

Tax Alert

2022 annual settlement of the Income Tax withheld on income from work

According to that established in article 79 of Decree 10-2012, Tax Update Law and its amendments, in January of each year, employers must reconcile the tax withheld during the year with the tax determined on the updated taxable income of their employees, after having considered the legal deductions. For such purpose, employers must request the following documentation from their employees to settle the tax:

1

Copy of the receipt of delivery and filing of the Value Added Tax (VAT) statement before the Superintendency of Tax Administration (SAT) to receive up to a Q.12,000.00 tax credit.

2

Receipts and tax solvencies for the donations made during 2022. This deduction cannot exceed 5% of the employee's gross income.

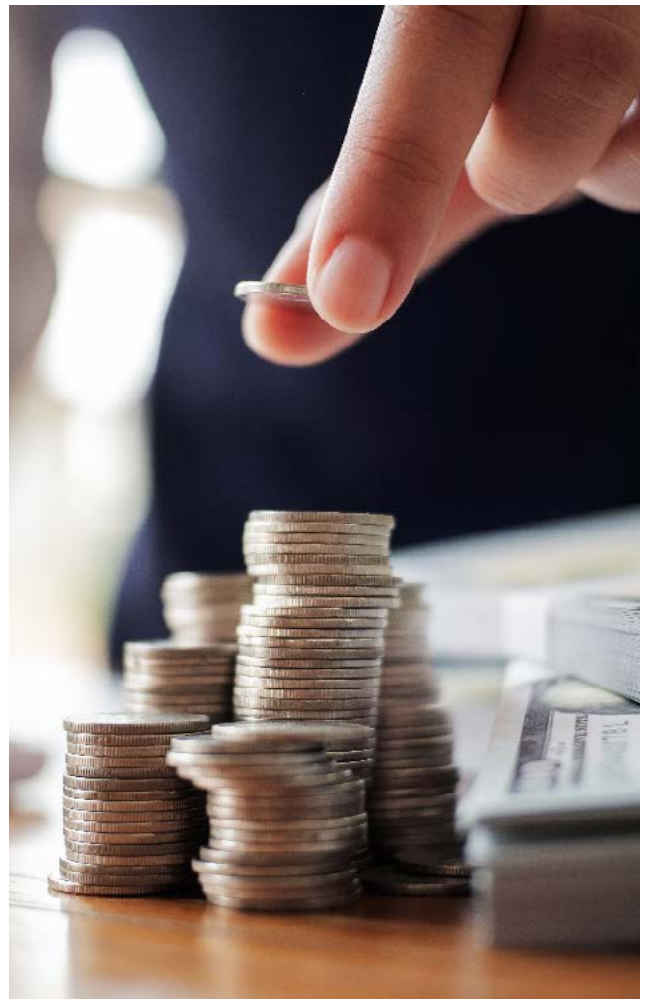
3

Copies of the invoices and insurance policy for insurance premiums paid to cover risks solely in cases of death of the employee, provided that the insurance contract does not include any sum for return, reimbursement or surrender according to the contract.

If there was any tax withheld in excess during 2022, it must be refunded to the employee by no later than 28 February 2023, and such refund may be deducted from the amounts of withholdings payable to the SAT under this income category that are reported in the following months, until the entirety of the refundable amount is covered. If there is any tax that has not been duly withheld, the employee must report the Income Tax directly to the SAT using the form "Employee Income Tax SAT - 1431."

It is important to indicate that in the cases in which there is any tax not duly withheld from employees during the 2022 fiscal year, in the event of a future review by the SAT, it could adjust as a non-deductible expense, the proportional expense for salaries and wages that was not subject to Income Tax withholdings for income from work, plus impose a fine equivalent to the tax not withheld, per that established in letter c) of article 23 of Decree 10-2012 Tax Update Law and its amendments and numeral 7 of article 94 of Decree 6-91 Tax Code and its amendments, respectively.

The deadline for filing the 2022 annual report on the settlement and refund of any tax withheld in excess for the Income Tax on income from work is **Tuesday, 28 February 2023**.



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