



## Tax Newsletter

Timely news and information on national tax issues

### Determination of the payment of the Special Contribution by Large Taxpayers to the Citizen Security Plan (CEGC or Special Contribution)

The Law for the Special Contribution by Large Taxpayers to the Citizen Security Plan, Decree No. 161, ceased to be in effect on 28 November 2020. Therefore, it is important to know the procedure for determining the Special Contribution for the 2020 fiscal year.

Firstly, it is important to consider that the tax base for this Special Contribution consisted of net profits equal to or greater than US\$ 500,000, obtained by legal entities, unions of persons, irregular or de facto companies, regardless of whether or not they are domiciled in El Salvador, which were classified as Large Taxpayers by the Tax Administration.

The term *net profits* was not defined in the Law. However, it was clarified by Orientation Guides DG-004/2015 and DG-001/2020, with the latter defining the term as follows:

*“It is the result from subtracting from the Net Income, the Income Tax calculated by the taxpayer, and adding the income from non-habitual operations established in Art. 14 and 14-A of the Income Tax Law, the Excluded Income or Profits and the Income Not Subject to such tax, deducting the necessary amounts for generating the latter.”*

Based on the above, the procedure for determining the Special Contribution is as follows:

Item
Tax Base for the Income Tax
(-) Income Tax
(+) Capital Gains
(-) Income Tax on Capital Gains
(+) Income and profits excluded from the Income Tax
(-) Expenses related to income and profits excluded from the Income Tax
(+) Income not subject to Income Tax
(-) Expenses related to Income not subject to Income Tax
(=) Net Profit

It is worth mentioning that the Law was amended through Legislative Decree No. 324 dated 16 May 2019, with the purpose of introducing an exemption from the payment of the Special Contribution for taxpayers classified as beneficiaries of the following laws:

- a. Law of Industrial and Commercial Free Trade Zones
- b. International Services Law
- c. Tourism Law
- d. Tax Incentives Law for the Promotion of Renewable Energy in the Generation of Electricity
- e. General Law on Cooperative Associations.

Furthermore, it is necessary to consider that this Law went into effect on 29 November 2015, and according to its article 8, its effective term was for 5 years. Therefore, Orientation Guides No. DG-004/2015 and DG-001/2020 indicated that the years 2015 and 2020

would constitute Special Tax Periods, since the Law would not be in effect during the entire fiscal year, but rather only for part of such years.

For the 2015 period, the Special Contribution was determined for a total of 33 days, from 29 November to 31 December of this period. Therefore, for the 2020 period, the Special Contribution should be proportionally calculated for a total of 333 days, from 1 January to 28 November 2020.

It is worth mentioning that the Online System for the filing of tax returns automatically makes the proportional calculation of the tax base for the determination of the Special Contribution, and thus it is important to know how it is determined in order to verify such amount.



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# Tax Calendar

## March 2021

The updated 2021 tax calendar is now available on the Tax Administration’s website, which includes public holidays and 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	31			



**March 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, and Tax Withheld on Income, 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)

**March 19**

**VAT**

Monthly Report on Withholdings, Collections, or Payments on Account of VAT (F-930).

**Printing Presses**

Monthly Report on Documents Printed for Taxpayers Registered under the VAT (F-455)

**March 1**

**Other Obligations**

- Annual Report on Sales to Users of Ethyl, Methyl, Isopropyl and Butyl Alcohol and of Sales to Distributors or Intermediaries of Alcoholic Beverages (F-957).
- Report of Financial Institutions, Non-Banking Financial Intermediaries and any other Public or Private Entity, Report on figures reflected in the Profit and Loss Statement or in the Statement of Income, Costs, and Expenses of Loan, Credit or Financing Applicants (F-972).
- Inventory Report (F-983).
- Tax Opinion and Report under the Tax Code on companies that registered in the CNR the respective dissolution agreement in the 2020 period.
- Tax Opinion and Report under the Tax Code on companies that made merger agreements and that corresponds to the first Opinion and subsequent ones regarding such process. (F-455)

**March 29, 30 and 31**

**Holy Week holidays**

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