



Tax Newsletter

Timely news and information on national tax issues

Amendments to the Law of Industrial and Commercial Free Trade Zones

During this year, the Legislative Assembly has passed Legislative Decrees No. 332, 397, 398 and 404, which are related to the Law of Industrial and Commercial Free Trade Zones.

Legislative Decree No. 332 was published in the Official Gazette on 28 May 2019 and it amended articles 10 and 11 of this Law, as follows:

1. The minimum area required for new Free Trade Zone projects

was decreased to 35,000 square meters.

2. The land that can be used for extending the property that is currently authorized as a Free Trade Zone was increased to a 10 kilometer radius.
3. The requirements that developers must meet in order to obtain an additional 5-year term to make use of the benefits of this Law were amended, establishing that their facilities should be expanded by

a minimum of 25,000 square meters, which is a decrease with respect to the previous requirements.

Legislative Decrees No. 397, 398 and 404 have not been published in the Official Gazette yet. Notwithstanding, their contents are as follows:

Legislative Decree No. 397: was passed by the Legislative Assembly on 15 August 2019 and included an authentic interpretation of articles

3-A and 17 of the cited Law, establishing the following:

1. It specifies that according to Article 3-A, the goods to be traded may directly enter an authorized area such as a Free Trade Zone, consigned either to a Merchant, or to a Logistics Operator that is authorized under the International Services Law, which is contracted for such purpose.
2. Article 17 should be interpreted as meaning that the authorized activity performed by a Merchant occurs regardless of the way in which the Merchant formalizes its operations; whether it be putting the goods to use upon arrival in the country under the protection of the International Services Law as an indirect user, or under the protection of the Law of Industrial and Commercial Free Trade Zones, in both cases with an Income Tax exemption.

Legislative Decree No. 398: was passed on the same date as Decree No. 397 and introduced a series of amendments to different articles of such Law, among which are the following:

1. Decrease of the minimum area required for companies engaged in the breeding and trading of amphibians and reptiles, so that

they can operate as an Inward Processing Warehouse (DPA per its Spanish acronym), to 15,000 square meters.

2. It specifies that the goods protected under the Free Trade Zone Custom Regimes, Temporary Admission for Inward Processing and Final Importation with an Exemption may be remitted to a logistics operator authorized per the International Services Law, under the temporary admission customs regime established therein.
3. It details the process to be followed for requesting the destruction of raw materials, supplies, compensating products or finished products that due to their condition or state cannot be industrially or commercially used.
4. It establishes that the requests for the expansion of DPA facilities will be authorized, provided that the new facilities are used for the execution of authorized activities.

Legislative Decree No. 404: was passed on 29 August 2019, and it amended the second sub-section of article 17 of this Law, establishing that once the term of the exemptions granted to the users of Free Trade Zones expires, such

users shall have the right to an additional 10-year term, provided that it is proven that in the last 5 years the company has complied with any of the following requirements:

1. Increase of its investment by 100% with respect to its initial investment.
2. Increase in the hiring of personnel by 100% with respect to the initial number of contracted personnel.

The recent amendments that were passed contribute to the modernization and certainty of the Free Trade Zone regime of the country.



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Regulatory Summary

Amendments to the International Services Law

On 15 August 2019, the Legislative Assembly passed Legislative Decree **No. 396**, which includes a series of amendments to the International Services Law, among which are the following:

1. It establishes that the consignment of goods may be done through a services center.
2. Specialized services for aircraft are added to the activities benefitted by the incentives of the cited Law, and the providing of these services through Service Centers is now authorized.
3. It determines that the specialized services for aircraft may be considered as exports.
4. It establishes that the companies that request to be classified as IT and cinematographic service providers may operate in Service Centers, provided they comply with the requirements that were previously established only for business process services.
5. It establishes the requirements so that companies engaged in specialized services for aircraft may operate as Service Centers.
6. It establishes that companies engaged in providing specialized services for aircraft will have an exemption from Custom Duties and other taxes in the purchase of food and alcohol at the time of purchase, provided that these are to be provided within the means of air transportation.
7. It details the process to be followed for requesting the destruction of goods that due to their condition or state cannot be industrially or commercially used.

It is worth mentioning that the Decree mentioned above has not yet been published in the Official Gazette, and thus it will not go into effect until 8 days following its publication.

Tax Calendar

September 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					

September 13

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)
- Statement of Origin and Application of Funds (F-950).

September 20

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).

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