through La Hachadura by converting it into an In-Transit Customs Post. For such purpose, all Salvadorian exports, as well as in-transit operations whose destination is Guatemala, which must be settled at the Pedro de Alvarado customs post, will be tended to at the Metalío Intermediate Customs Post, prior to heading to the border crossing above.

In addition, the notification mentions that **this process does not generate any additional cost for companies**. At the Metalío Intermediate Customs Post the same export documents currently used are presented, with the advantage that within the same facility and simultaneously, Guatemalan customs will expedite its review process.

The process at Metalío Intermediate Customs Post is described as follows:

- **Step 1:** Enter the Intermediate Customs Post.
- **Step 2:** Present the documents.
- **Paso 3:** DGA El Salvador checks the documents and SAT of Guatemala expedites its review process.
- **Step 4:** Get back on the road to the border for the radiofrequency review (it shall be an automatic step, only those cases determined by risk management will be stopped).

This notification can be consulted at the following links:

<http://www7.mh.gob.sv/pmh/es/Novedades/9685-Aduana-intermedia-Metalio.html>

<http://www7.mh.gob.sv/wp-resources/wp-img-1538592561318.jpeg>

Tax Calendar

October 2018

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			

October 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).

October 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)

NOTE:

- October 31, Public holiday for day of the Trade Unionist.

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