

Tax Newsletter

Timely news and information on national tax issues

Amendments to the Income Tax Law



On March 11, 2024, the Legislative Assembly approved Legislative Decree 969, which contains amendments to the Income Tax Law. These amendments are already in effect, and thus following we present some of their most relevant aspects:

1. A new numeral is added to article 3 in order to establish as excluded income: *“All amounts received under any concept, obtained abroad or any movement of capital, remuneration or emolument, in money or in kind, whether or not they are generated by the investment of local or foreign capital, which are nominally obtained or collected by individuals, legal entities, or entities without legal personality, whether or not they are domiciled in the country, from any type of foreign source.”*
2. It is established that it is not necessary to apply the proportionality of expenses when obtaining taxed income and any of the excluded income indicated in numeral 1 above.
3. The sections of articles 14-A, 16 and 27 related to the taxation of income from securities and other financial instruments located abroad are repealed. Therefore, such income is excluded from the payment of Income Tax.
4. The amendments did not make any changes to the tax treatment applicable to services provided by non-residents to Salvadorian taxpayers. Therefore, if these services are used in El Salvador, the Income Tax withholdings established in articles 158 and 158-A of the Tax Code remain applicable.
5. The amendments cease the taxing of income obtained abroad. Therefore, it will be important to analyze whether the income obtained meets such definition according to that established in article 16 of the Income Tax Law.

6. One of the guidelines that remains applicable is the definition of income obtained in El Salvador for the provision of services, in which case if the service is provided from El Salvador, the income obtained continues being Salvadorian source income, and thus these amounts continue being subject to taxation.

It will be important for the management of each company to review in detail the various current or future transactions performed by the company, in order to identify whether they can leverage any aspect of these amendments to the Income Tax Law.

These amendments were set to go into effect 8 days after their publication in the Official Gazette. Therefore, considering that the amendments were **published on 14 March 2024, they are currently in effect.**

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Tax Calendar

Use our [2024 Tax Calendar](#) to keep informed about:



Tax Obligations before the Tax Office (Ministerio de Hacienda)



Municipal Tax Obligations




Payroll Management Obligations

April 2024

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				

To learn more about **April's** obligations:



Download the 2024 Tax Calendar

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