



Tax Newsletter

Timely news and information on national tax issues

Formal Accounting in El Salvador: General considerations upon the entering into effect of the Bitcoin Law

The Bitcoin Law, which gives this digital cryptocurrency the status of currency of legal tender in El Salvador, went into effect on 7 September 2021. Therefore, as of that date, it is possible to perform any transaction for the payment or sale of goods or services using this cryptocurrency, which implies that merchants can receive payments or pay their transactions in bitcoin, or, in dollars of the United States of America (dollar or dollars).

Given the above, this article will present some general considerations that merchants obligated to keep formal accounting in El Salvador must keep in mind:

1. **Presentation (reference) currency for local accounting purposes**

- ✓ Article 436 of the section regulating formal accounting in the Commercial Code establishes that transactions must be entered (recorded) in colones or in dollars, the currencies of legal tender in accordance with the Monetary Integration Law (in effect since the year 2001).
- ✓ Article 139 of the section regulating formal accounting in the Tax Code establishes that transactions must be entered (recorded) in currency of legal tender.

- ✓ In terms of the Bitcoin Law, article 6 clarifies that for accounting purposes the dollar will be used as the reference currency.

Thus, it can be observed according to the current regulations that the presentation (reference) currency of the accounting books for local purposes should continue being the dollar. In this case, those merchants who in their transactions decide to keep balances or accounts in bitcoin, that is, they do not apply the automatic conversion of bitcoin into dollars upon performing their transactions, are advised that they will need to use the exchange rate in effect as of the accounting close, for purposes of presentation of the figures in their annual financial statements, based on a reliable source for such rate.

2. Exchange rate between bitcoin and the dollar

According to that established in article 2 of the Bitcoin Law, the exchange rate between bitcoin and the dollar shall be freely established by the market. Therefore, those merchants that decide to keep balances or accounts in bitcoin should be aware of the value of bitcoin over time in order to ensure the proper presentation of their financial statements, given the fluctuation in the exchange rate of bitcoin to dollars.

3. Issuance of VAT documents

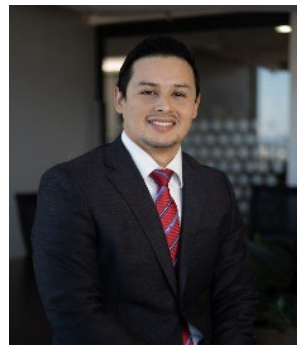
Although article 3 of the Bitcoin Law establishes that all prices may be expressed in bitcoin, as previously mentioned, the dollar must ultimately be the reference currency for accounting purposes (Art. 6 Bitcoin Law). Consequently, VAT documents (invoices, tax credit receipts –CCF-, and credit notes, among others) and VAT books must be stated in dollars.

4. Accounting effects resulting from the application of the Bitcoin Law

It is important to note that the Oversight Board of the Profession of Public Accounting and Auditing, as the governing body for the accounting and audit profession in El Salvador, has stated on its website that it is currently preparing a Guide for the treatment of the accounting effects resulting from the application of the Bitcoin Law.

Consult guide

Thus, it will be important that the taxpayers obligated to keep formal accounting remain alert to the communications and guides issued by the Oversight Board of the Profession of Public Accounting and Auditing in order to have the best guidance on the accounting treatment to be applied to those transactions, balances or accounts conducted and kept in bitcoin, and for which they have not applied the automatic conversion from bitcoin to dollars.



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Tax Calendar

September 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		

Download the 2021
Obligations Calendar



September 14

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)
- Statement of Origin and Application of Funds (F-950)

September 15

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-945)

September 15

Public holiday celebrating Independence Day

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