



Tax Newsletter

Timely news and information on national tax issues

Relevant Aspects of the Special Laws for Tax Compliance during the National Emergency caused by COVID-19.

The Legislative Assembly has issued two decrees containing tax benefits for all taxpayers, due to the national emergency caused by the COVID 19 pandemic:

1. **Decree 598 dated 20 March 2020**, containing the *“Special and Temporary Law on the Form of Payment of the Income Tax applicable to Small Taxpayers, Tourism, Electricity, Television Services, Internet and Telephone Services, and on the Special Contribution for the Promotion of Tourism.”*

2. **Decree 643 dated 15 May 2020**, containing the *“Temporary Law for Facilitating Voluntary Compliance with Tax Obligations Given the National Emergency Caused by the COVID-19 Pandemic.”*

Following we present the most relevant aspects of these Special Temporary Laws for complying with tax obligations:

Relevant Aspects	Legislative Decree No. 598	Legislative Decree No. 643
Benefitted taxpayers	<ol style="list-style-type: none"> 1. Small (Other) and Medium-sized Taxpayers, whose Income Tax payable is less than or equal to US\$10,000. 2. Taxpayers of the Tourism Sector (protected under the Tourism Law). 3. Taxpayers engaged in the generation, transmission, distribution and commercialization of electricity. 4. Taxpayers engaged in all or at least 2 services, be they pay television, residential and commercial internet, and/or fixed and mobile telephone services 	<ol style="list-style-type: none"> 1. Small (Other) and Medium-sized Taxpayers 2. Large Taxpayers 3. Individuals not registered under the VAT
Special Contribution for the Promotion of Tourism	Waiving of the payment of the Special Contribution for the Promotion of Tourism for a three-month term: March, April, and May 2020.	It does not include benefits related to the Special Contribution for the Promotion of Tourism.
2019 Annual Income Tax	<ol style="list-style-type: none"> 1. Benefits for the Tourism Sector: The term for paying the 2019 Income Tax was extended to 31 May 2020, without fines, interest or surcharges. However, there is still the obligation to file the respective tax return within the established legal term. Applicable for taxpayers engaged in the Tourism Sector who meet the following requirements: <ul style="list-style-type: none"> • Tax payable equal to or less than US\$25,000.00. • Not currently benefitting from any total or partial tax incentive that was granted based on the Tourism Law. • The Ministry of Tourism, with the approval of the Treasury Office, through the General Office of Internal Revenue (DGII) or the General Treasury Office (DGT), as applicable, shall issue the respective resolution authorizing this benefit. 	<ol style="list-style-type: none"> 1. Benefits applicable to the taxpayers cited above in this table: <ul style="list-style-type: none"> • Taxpayers have until 30 June 2020 to file and pay the 2019 Income Tax Return, without fines, interest or surcharges, for those who have not complied with this obligation as of 30 April 2020. • If the 2019 Income Tax Return was filed by 30 April 2020, taxpayers may amend the tax return until 30 June, in order to settle the original or supplementary tax, as applicable, without fines, interest or surcharges. • If the 2019 Income Tax Return was filed by 30 April and no payment plan was requested, a payment plan may be requested within the parameters of this Decree. • If the 2019 Income Tax Return was filed by 30 April and a payment plan was requested: a) an extended payment term may be requested; b) no fines, interest or surcharges will be payable on the installments pending payment.
	<ol style="list-style-type: none"> 2. Benefits for the taxpayers listed in numerals 1, 3 and 4 at the top of this table: 	

Relevant Aspects	Legislative Decree No. 598	Legislative Decree No. 643
	<p>The term for paying the 2019 Income Tax was extended to 31 May 2020. However, there is still the obligation to file the respective tax return within the established legal term.</p> <p>Taxpayers should request authorization for a payment plan from the DGT, for up to a maximum of eight (8) monthly installments, with 10% due in May as the first installment.</p>	<ul style="list-style-type: none"> • Taxpayers that filed tax returns with excess tax paid may make amendments to reduce the remaining or excess tax declared, without fines, interest or surcharges. <p>Two options are established for paying the tax in installments without any fines, surcharges and interest, as detailed below:</p> <ol style="list-style-type: none"> a) Small (Other), Medium-sized Taxpayers and individuals not registered under the VAT may request up to a maximum of seven (7) installments, with the first one due in June 2020, for the equivalent of 10% of the tax determined. b) Large Taxpayers may request up to a maximum of four (4) installments, with the first one due in June 2020, for the equivalent of 30% of the tax determined. <p>The fines and interest paid in the filing of the 2019 Income Tax Return made after the deadline, but prior to the entering into effect of this Decree, may be credited towards the tax settled in the 2020 Income Tax Return.</p> <p>Tax may be similarly credited in the case of the Special Contribution of 5% of the Net Profits by Large Taxpayers, with previous authorization by the DGII.</p>

Relevant Aspects	Legislative Decree No. 598	Legislative Decree No. 643
<p>Special Contribution of 5% of the Net Profits by Large Taxpayers.</p>	<p>It does not include benefits related to the Special Contribution by Large Taxpayers.</p>	<p>Large Taxpayers, with respect to the Special Contribution of 5% of the Net Profits, shall not pay fines, interest or surcharges in the following cases:</p> <ul style="list-style-type: none"> • If the tax return was not filed and/or the Special Contribution was not paid within the legally established term (30 April), taxpayers have until 30 June to comply. • If the tax return was filed by 30 April 2020, taxpayers may amend the tax return until 30 June, in order to settle the original or supplementary tax, as applicable. • The waiving of fines, interest or surcharges will be applicable, if after the deadline, but prior to the entering into effect of the Decree, taxpayers: filed and paid the Special Contribution; filed the tax return without making the respective payment.
<p>Advance Payment on Account of the Income Tax</p>	<p>The obligation was postponed for a three-month term: March, April and May 2020.</p> <p>Taxpayers should request authorization for a payment plan from the DGT, which may grant up to a maximum of six (6) monthly installments, with the first one due in July, corresponding to the payment of 10% of the total amount due for the Advance Payment on Account of the Income Tax for the months mentioned above. However, there is still the obligation to file the respective tax return within the established legal term.</p> <p>This benefit is applicable for taxpayers engaged in all or at least 2 services, be they pay television, residential and commercial internet, and/or fixed and mobile telephone services.</p>	<p>Waiving of the Advance Payment on Account of the Income Tax, for a three-month term: April, May and June 2020.</p> <p>However, there is still the obligation to file the respective tax return within the established legal term. Similarly, the terms for complying with the filing of the tax returns and payment of Income Tax withholdings remain in effect.</p> <p>This benefit is only applicable to taxpayers classified as Small (Other) or Medium-sized Taxpayers.</p>

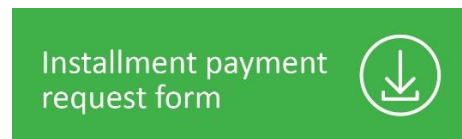
Relevant Aspects	Legislative Decree No. 598	Legislative Decree No. 643
<p>Formal Tax Obligations</p>	<p>It does not include any benefits related to an extension of the deadlines for formal tax obligations.</p>	<ul style="list-style-type: none"> •Waiving of fines for complying with formal obligations after 30 April, but prior to the entering into effect of the Decree. •Extension for the filing of the 2019 Tax Opinion and Report until 31 July 2020. •Extension of the deadline for appointing the 2020 Tax Auditor until 31 July 2020. •Two-month extension of the respective ordinary terms for the formal tax obligations due by 30 April 2020. •Two-month extension of the respective ordinary terms for the formal tax obligations not included in this Decree, which are due in the months from March to July 2020.

In addition, it is important to mention that Article 18 of the “Temporary Law for Facilitating Voluntary Compliance with Tax Obligations Given the National Emergency Caused by the COVID-19 Pandemic” (LD No. 643) establishes that the taxpayers included in LD No. 598 have the option to avail themselves of the benefits contained in LD 643, for which the DGT shall authorize through a resolution, the installments or restructuring of payments, as applicable.

Based on the above, it is inferred that those taxpayers who as of the date the “Temporary Law for Facilitating Voluntary Compliance with Tax Obligations Given the National Emergency Caused by the COVID-19 Pandemic” went into effect have made use of the benefits contained in the Temporary Law contained in LD No. 598, and now wish to take advantage of the new provisions in LD No. 643, should analyze their particular situation in order to optimize the tax benefits. Subsequently, they should request a resolution from

the DGT, which will establish the installments or determine the restructuring of payments, as applicable.

It is worth mentioning that the Treasury Office has already provided on its website the forms for requesting payment plans for 2019 Income, in accordance with LD No. 643, which includes the procedure to be followed by Small (Other), Medium-sized and Large Taxpayers that wish to take advantage of the benefits of this decree:



Based on the information presented in this document, taxpayers are encouraged to analyze their tax situation, with the support of their external advisors if necessary, in order to evaluate whether the use of these tax benefits is right for them.



Ghendrex García
Tax and BPS Partner
ggarciaq@deloitte.com



Henry Aguirre
BPS Manager
haquirre@deloitte.com

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Regulatory Summary

Orientation Guide for Applying the Temporary Law for Facilitating Voluntary Compliance with Tax Obligations Given the National Emergency Caused by the COVID-19 Pandemic

On 15 May 2020, the “Temporary Law for Facilitating Voluntary Compliance with Tax Obligations Given the National Emergency Caused by the COVID-19 Pandemic” went into effect. As a result, on 18 May 2020 the Tax Administration issued an Orientation Guide for applying the benefit of this Temporary Law (Legislative Decree No. 643).

Among the main points addressed by this Orientation Guide are the following:

1. This Guide shall be in effect until 30 June 2020.
2. The taxpayers that may take advantage of the benefits of the temporary law are those classified as Other, Medium-sized or Large Taxpayers, as well as individuals not registered under the VAT, provided that they are salaried employees or have miscellaneous income.
3. The substantive obligations that the benefits of the temporary law may be applied to are those related to the Income Tax and the Special Contribution by Large Taxpayers to the Citizen Security Plan corresponding to the 2019 tax period.
4. The formal obligations that the benefits of the temporary law may be applied to are:
 - a) Those related to the filing of annual 2019 Income Tax returns, be they original, late or amended returns, as well as those that decrease the remaining or excess tax declared, except for those that decrease the amount payable.
 - b) Those related to the appointment of the Tax Auditor for the 2020 period and the filing of the Tax Opinion and Report for the 2019 tax period.
 - c) Formal monthly obligations that were due on 30 April 2020 and the formal obligations not included in this decree and contained in tax laws not related to the payment of taxes that are due in the months of March to July 2020 (F-463, F-930, F-945, F-955, F-956, F-958, F-960, F-987, F-988).
5. Taxpayers are reminded that the Tax Return for Payments on Account and Withholdings (F-14) for April, May and June 2020 should be filed within the legal terms established in articles 152 and 164 of the Tax Code, related to article 62, first paragraph, of the Income Tax Law.
6. The Tax Administration has enabled the option for “Debt and Payment Inquiries” in the online services portal of the DGII for the generation of the payment orders with an Electronic Payment Number (NPE) for the different payment options, be they total, partial or payment plan installments.
7. With respect to the forms for requesting payment plans, it is clarified that the process can be done through the electronic channel enable for such purpose.

In this respect, it is important that taxpayers review the benefits granted by Decree 643 and its application guide, in order to mitigate any contingency they currently have regarding the filing of the Income Tax return and other formal tax obligations.

Contacts

Federico Paz

Tax & Legal Managing Partner

fepaz@deloitte.com

Ghendrex García

Tax and BPS Partner

ggarciaq@deloitte.com

Cosette Fuentes

Legal Services Manager

cg.fuentes@deloitte.com

Henry Aguirre

BPS Manager

haguirre@deloitte.com

Alvaro Miranda

Transfer Pricing Manager

ajmiranda@deloitte.com

Wilmer García

Transfer Pricing Manager

wsgarcia@deloitte.com

Jhonny Flores

Tax Consulting Manager

jflores@deloitte.com

Daysi Acosta

Tax Compliance Manager

daacosta@deloitte.com

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