



## Tax Newsletter

Timely news and information on national tax issues

# Tax Implications of the Digital Assets Issuance Law



On 11 January 2023, the Legislative Assembly passed Legislative Decree 643, which contains the Digital Assets Issuance Law as a measure for attracting foreign investment from technology companies around the world.

Furthermore, the Law has been created with the purpose of allowing entities of the public and private sector to issue public offerings of digital assets, and at the time, establish the legal framework that protects the interests of the investors.

Therefore, it is important to know the content of the Law and its considerations for the payment of taxes, which we describe as follows:

1. **Scope of application:** Public offerings of digital assets in the territory of El Salvador, issuers and providers of digital services, and participants in public offerings.
2. **Digital asset:** Digital representation that can be electronically stored and transferred, which may be owned, exchanged, transferred, and promoted by individuals and legal entities.
3. Digital assets are not considered to be securities, and therefore the current legislation on securities is not applicable to them.
4. **Exclusions:**
  - a. Digital currencies issued by a Central Bank of another country
  - b. Digital assets that have been classified as currency of legal tender in any country.
  - c. Digital assets that can only be exchanged for a good or service provided by the issuer of the digital asset or by a limited number of providers of that good or service.
  - d. Digital assets that cannot be negotiated or exchanged.
5. **National Commission for Digital Assets:** Autonomous institution attached to the Ministry of Economy that will exercise the attributes and duties that this Law confers to it.

6. **Bitcoin Funds Administration Agency:** Autonomous institution attached to the Ministry of Economy in charge of the safeguarding and investment of funds from public offerings carried out by the government and the proceeds from such public offerings.
7. **Registry of Digital Asset Service Providers:** Digital asset service providers can only provide their services if they are registered in this registry before the National Commission for Digital Assets of El Salvador.
8. **Registry of Issuers and Certifiers of Public Offerings:** The Law regulates both the requirements and responsibilities of issuers and certifiers of public offerings, who should be registered before the National Commission for Digital Assets of El Salvador.

9. Among the digital asset services promoted in the Law are the following:
  - a. Exchange of digital assets for fiat money.
  - b. Operating platforms for the exchange of digital assets or derivatives.
  - c. Risk and price assessment, as well as the underwriting of digital assets.
  - d. Placement of digital assets on digital platforms or wallets.
  - e. Promoting, structuring or managing all types of digital asset investments
  
10. The issuers of digital assets, digital asset service providers, certifiers and acquirers of digital assets, as well as the public offerings of digital assets will have the following benefits:
  - a. The nominal value and the returns or income from digital assets will be exempt from all types of taxes, duties, fees and contributions of any type and nature.
  - b. The capital gain or ordinary income obtained from the purchase-sale of digital assets will be exempt from any type of tax payment.

- c. The issuers, certifiers, and providers of digital assets will have an exemption for the incentivized activity with respect to the Income Tax, VAT, municipal taxes, or any other tax, regardless of its nature.
- d. Exemption from the obligation to applying tax withholdings in the cases where this obligation exists.
- e. The benefit is applicable to both the companies and their shareholders.

Due to all of the above, it is important to review the law in detail to identify potential options for expanding businesses, seeking financing, or making investments.

## More information:



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# Tax Calendar

## May 2023

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Tax Obligations before the Tax Office (Ministerio de Hacienda)



Municipal Tax Obligations



Payroll Management Obligations

### June 2023

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 **June's** obligations:



Download the 2023 Tax Calendar

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