

# Doing Business El Salvador



# Introduction



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Latin America, and specifically, Mexico and the countries of Central America, are living in unprecedented times in several aspects. In the two years since the pandemic began, the region has borne witness to new geopolitical, warlike, commercial and natural events around the world, which have had an impact on the economic recovery that was expected following the health crisis.

While some difficulties that have arisen within the current context represent a significant challenge for the countries of this region, they are also an opportunity for advancing the development of these economies in the long term.

For investors interested in leveraging these opportunities and having a clearer view of the economic, tax and legal situation of Mexico and the countries of Central America, Deloitte presents the 2022 edition of Doing Business.

This high-value guide for investors compiles a series of valuable data and information, grouped into three areas of analysis: the main economic variables, the legal conditions that have an impact on business activities, and tax aspects.

These key indicators, compiled and analyzed using a specialized approach, can help those considering entering, expanding or consolidating their presence in any of these markets, with the purpose of developing a comprehensive and effective strategy.

We hope that this report will be of interest to you and useful.

Kind regards.

# Doing business in El Salvador

## General profile

The Republic of El Salvador is the smallest country of Central America, with a land area of 20,742 km<sup>2</sup>, bordered by Guatemala to the west, Honduras to the north and east, and the Gulf of Fonseca to the southeast, which separates it from Nicaragua.

The population of El Salvador is 6.49 million people, of which 60.2% live in urban areas, while 39.8% live in rural areas. It is worth mentioning that 1.5 million of Salvadorians live abroad.

El Salvador is known for its volcanoes and its beaches on the Pacific, with a coastline of almost 7,000 km. This area makes it internationally recognized for its natural wonders and is one of the country's main tourist attractions.

El Salvador has 8 trade treaties and 3 agreements with countries such as the United States, Mexico, Taiwan and regions of Central America and the European Union, which allow it to have access to a potential

market of approximately 1.049 billion consumers.<sup>1</sup>

Spanish is the official language. However, globalization has opened the door to new international business opportunities, and thus the use of English in many industries is of great importance for companies. The local currency of El Salvador since 1892 has been the colon. However, in 2001, bi-monetarism was passed, and thus the US dollar is also currency of legal tender. In addition, as of September 2021, El Salvador also adopted bitcoin as currency of legal tender in the territory. Notwithstanding the above, the currency of widest circulation in the territory is still the US dollar.

El Salvador experienced an economic contraction of 7.9% in 2020, due to the effects of COVID-19. This is despite the fact that it was the Central American country that most quickly adopted containment measures and has had the least number of infections, with approximately 1.6% of

the population having been infected with the virus, and that it has a vaccination rate of 60.3% of the population having received at least one dose (both figures as of September 20, 2021).<sup>2</sup>

The Government adopted measures to mitigate the economic impact of the pandemic, such as making cash transfers and distributing food to low-income households, deferring payments of utilities, mortgages and personal loans, and extending terms for making tax payments, among others. In addition, investments were made to strengthen the capabilities of the healthcare system.<sup>3</sup> For 2021, an economic recovery of 7.5% is expected, supported by the economic growth of the United States and the sending of remittances

# Political system



## Constitution

The Political Constitution of the Republic of El Salvador is the supreme law of the land and defines the country as a republican, democratic and representative government, with a territory consisting of 14 departments. The constitution also establishes that public power emanates from the people and that government officials will exercise such power independently, within the responsibilities and powers granted to them by the constitution and the laws. The main branches of the government are the Legislative Branch, the Executive Branch and the Judicial Branch.

The fundamental rights and guarantees, provided for in the Constitution, should guide the actions of government and private citizens, and at the same time constitute the limitations to their activities.

## Main Branches of Government

The Executive Branch is headed by the President of the Republic, who is elected by popular vote to serve a 5-year term.

The powers of the Legislative Branch are vested in the Legislative Assembly, a governing body consisting of deputies, which is in charge of, among other aspects, decreeing, authentically interpreting, amending and repealing secondary laws, as well as ratifying the treaties or agreements made by the Executive with other States or international organizations.

Lastly, the Judicial Branch consists of The Supreme Court of Justice, the Courts of Second Instance or courts of appeal, and the remaining courts established by law. The Supreme Court of Justice is organized into four Chambers: the Constitutional Chamber (highest court), Administrative Law Chamber, Civil Chamber and Criminal Chamber.

## Rule of law


Given the separation of powers, the State's recognition of basic guarantees and rights, and the system of checks and balances that balance and limit the powers of the government branches, which are all fundamentally enshrined in the Constitution, the rule of law is thus closely interlinked with the Constitution.


Therefore, constitutional amendments, unlike amendments of ordinary laws, require the observance of a stricter procedure. That is, first, they must be proposed by no less than 10 deputies. This is followed by the agreement of the Legislative Assembly, with a vote of half plus one of the votes of the elected Deputies. Finally, such amendments must be ratified by the next elected Legislative Assembly, with a vote of two-thirds of the elected Deputies, who shall issue the corresponding Decree and have it published by the Official Gazette. In no case is it possible to amend articles of the Constitution referring to the form and system of government, the territory of the Republic, and rotation in office in the exercising of the Presidency of the Republic. Since the adoption of the Constitution (in 1983), 18 constitutional amendments have been enacted.




## Economic structure

GDP is the sum of all the goods and services produced by a country and the most important way of estimating the productive capacity of an economy. The three main economic sectors comprising the GDP of El Salvador are:

 **Primary sector:** agriculture, livestock, forestry, hunting and fishing activities.

 **Secondary sector:** industrial transformation activities, mining, construction and manufacturing.

 **Tertiary sector:** services and wholesale and retail consumer goods.

In El Salvador, the tertiary sector is the largest component of GDP and accounts for 67% in 2021, followed by the industrial (27.6%) and primary (5.7%) sectors. In 2020, the majority of the working population was concentrated in the following branches of economic activity: trade, hotels and restaurants (31.2%), manufacturing (16.2%), agriculture and livestock (14.7%), and construction (6.5%).

**Table 1.**  
**GDP by sector** (Millions of USD and percentage share of GDP)

GDP 2020	Amount	% GDP
<b>Total</b>	25,768	100
<b>Primary</b>	1,332	5.7
<b>Secondary</b>	6,447	27.6
Manufacturing	3,870	16.6
Construction	1,370	5.9
Supply of basic services	1,145	4.9
Mining	62	0.3
<b>Tertiary</b>	15,576	66.7
Wholesale and retail trade	2,995	12.8
Transportation and communications	2,145	9.2
Public administration	1,806	7.7
Real estate services	1,764	7.6
Administrative services and professional activities	1,584	6.8
Teaching, artistic and recreational activities	1,181	5.1
Healthcare	907	3.9
Lodging and food services	536	2.7

**Manufacturing industry**

The manufacturing sector is an important part of GDP for El Salvador, in which consumer products (food and beverages) and apparel stand out. In the case of apparel, it is the most exported product, accounting for approximately 15.7% of total exports, and with its primary destination being the US market.

The manufacturing sector is divided as follows: food and beverages are the most relevant, contributing 41% of the total revenues of the sector.

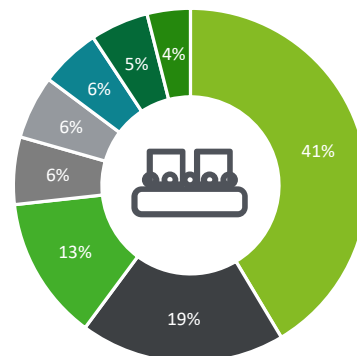
The activities that follow them in importance are the manufacturing of apparel and metal products.

One of the comparative advantages of El Salvador is its relative proximity to the US, as well as the trade agreement it has with the US, which facilitates its access to one of the largest markets in the world.

In 2021, the manufacturing industry recovered what it lost during the pandemic, posting growth of 12.2%, after experiencing a fall of 12.3% in 2020.

**Source:** Central Reserve Bank of El Salvador, National Accounts.

**Graph 1.**  
**Manufacturing industries** (% of total revenues)



**Sector**

- Food and beverages
- Chemicals
- Metal Products
- Apparel
- Wood and paper
- Others
- Rubber and plastics
- Non-metal products

### Inflows of foreign currency into the country

Remittances constitute the main inflow of foreign currency into El Salvador, accounting for 7.517 billion US dollars in 2021. This significant amount of foreign currency accounts for 26.2% of GDP. The second source of inflows of foreign currency into the country is exports, which amounted to 6.629 billion US dollars in 2021.

The third source of inflows of foreign currency into the country is tourism, accounting for 709.8 million US dollars in 2021, which is an interannual increase of 45.3%, even after this sector had been severely affected by the lockdowns of the pandemic.

Another source of inflows of foreign currency into the country is Foreign Direct Investment (FDI), accounting for 314.2 million US dollars in the year 2021, which is 12.2% more compared to 2020.

### Investment and international trade

Most of the income from Foreign Direct Investment (FDI) comes from:

- Panama: 50%.
- Spain: 27%.
- United States: 25%.
- Honduras: 7%.

In addition, most investment is concentrated in the manufacturing sector (40% between 2017 and 2021). This is followed by the trade sector (17%), in second place. Furthermore, the supply of electricity has managed to position itself among those at the top in attracting FDI, by concentrating 13.2% of the total, per the cumulative figures for the 2017 to 2021 period.

**Graph 2.**  
**Main sources of inflows of US dollars into El Salvador** (millions of US dollars)



**Note:** The exports and remittances are on the right axis.  
**Source:** Central Reserve Bank of El Salvador.

**Table 2.**  
**Main countries of origin of FDI** (Millions of USD at current prices, accumulated 2017 – 2021)

Total	Panama	Spain	United States	Honduras
2.95	1.46	0.81	0.73	0.22
	50%	27%	25%	7%

**Source:** Central Reserve Bank of El Salvador.

**Table 3.**  
**Main sectors of investment** (Millions of USD, accumulated 2017 – 2021)

Manufacturing	Trade	Supply of electricity	Financial services
1.18	0.51	0.39	0.26
40%	17%	13.2%	8.7%

**Source:** Central Reserve Bank of El Salvador.



### Monetary and fiscal policy

Due to the use of the US dollar as the main circulating currency in the country since 2001, the Central Bank of El Salvador has no monetary policy and its activities are limited to the regulation and monitoring of the financial system, financial services and system of payments, economic statistics, management of international reserves and acting as financial agent of the State. This means that there is no exchange rate risk in the country and the State is focused on fiscal policy as a tool of public policy.

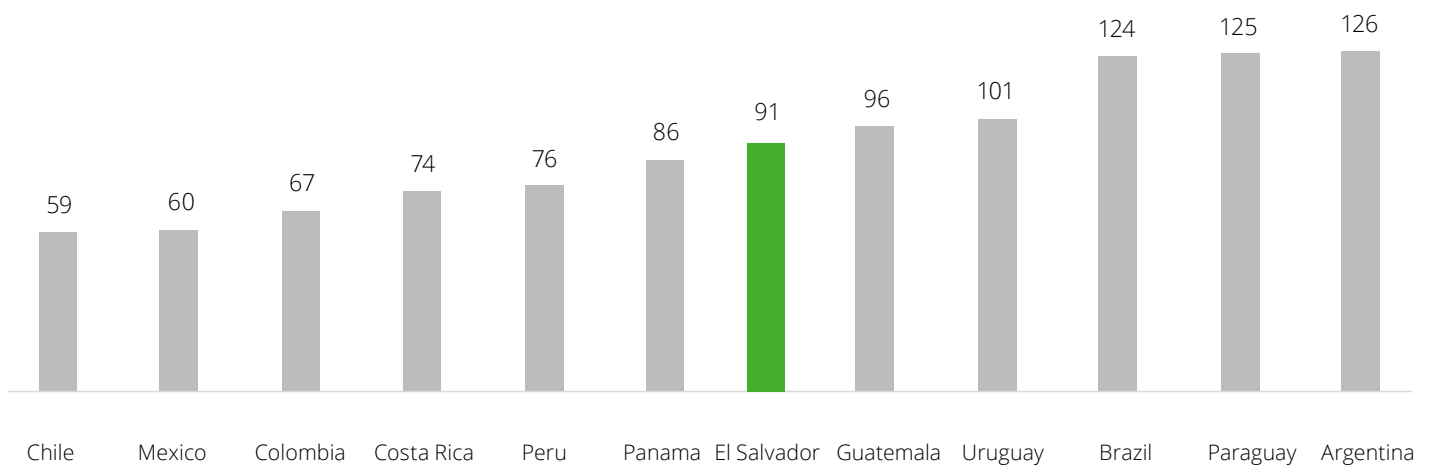
### Ease of doing business

The *Doing Business* report that is prepared by the World Bank measures the ease with which business can be done in El Salvador, through the analysis of different variables. As of the drafting of this report, the World Bank has not issued an edition for 2022, and thus the information of the 2020 report has been used. In that report, El Salvador is ranked 91 out of 190 countries evaluated with a score of 65.3 points.



**Graph 3.**  
**El Salvador has the third-best business environment in Central America**

Rankings of various economies in the Doing Business reports for Latin America



\*The ranking classifies how each of these countries is positioned with respect to 190 economies (rankings closer to 1 are best and vice versa).

Source: *Doing Business*, World Bank, 2020.

Current state of the economy

**Graph 4.**  
**GDP growth and contribution of components of aggregate demand**  
 (percentage points, left axis; percentage growth of GDP, right axis)



■ Consumption      ■ Government Spending      — GDP (right axis)  
■ Investment      ■ Net Exports

**Source: Central Reserve Bank of El Salvador.**

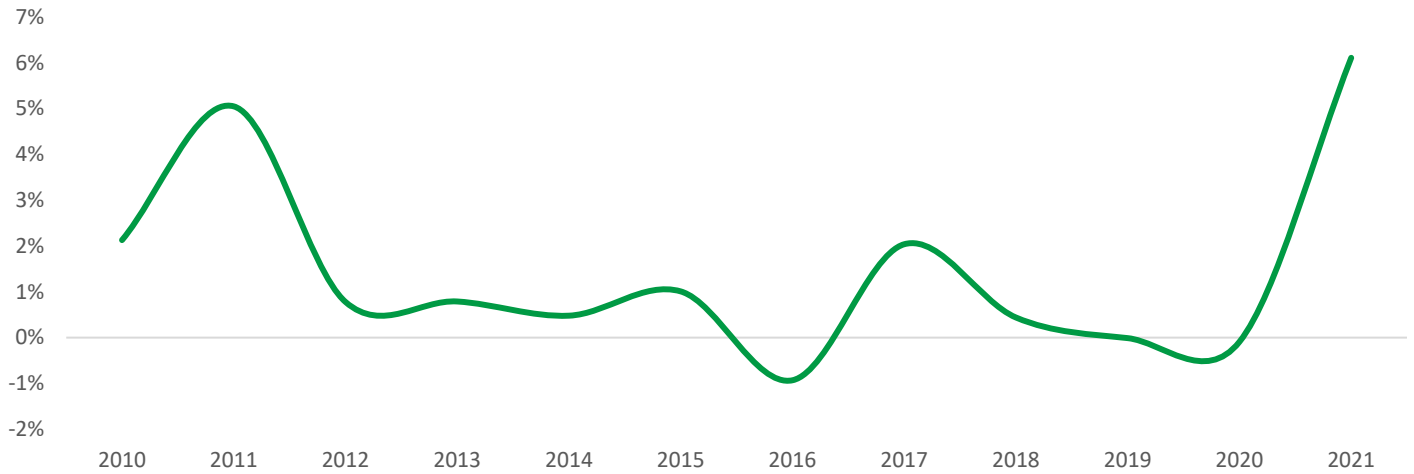
In 2021, the recovery of the Salvadorian economy was solid, with growth of 10.3%. Consumption accounts for 8.8% of the economy's growth, whereas government spending accounts for 1.9%. For its part, investment contributed 2.0% to the growth in GDP, whereas in net exports there was a deficit of -2.5% with respect to the total economy.

The economy of El Salvador had stable growth in the five years prior to the pandemic (2015-2019) that averaged 2.4%. However, such growth was interrupted by the crisis caused by COVID-19.

Vaccination rates, the improvement of internal demand due to the receiving of remittances, and the return to economic activities contributed to a significant economic recovery in 2021.

For 2022, it is expected that economic growth will be moderate, with an interannual rate of 2.5%. This outlook is based on lesser growth in the economies of the country's commercial partners, investors' concerns regarding debt sustainability, and possible lower internal demand due to inflation and an unexpected deceleration in the receiving of remittances.

**Graph 5.**  
**Inflation has risen in 2021 to highs not seen since 2011** (Inflation)




**Source:** Central Reserve Bank of El Salvador.

El Salvador has been a dollarized economy since 2001, with a fixed exchange rate of 8.75 Salvadorian colones per US dollar. This has resulted in generally low inflation in the country, with rates less than 2.5% since 2011.

In 2011, the inflation rate reached 5% due to the high price of oil, which is imported by El Salvador. In 2021, as a consequence of the economic recovery and an increase in international prices of raw materials, the interannual inflation rate was 6.11%.


For 2022, inflation will be one of the main indicators to be tracked for the Salvadorian economy, within a context of increases in international energy and food prices, as well as monetary normalization in most countries, which could inhibit the growth of aggregate demand.

# Main economic variables

GDP 2021 

28.3 billion

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 Position in the world  
104 / 193

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GDP growth rate   
(Annual percentage change, original figures)

⬆️ 2020	⬆️ 2021
-8.2	10.3
⬇️ 2022 <sup>P</sup>	⬆️ 2023 <sup>P</sup>
2.5	2.0



## Macroeconomic context (figures as of the 2021 year-end close)

<b>GDP per capita</b>	<b>4,345.4</b> million USD
<b>Reference rate</b>	<b>Not applicable.</b> It is a dollarized economy
<b>Inflation</b>	<b>6.11</b> annual percentage change
<b>Unemployment rate</b>	<b>10.3</b> percent
<b>Exchange rate</b>	<b>1</b> <b>USD</b>
<b>Population</b>	<b>6.33</b> million people
<b>FDI</b>	<b>0.31</b> billion dollars
<b>Fiscal balance, percentage of GDP</b>	<b>-5.9</b> percent
<b>Primary balance, percentage of GDP</b>	<b>-1.1</b> percent
<b>Public debt, percentage of GDP</b>	<b>83.6</b> annual percentage change
<b>Current account, percentage of GDP</b>	<b>-4.3</b> percent
<b>Balance of trade, percentage of GDP</b>	<b>-29.0</b> percent
<b>International reserves, percentage of GDP</b>	<b>12.2</b> percent
<b>External debt, percentage of GDP</b>	<b>70</b> percent

<sup>P</sup> Projected rate.



## Competitiveness

Position in the world

103 / 141

(WEF, 2020)



## Ease of Doing Business

Position in the world

91 / 190

(WB, 2020)



## Corruption Perceptions Index

Position in the world

115 / 180

(TI, 2020)



## International Trade (main goods, 2020)

Product	Amount (B of US\$)	Share
<b>Exports</b>		
T-shirts	0.57	10.8%
Sweaters	0.26	4.9%
Capacitors	0.26	4.9%
Sugar	0.22	4.1%
Plastic packaging	0.22	4.1%
<b>Imports</b>		
Refined petroleum	0.66	6.4%
Media equipment	0.30	2.9%
Electric generators	0.26	2.6%
Petroleum gas	0.26	2.5%
Medicine	0.24	2.4%
Others	15,025	37.1%



## International Trade (main trade partners, 2020)

Country	Amount (B of US\$)	Share
<b>Exports</b>		
United States	2.01	37.8%
Guatemala	0.88	16.5%
Honduras	0.78	14.7%
Nicaragua	0.37	6.9%
Costa Rica	0.24	4.4%
<b>Imports</b>		
United States	2.70	26.3%
China	1.36	13.2%
Guatemala	1.32	12.8%
Mexico	0.97	9.4%
Honduras	0.66	6.4%

Source: World Bank, International Monetary Fund (IMF), World Economic Forum (WEF), Transparency International (TI), World Intellectual Property Organization (WIPO), Atlas of Economic Complexity (MIT) and Econosignal.

# Corporate legal system

## Legal entities

Private legal entities are recognized as entities that are independent of its partners or members and have, therefore, an existence that is separate and distinct from them. In this respect, the private companies regulated by the Commercial Code are:

- Corporation (Sociedad Anónima or S.A.)
- Limited Liability Company (Sociedad de Responsabilidad Limitada or S.R.L.)
- Branches of foreign companies

## Main types of commercial companies

The most common types of commercial companies in El Salvador, and their main characteristics, are:

### Corporation (Sociedad Anónima or S.A.)

It is the type of company most often selected in El Salvador, which may be formed by other entities or individuals or a combination of both.

### Limited Liability Company (Sociedad de Responsabilidad Limitada or S.R.L.)




This type of company is similar to a corporation, in that it may be formed by other entities or individuals or a combination of both. However, in this type of company, the capital is not represented by shares, but rather by membership interests.

### Branches of foreign companies

These are foreign companies that can perform commercial activities in the Salvadorian territory, establishing their residence in the country through a branch. For such purpose, they must register their capital before the National Investment Office of the Ministry of Economy, followed by their registration before the Commercial Registry.



	<b>Corporation (Sociedad Anónima or S.A.)</b>	<b>Limited Liability Company (Sociedad de Responsabilidad Limitada or S.R.L.)</b>	<b>Branch of a foreign company</b>
 <b>Shareholders / Partners</b>	Minimum: 2 shareholders Maximum: unlimited	Minimum: 2 partners Maximum: unlimited	There is no minimum since they are the same partners as the parent company.
 <b>Capital</b>	Minimum capital: US\$2,000	Minimum capital: US\$2,000	Minimum capital: US\$12,000
 <b>Liability and capital</b>	The liability of shareholders in a S.A. is limited to the amount of their contributions.  The capital is represented by shares that grant rights to the shareholders, per that established in the articles of incorporation of each company.	The liability of partners in a S.R.L. is limited to the amount of their capital contributions.  The capital of an S.R.L. is divided into membership interests of one per partner.	The liability of the partners or shareholders of a foreign branch is limited to the amount of their capital contributions.
 <b>Transfer of shares or membership interests</b>	The transfer of shares may be limited by the articles of incorporation, but in principle, may be circulated freely.	Membership interests may be freely ceded, provided that the articles of organization do not establish other rules to the contrary.	The transfer of shares may be limited by the articles of incorporation, but in principle, may be circulated freely.
 <b>Management</b>	Management may be entrusted to a Sole Administrator or a Board of Directors.	Management may be entrusted to a Sole Manager or Board of Managers.	Management is organized in accordance with that established in the parent company.  For local representation purposes, a resident in El Salvador must be appointed to hold Power of Attorney with Legal Representation.
 <b>Residency</b>	All companies must have a legal residence, or domicile, in El Salvador, although this does not preclude them from having branches or subsidiaries in the national territory or abroad.		
 <b>Variable Capital (Capital Variable or CV)</b>	Both types of companies allow for the issuance of Variable Capital, which provides significant flexibility for increasing and decreasing capital.	The capital is governed in accordance with that established by the parent company.	
 <b>General Shareholders' or Partners' Meeting</b>	This is the supreme body of the company, and a general meeting must be held at least once a year, within the five months following the end of the corporate fiscal year.		

	Corporation (Sociedad Anónima or S.A.)	Limited Liability Company (Sociedad de Responsabilidad Limitada or S.R.L.)	Branch of a foreign company
 <b>Legal Reserve</b>	All types of companies must allocate annually 7% of the company's net profits to a legal reserve, with the minimum reserve being one-fifth of the company's capital.		
 <b>External Auditor</b>	For all companies, the Commercial Code establishes that oversight must be entrusted to an external auditor. Such auditor shall be appointed at a General Shareholders' or Partners' Meeting.		
 <b>Mandatory legal books</b>	<p>The following books must be kept:</p> <ul style="list-style-type: none"> <li>• Book of Minutes of General Shareholders' Meetings</li> <li>• Book of Minutes of Board of Directors' Meetings</li> <li>• Shareholder Register</li> <li>• Book of Capital Increases and Decreases (in cases where variable capital applies)</li> </ul>	<p>Deben llevar los siguientes libros:</p> <ul style="list-style-type: none"> <li>• Book of Minutes of General Partners' Meetings</li> <li>• Book of Minutes of the Board of Managers</li> <li>• Shareholder Register</li> <li>• Book of Capital Increases and Decreases (in cases where variable capital applies)</li> </ul>	It is not required to keep these books.

### Financial sector

Financial intermediation is regulated by the Superintendency of the Financial System and the Central Reserve Bank of El Salvador. The supervision and regulation of the financial system is concentrated in these two entities, under the Law of Supervision and Regulation of the Financial System.

#### Superintendency of the Financial System (SSF)

It is in charge of the supervision of the entities of the financial system and other supervised entities. The main entities of the financial system are:

- Banks established in El Salvador, their foreign offices and their subsidiaries
- Branches and offices of foreign banks established in El Salvador
- Companies that form part of financial conglomerates
- Institutions that are Pension Fund Administrators
- Insurance companies
- Securities Markets, Securities Brokers

- Cooperative Banks, Savings and Loan Companies
- Foreign currency exchange houses
- Securitization companies

#### Central Reserve Bank (BCR per its Spanish abbreviation)

It is responsible for the approval of the Regulatory Framework, Prudential Framework for the application of the Law of Supervision and Regulation of the Financial System.

### Infrastructure

#### Law on Public Administration Procurement and Contracting

This law establishes the basic rules regulating actions related to planning, concessions, contracting, follow-up and settlement in the procurement of works, goods and services of any nature that the Public Administration must execute to fulfill its objectives.

Public works concessions grant an individual or legal entity the right to build, improve, repair, maintain or operate any real property, at their cost and risk, in exchange for a temporary concession so that a public service can be administered or operated, including national assets of public use or municipal assets aimed at developing works and areas of service. Public administration procurement and contracting shall be governed by principles and values such as: non-discrimination, advertising, free competition, equality, ethics, transparency, fairness, honesty, regulatory centralization and operational decentralization.

#### Special Public-Private Partnerships Law

It establishes a regulatory framework for developing Public-Private Partnership projects that seek the effective and efficient joint tenancy of infrastructure and public services.



According to the law, the private sector shall contribute the economic resources, skills and knowledge required so that together with the State, they can develop projects for the benefit of the people.

### Investment vehicles

In El Salvador, there are various mechanisms and forms of implementing investments, such as:

- Joint-venture agreements
- Capital contributions
- Investment funds

### Foreign Investment (FI)

To promote foreign investment, certain laws have been created that grant benefits to different sectors and facilitate the registration and execution of these investments. These laws are as follows:

#### 1. Investment Law

One of the main advantages of this law is that it facilitates the registration, and especially the repatriation, of foreign investments by investors. It guarantees foreign investors the right to transfer abroad funds related to their investments, provided that they comply with the tax, labor and social security obligations, in addition to the obligations generated by law.

#### 2. Law of Industrial and Commercial Free Trade Zones

It regulates the operation of free trade zones and inward processing warehouses, as well as the benefits and responsibilities of the owners of companies that develop, manage or use them.

- Free Trade Zones: These zones are for the production, assembly or drawback assembly, manufacturing, processing or transformation, commercialization of industrial goods and fishing of species that will be subject to industrial transformation, among others.
- Main benefits: Benefits include a total exemption from income tax and municipal taxes of 10 or 15 years, depending on whether their location is within or outside of the metropolitan area. In addition, within the first 12

tax periods, the profits or dividends generated by the activity will be exempt from the income tax. This benefit is applied to both the company and shareholders.

#### 3. International Services Law

This law has the objective of regulating the establishment and operation of industrial parks and service centers engaged in, among other activities, international distribution, logistics, call centers, repair and maintenance of aircraft, business processes and BPOs.

#### 4. Legal Stability Law for Investments

The purpose of this law is to guarantee legal stability, to both local and foreign investors, in tax, customs and immigration matters, through the implementation of legal stability contracts. In order to obtain the benefits from this law, the investment to be made in the country must amount to a minimum of US\$ 1,283,597.40. The duration of the benefits is directly related to the amount of the investment, with a maximum term of 20 years.



### Agreements and treaties

El Salvador has signed commercial agreements and treaties that seek to promote and increase the commercial development of the country. The current agreements and treaties in effect are:

- Free Trade Agreement Mexico – Central America
- Free Trade Agreement Central America – Dominican Republic
- Free Trade Agreement Central America – Republic of Chile
- Free Trade Agreement Central America – Dominican Republic – United States of America
- Free Trade Agreement El Salvador – Honduras – Taiwan
- Free Trade Agreement Colombia – El Salvador, Guatemala and Honduras
- Partial Scope Agreement between the Republic of El Salvador and the Republic de Venezuela El Salvador, Guatemala y Honduras.
- Partial Scope Agreement between the Republic of El Salvador and the Republic de Cuba
- Northern Triangle of Central America – G-3
- General Treaty of Central American Economic Integration (Central American Tariff System - SAC)
- Generalized System of Preferences–GSP
- Agreement to Avoid Double Taxation and Prevent Income Tax and Wealth Tax Evasion, signed with the Kingdom of Spain.



# Tax aspects

## General information

There are various tax regimes in El Salvador, which in general are governed by the provisions of the General Office of Internal Revenue (DGII) and the General Customs Office (DGA), under the authority of the Treasury Department (Ministerio de Hacienda).

The DGII is in charge of:

- a. The Income Tax and related taxes
- b. The Tax on the Transfer of Movable Goods and the Rendering of Services (VAT)
- c. Specific and ad-valorem taxes
- d. Other taxes, such as special contributions.

The General Customs Office collects customs taxes and other taxes (e.g. specific and ad-valorem taxes) on operations whose taxable event is classified as the definitive importation of goods.

## Income tax

The income tax is applicable to commercial entities established in the country, as well as branches of foreign entities. The Salvadorian tax system is based on the territoriality principle; that is, only Salvadorian source income is subject to tax, with a few exceptions.

This tax is applicable to the net income, which is the sum of the income obtained, minus the deductions permitted by law.

In general, legal entities, unions of persons, irregular companies, or de facto associations, whether residents or non-residents of the country, will

calculate the income tax by applying the rate of 30% to their taxable income. For taxpayers that have obtained taxable income that is less than or equal to one hundred fifty thousand US dollars, the rate of 25% will be applied to their taxable income.

## Other income tax related considerations

According to Salvadorian law, taxpayers that perform transactions with related parties or entities domiciled in tax havens, or countries or states with low or zero taxation, are obligated to execute these transactions at market value.

The transactions in question may refer to income, expenses, assets or liabilities, executed in the Salvadorian territory or outside of this territory.

Based on the above, the taxpayer must comply with two formal obligations:

- a. Having the Transfer Pricing documentation that allows the taxpayer to demonstrate before the tax authorities that its intercompany transactions are in accordance with the arm's length principle.
- b. Filing an informational report on these transactions.

Local regulations authorize the Tax Administration to verify compliance with these obligations, and when applicable, to make the resulting income tax adjustments and impose fines in cases of non-compliance.

## Income obtained in El Salvador

All income or profits collected or earned by taxpayers, whether in cash or in kind, and from any type of source, are considered to be income obtained in El Salvador.

Furthermore, income from assets located in the country, as well as from activities performed or from capital invested in the country, and from services provided or used in the national territory, even if received or paid outside of the country, are also considered income obtained in El Salvador.

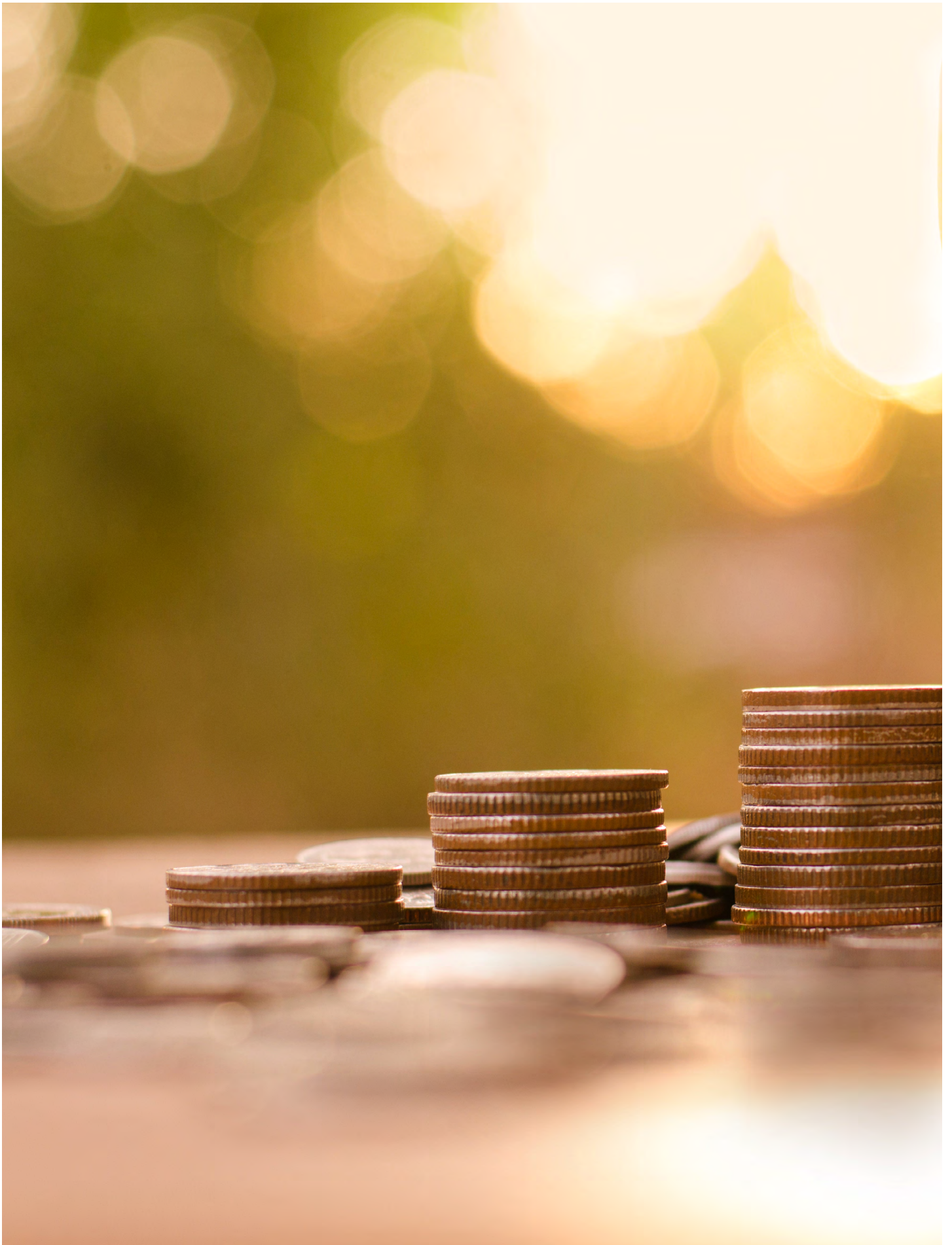
There are exceptions for certain activities, as well as exceptions for entities operating under any preferential tax regime. For tax purposes, the income obtained is calculated for 12-month periods. Each of these periods is referred to as a tax period, which goes from 1 January to 31 December of each year.

## Income Tax deductions

As a general rule, costs and expenses will be deductible to the extent that:

- a. They contribute to the generation of taxable income; or
- b. Are necessary for the preservation of their source.

It is important to mention that the Tax Administration has the authority to object to the deductions if, in its judgment, the conditions mentioned above are not met.



The expenses recognized as deductible, as well as other legally recognized deductions are established in the Income Tax Law. Some of these deductions include:

- a. Business expenses, destined exclusively for purposes of the business;
- b. Remunerations paid for the services directly provided in the production of the income;
- c. Taxes and social security contributions;
- d. Interest; and
- e. Costs of goods and products sold, among others.

### Capital gains

The gains resulting from the sale of fixed assets, personal property and real property, so long as they constitute non-habitual transactions, are considered to be income subject to the determination of capital gains or losses, at a rate of 10%. When the asset is realized within the twelve months following the acquisition date, the net capital gain should be calculated as ordinary income.

### Payments made to foreign parties

As a general rule, individuals or legal entities that pay or credit to non-resident parties sums of money resulting from any type of income obtained in the country, be they payments for services provided from abroad and used in the national territory, or amounts paid and credited due to the

transfer of intangible assets under any title whatsoever, even if they refer to advance payments, are obligated to make an income tax withholding of 20% on these amounts as definitive payment of the tax.

Notwithstanding the above, different rates will apply to payments or credits to non-resident parties residing in countries classified as tax havens by the Tax Administration. In these cases, a withholding rate of 25% applies.

In this respect, in accordance with article 62-A of the Tax Code, the General Office of Internal Revenue (DGII) issued the "General Orientation Guide for Facilitating the Recognition of Countries, States or Territories with Preferential Tax Regimes and their Tax Treatment (MH.UVI.DGII 006.002/2021)," which facilitates for taxpayers the recognition of countries, states or territories considered as tax havens, with which they perform commercial transactions.

The tax treatment indicated by this Orientation Guide is applicable for the 2022 fiscal year. This Guide includes 95 countries, states or territories under the categories of "low taxation" or "zero taxation." Furthermore, companies that by Law or Administrative Provision have been established under a preferential tax regime

of low or zero taxation are also included in these categories, such as: Private Interest Foundations, Holding Companies, Principal Companies, Subsidiary or Mixed Companies, Services Companies, Finance or Financial Power Branches, Family Asset Management Companies, Headquarters of Multinational Companies, International Trusts, Trusts, Limited Liability Companies (LLC), International Financial Leasing Companies, and International Business Corporations (IBC), among others.

In addition, there are reduced withholding rates in the following cases:

Type of transaction	Applicable rate
Payments for international transportation services.	5%
Payments made to insurance, reinsurance, and rebonding companies (non-residents in the country, authorized by the Superintendency of the Financial System).	5%
Payment or crediting of profits by Salvadorian entities to non-resident parties.	5%
Payments or credits made for intangibles related to cinematographic films, video tapes, phonograph records, and soap operas, among others, to non-resident parties.	5%
Payment or crediting in decreases of capital or equity, for the portion applicable to capitalizations or plowing back of profits.	5%
Payments for financing services made by non-resident financial institutions, authorized by the Central Reserve Bank of El Salvador and supervised by a competent entity in its country of origin. Financing between related parties is exempt.	10%

### Distribution of dividends or payments of profits

The payment or crediting of profits to shareholders, be they residents or non-residents of El Salvador, is subject to a definitive income tax withholding at a rate of 5%, which can increase to 25% if the company receiving the dividends is domiciled in a territory of low or zero taxation or a tax haven.

### Agreements for avoiding double taxation and for the exchange of information

Agreements for avoiding double taxation are legal instruments of an international nature, signed between two governments, containing clauses for avoiding or reducing international double taxation. Generally, these agreements are applied to taxes on income and wealth.

Currently, El Salvador has signed only one such agreement. This agreement was signed with the Kingdom of Spain and is named "Agreement between the Kingdom of Spain and the Republic of El Salvador for Avoiding Double Taxation and Preventing Income Tax and Wealth Tax Evasion," which has

been in effect since September 16, 2008. The agreement regulates the exchange of information between both States in order to avoid fraud and tax evasion, and establishes the tax treatment that will be granted to the taxes included within the scope of application of the Agreement. In the case of Spain, these would be taxes levied on income and wealth, and for El Salvador, it is the income tax.

### Indirect taxes

#### Tax on the Transfer of Movable Goods and the Rendering of Services (VAT Law)

The Tax on the Transfer of Movable Goods and the Rendering of Services (VAT) regulates the application of the tax, which is levied on the transfer, importation and exportation of movable tangible goods, as well as on the rendering, importation and exportation of services.

As a general rule, the amount of Tax Credits paid in each tax period (monthly) is deducted from the VAT Tax Debits from the sales. The VAT rate applicable to the tax base is 13%, and 0% in the case of export sales.



The taxable events for the VAT, taxed at a rate of 13%, are as follows:

- Transfer of tangible movable goods
- Withdrawal or decommissioning of inventories of tangible movable goods (self-consumption)
- Importations and entries of tangible movable goods or services
- Rendering of services
- Reimbursements of expenses, when a tax credit has been used in the transaction.

In the case of sales of fixed assets (movable goods), so long as these transactions do not form part of the taxpayer's business activity and are not usually performed, the transfers of ownership of the fixed assets or capital of the taxpayers do not constitute a taxable event for the tax, unless this transfer is made prior to such fixed assets having been owned for at least four years.

In the case of exports, they are transactions taxed at the rate of 0%, provided that:

- The goods or services originate from the country;
- Are for a party domiciled abroad; and
- Are destined for use and consumption abroad.

## Special taxes

### Specific and ad-valorem taxes

These taxes are selectively levied on specific goods, such as alcoholic beverages, carbonated drinks, soft drinks, juices and nectars, hydrocarbons, and tobacco.

In the case of specific taxes, a fixed amount is applied, regardless of the price of the good. In the case of ad-valorem taxes, a rate is applied based on the value of the goods.

### Special Tax on the First Registration

There is a tax established on the first registration of motor vehicles, ships and maritime vessels and aircraft.

### Real estate tax

The transfer of real estate is subject to a tax of 3% on the value of the real property with respect to the amount that exceeds twenty-

eight thousand five hundred seventy-one US dollars and forty-three cents of a dollar (USD\$28,571.43), per article 4 of the Real Estate Transfer Tax Law.

### Municipal taxes

According to the Municipal Code and the General Municipal Tax Law, the individuals or legal entities that perform commercial, industrial, financial and services activities, regardless of their business activity or purpose, that are performed within the territorial jurisdiction of the municipality in question, as well as the real property located in this municipality, may be subject to municipal taxes.

To apply the taxes, the municipal administrations have the authority to levy the taxes they deem pertinent for meeting their objectives, in general taking into consideration the following items:

- a. Nature of the economic activity performed
- b. Amount of the assets
- c. Profits earned
- d. Any other manifestation of the economic capacity of the taxpayers.

The tax period for municipal taxes may be monthly or annually or for periods of different lengths of time, as determined in the respective municipal law.

### Registrations, permits and licenses

Each Municipal Administration has the authority to require specific registrations, permits and licenses in order to perform operations within its territory. Each municipality establishes the effective term and fee for obtaining and/or renewing these registrations, permits and licenses. These terms and fees may vary depending on the municipality in which the party is performing its operations.

### Taxes on individuals

#### Tax base

Resident individuals will calculate the tax by applying to the resulting net or taxable income, the table found in article 37 of the Income Tax Law. The income that has been subject to definitive income tax withholdings

at the legally established percentages will be excluded from the calculation of the tax.

### Income obtained

Individuals should calculate their income by using the cash method; that is, considering the income or profits actually received in the period, whether in cash, securities or in kind. Likewise, the calculated expenses shall consist of those actually paid during the period.

### Deductions

Resident individuals, with various types of income, may deduct from this income a maximum amount of US\$800.00 in each tax period, for the following items: hospital services, medicine and professional services provided by doctors; and tuition for their children up to twenty-five years of age, that are not taxpayers, for any level of education; among others.

### Electronic invoices

The Salvadorian Tax Administration has launched the electronic invoicing project, through which it has sought to innovate tax processes through the graphic representation of the online electronic tax documents. In this respect, it is worth mentioning the following:

- Electronic invoicing has been implemented through the consideration of the powers that the tax laws have granted to the Tax Administration. However, it is expected that amendments will be made to the tax laws that include all of the considerations relating to electronic invoicing.
- The electronic invoice is an electronic document that supports transactions for the sale of goods and/or services, which is issued, delivered and stored in totally electronic means and formats, through an invoicing process that uses reporting procedures and information technology. Due to its electronic nature, it consists of a data file written in a common programming language.

Some of the documents that will now be used in electronic form are: Tax Credit Receipt, Credit Note, Debit Note, Invoice to the Final Consumer, Export Invoice, Accounting Document for Settlement and VAT withholding receipt. The Invoice of an Excluded Party has not yet been developed under the electronic format. The use of the Single Form has been excluded.

Currently, the adoption of the electronic invoice is voluntary. However, it is expected that in the coming months the timetable will be announced for its mandatory implementation.





# Transfer Pricing

The Transfer Pricing regime in El Salvador went into effect as of 2010, as a result of an amendment to the Tax Code through Legislative Decree N° 233 in November 2009.

In 2012, the Tax Administration issued the first Transfer Pricing guidelines, which were established in the “General Orientation Guide for the Tax Treatment of Transactions with Related Parties or with Parties Domiciled, Established or Located in Countries, States or Territories with Preferential Tax Regimes, of Low or Zero Taxation or Tax Havens.”

In July 2014, a new amendment was made to the Tax Code of El Salvador through Legislative Decree N° 763, in which the OECD (Organization for Economic Cooperation and Development) methodology was introduced. However, in May 2018, this Decree was declared unconstitutional, and thus, currently the Salvadorian Tax Code makes no reference to the OECD, and it is necessary to rule out the local methodology prior to making use of the OECD methodology.

Based on the above, the Tax Code of El Salvador only makes reference to the Transfer Pricing method referred to as the Market Price Method, detailed in Article 199-B. However, if such method is not applicable, taxpayers may refer to the guidelines and methodology determined by the OECD.

Currently, no reference is made to the Action Plan on Base Erosion and Profit Shifting (BEPS) related to Transfer Pricing documentation in a Master File, Local File or Country-by-Country Report, but it is expected that they will gradually become applicable.

Furthermore, in March 2018, the Tax Administration issued new guidance for the treatment of transactions with related parties, which is detailed in the “General Orientation Guide for facilitating the determination of Transfer Prices established in article 62-A of the Tax Code and other pertinent provisions.” This guidance is what is currently in effect and governs Transfer Pricing Studies in El Salvador.

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## Formal Transfer Pricing obligations:

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### Transfer Pricing Study (Local File)

Valuation report for transactions with related parties and third parties domiciled in countries, states or territories with preferential tax regimes.



### Informational Return (F-982)

Disclosure report filed online with the Tax Administration, detailing the transactions subject to transfer pricing analysis and the results of the analysis. This return must be filed prior to the closing of the first three months of each year.

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### Criteria for being considered a related party:

The criteria for being considered a related party are defined in article 199-C of the Tax Code and are detailed as follows:

- a. When one party directs or controls the other party, or owns, directly or indirectly, at least 25% of its share capital or voting rights.
- b. When five or fewer persons direct or control both parties, or jointly own, directly or indirectly, at least 25% of the equity interest in the share capital or voting rights of both persons.
- c. When they are companies belonging to the same decision-making unit or corporate group.
- d. When the ownership of the equity interest, directly or indirectly, corresponds to the spouse or a direct or collateral relative, up to the fourth degree of consanguinity or second degree of affinity.
- e. In a union of persons, de facto company or business collaboration agreement or joint venture agreement, when one of the contracting parties or associates directly or indirectly has a share of more than 25% of the result or profits of the agreement or from the activities resulting from the association.
- f. A person that is a resident of the country and an exclusive distributor or entity thereof residing abroad.
- g. An exclusive distributor or agent, residing in the country, of an entity residing abroad.
- h. A person residing in the country and its foreign supplier, when the former makes purchases, and such volume represents more than 50%.
- i. A person residing in the country and its permanent establishments abroad.
- j. A permanent establishment located in the country and its parent company residing abroad, another permanent establishment thereof, or a person associated with it.

### Methods for determining the market price

The methods accepted by the Salvadorian Tax Administration for performing Transfer Pricing analysis are:

#### 1. Tax Code Method

Market Price Method

#### 2. OECD Methods

- a. Comparable Uncontrolled Price Method
- b. Resale Price Method
- c. Cost Plus Method
- d. Profit Split Method
- e. Residual Profit Split Method
- f. Transactional Net Margin Method

The selection of the method is governed by the “best method” rule, based on the availability of information, and respecting the arm’s length principle. Prior to using the OECD methods, it is necessary to rule out the applicability of the Tax Code’s method, and then do the same with each subsequent method, until the most applicable method for the tested transaction is determined.

#### Selection of comparables

The Salvadorian Transfer Pricing regulations specify the basic comparability criteria, which are aligned with the basic principles defined by the OECD guidelines.

Furthermore, the Salvadorian regulations prohibit the use of independent parties established, located or domiciled in countries, states or territories of low or zero taxation or tax havens as comparables, taking as a basis the guide issued by the Tax Administration in September of each year. This guide is named “*General Orientation Guide for Facilitating the Recognition of Countries, States or Territories with Preferential Tax Regimes and their Tax Treatment.*”

### Intercompany services

According to the Salvadorian regulations, any expense that is useful, pertinent and necessary for the generation of taxable income or for preserving the source of income will be deductible for tax purposes, provided that it complies with the following:

01.



Materialization



Useful and necessary



Documentation



Accounting entry



Tax withholding



Market value

The flowchart described below shows the process used by the Salvadorian Tax Administration for verifying the deductibility of any expense, which is as follows:

- a. The materialization of the acquired good or service must be proven.
- b. It is necessary to demonstrate that such good or service is useful and necessary for the generation of the company's taxable income.
- c. The taxpayer must have the documentation, electronic mails or any other evidence that demonstrates or supports the fact that the good or service was actually acquired.
- d. The corresponding accounting entries must be made.
- e. The applicable tax withholding must be made.
- f. The transaction must be agreed upon at market value.

### Scope of application of the TPS

The Transfer Pricing regulations contained in the Salvadorian Tax Code are applicable to any transaction performed between related parties and independent third parties domiciled in a state, country or territory of low or zero taxation or tax havens, without exception. It is important to note that the amount of the transactions does not affect the obligation to prepare the TP Study.

### Interest and penalties

The penalties for non-compliance with the transfer pricing guidelines established in the Tax Code are as follows:

1. Fine of 2% of the taxpayer's equity for not having the Transfer Pricing documentation, and such penalty cannot be less than US\$1,980.00.
2. Fine of 0.5% of the taxpayer's equity or shareholders' equity for not filing or incorrectly filing the F-982 informational return, and such penalty cannot be less than 3 monthly minimum wages.

If the taxpayer does not have a reasonable determination of the market price for the transactions performed with related parties and independent third parties domiciled in a state, country or territory of low or zero taxation or tax havens, the Tax Administration, pursuant to its powers, may determine the corresponding market prices and make the respective tax adjustments. In addition, the Tax Administration, through official statements, semi-annually establishes the applicable interest rate for the payment of taxes in arrears resulting from adjustments made to the tax base, which currently are as follows:

- a. For the period from August 1, 2020 to January 31, 2021, it is 6.61% annually.
- b. 60 days after the deadline for the obligation, the interest rate of 10.61% annually will be applied.

### Informational Transfer Pricing Return

In the case of the F-982 informational return, it must be filed by the taxpayer before the Tax Administration during the first 3 months of each year only if its total transactions with related parties and independent third parties domiciled in a state, country or territory of low or zero taxation or tax havens, individually or in the aggregate are equal to or greater than US\$571,429.00. It is important to mention that it must be documented in Spanish.

### Position of the Tax Administration regarding COVID

In El Salvador, the Tax Administration has not stated its official position with respect to the COVID-19 pandemic and its effects on Transfer Pricing. However, given that the TP regime in El Salvador takes as a basis the conclusions and positions of the OECD, taxpayers can turn to the publications issued by this organization, with the purpose of quantifying and documenting the effects that the pandemic had on their entities.

Therefore, the fact that an entity experiences losses in its operations does not necessarily imply that it has not complied with the arm's length principle; in any event, it is necessary to demonstrate that the results obtained stem from situations associated with external factors, such as the COVID-19 pandemic.



# First steps - (Soft Landing in El Salvador)

There is a more in-depth brochure detailing these activities that has been prepared by Deloitte El Salvador. However, for those companies seeking to invest in El Salvador, the most relevant steps to be considered are the following:

### Is your company prepared to establish itself in El Salvador?

Prior to starting operations, it is important to analyze whether your organization understands and is aware of the regulations and requirements it must comply with in order to avoid any delays.

The proven experience and distinctive capabilities of Deloitte El Salvador in this area allow us to offer a service, which from a legal and administrative standpoint, provide

you with the framework that will allow your company to dedicate its time exclusively to the development of a business plan.

With our advisement, you will succeed in establishing the legal entity, determining the appropriate tax regime, producing accounting records, ensuring proper compliance with the existing regulations and maximizing the foreign trade benefits, among other aspects.

#### Legal



- Legal and corporate analysis of the characteristics of the investment.
- Establishment of the new company.
- Preparation of powers of attorney, which will be issued abroad, for the representation of the companies in the establishment of the new company in El Salvador.
- Search for previous use of the company name or commercial name at the Commercial Registry.
- Preparation of the articles of incorporation/organization for the new Salvadorian company.

#### Tax



- Analysis of the transactions of the operating model, in order to define their tax implications in El Salvador and/or abroad.
- Application of corporate taxes to the transactions, including withholding rates in El Salvador.
- Analysis of the fundamental tax aspects for complying with the deductibility requirements in local and/or foreign payments.

#### Accounting, payroll and tax compliance



- Prepare monthly accounting records based on accounting standards in effect in El Salvador in US dollars and in Spanish.
- Prepare monthly, corporate tax returns (Income Tax, VAT and tax withholdings).
- Upon hiring the first employee, it is necessary to have the respective employer registrations, prepare the official payrolls in accordance with local regulations, and pay the monthly ISSS and AFP contributions.

#### Expatriate employees



- Determination of tax residency, considering the local legislation, as well as agreements for avoiding double taxation related to the Income Tax.
- Analysis of the investments of the expatriate in El Salvador or abroad in order to determine the corresponding tax treatment.

## Legal requirements

When a company decides to start operations in El Salvador, previous and timely advisement is fundamental, in search of the proper identification and selection of the best alternatives. This includes the selection of the type of legal organization to be used, taking into consideration the particular characteristics of the investment and its objectives.

Due to the above, in order for a company to formally enter the market, it is necessary to first perform the following activities:

1. Legal and corporate analysis of the characteristics of the investment, in order to prepare a strategy.
2. Request for information related to the establishment of the company.
3. Preparation of the powers of attorney that will be issued abroad, in order to establish the company in El Salvador.
4. Preparation of the articles of incorporation/organization.

Once the activities listed above have been performed, our Legal division will start the second phase, that is, the incorporation process:

1. Execute a notarial instrument before a Notary Public, containing the articles of incorporation/organization.
2. Register the company before the Registry of Commercial Companies of the Commercial Registry and the National Investment Office (ONI).
3. Obtain the Tax Identification Number (NIT) and Taxpayer Registration Number (NRC), and register the foreign investment.
4. Open the corporate books and prepare the corresponding annotations for its incorporation.

In addition, upon request, we can perform all of the activities related to corporate governance: annual shareholders' meetings and shareholders' meetings for granting or revoking powers of attorney, among others.

At Deloitte, we have the necessary experience for providing comprehensive and ongoing legal advisement, in relation to the activities that a company undertakes in El Salvador.



### Evaluation of the tax impact

If a foreigner investor wishes to start a new business in El Salvador, the investor must align their tax strategies with the overall business, considering the following:

- The structure of the business and disinvestment matters, as well as the planning for the impact caused by new and proposed regulations.
- The implementation of cross-border tax strategies for business investments, mergers and acquisitions.
- The leveraging of the tax treaties that El Salvador has signed, whose impact is reflected in the repatriation of income or profits; and in general, the proper analysis of the tax impacts resulting from payments made from El Salvador to parties located abroad.

At Deloitte, we have expert professionals in international taxation that offer a comprehensive service, which helps you analyze the expected tax effects in the country resulting from the various business models, and provides alternatives for their efficient implementation.

### Accounting, payroll and tax compliance

Once an entity has been legally established in El Salvador and the authorities have issued the taxpayer registration number, it is necessary to comply with the following obligations:

1. Prepare accounting records and financial statements, in the currency of legal tender (US dollars) and in Spanish, in accordance with Salvadorian regulations.
2. Prepare monthly corporate tax returns (Advance Income Tax payments, VAT, and tax withholdings).
3. Keep records of your transactions in the respective legal books per type of transaction: General Ledger, Book of Financial Statements, Book of VAT Transactions.
4. Upon hiring the first employee, obtain the employer and employee registrations, prepare the official payrolls in accordance with local regulations, and report each month

the employer contributions and withholdings made on employees.

Our **Business Process Solutions** practice has extensive experience in providing these services, and has the ability to work in coordination with your parent company's personnel to define the information we require, the calendars with key deadlines, and the accounting and tax policies to be applied.

### Expatriate employees

We provide services to national and international companies with expatriate employees. Our objective is to provide advisement on the tax implications resulting from having foreigners working in El Salvador, as well as from Salvadorians working outside the country.

The possible tax implications in a country depend on the analysis of the particular situation of the expatriate, which will determine their tax residency in El Salvador or abroad, considering the local legislation and any existing agreements for avoiding double taxation related to the Income Tax (if applicable).

In addition, it is necessary to define whether the expatriate has investments in El Salvador or abroad, consisting of items such as leases, dividends, interest, capital gains, and corporate stock plans, in order to determine the tax treatment of their income.

Deloitte El Salvador is your business partner, offering a comprehensive solution for the start of your operations in the country.



### Foreign trade operations

Knowing the import and export frameworks that are available is a fundamental part of successfully starting operations in El Salvador. It allows you to maximize the use of benefits and achieve compliance, in terms of time and form, with all customs and international trade regulations.

Before a company starts foreign trade operations —or even before the company is established— it is necessary for it to design the customs structure for its organization, considering the existing tariff deferral or exemption programs and the different customs regimes that are compatible with its established objectives, among other items.

After the company has been established in El Salvador, it is important to start the formalities for its entry into the Registry for Importers and Exporters managed by the General Customs Office in order to obtain the permits and authorizations required for the import and/or export of goods.

In addition, in El Salvador there are various tax and customs benefits, including tariff exemptions or reductions and VAT exemptions for some imports, such as machinery comprising the fixed assets of the company, among others. These benefits result from the obtaining of authorizations or certifications that are conditioned upon compliance with a series of requirements.

Finally, prior to introducing goods into the national customs territory, the company should know their tariff classifications, tariff rates, the implications of the importation, and if applicable, the application of any free trade agreement or program that allows for the obtaining of a preferential benefit.

At Deloitte El Salvador, through a specialized department, we can assist you and be your guide with respect to any foreign trade related matter, thus becoming a partner that will accompany you any time you need it: from the start of your implementation process all the way through to your daily operations.



# References

1. Central Reserve Bank of El Salvador, National Accounts.
2. Doing Business, World Bank, 2020.
3. World Bank, International Monetary Fund (IMF), World Economic Forum (WEF), Transparency International (TI), World Intellectual Property Organization (WIPO), Atlas of Economic Complexity (MIT) and Econosignal.

# Contacts

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