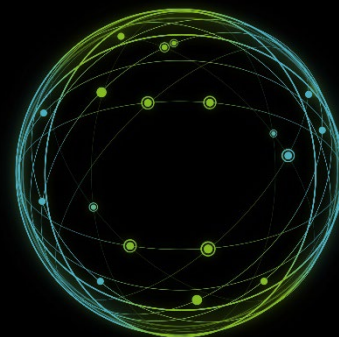


International Tax El Salvador Highlights 2026

Updated January 2026



Recent developments

For the latest tax developments relating to El Salvador, see [Deloitte tax@hand](#).

Investment basics

Currency: The currency is the US dollar (USD).

Foreign exchange control: There are no foreign exchange controls.

Accounting principles/financial statements: IFRS applies. Financial statements must be filed annually.

Principal business entities: These are the stock corporation, limited liability company, simplified joint-stock company, and branch of a foreign entity.

Corporate taxation

Rates

Corporate income tax rate	30% (standard rate)/25% for annual taxable income of up to USD 150,000
Branch tax rate	30% (standard rate)/25% for annual taxable income of up to USD 150,000
Capital gains tax rate	10%

Residence: A corporation is resident in El Salvador if it is incorporated in the country. A branch in El Salvador is also treated as a resident.

Basis: El Salvador operates a territorial tax system, under which income tax is imposed only on Salvadoran-source income. Branches are taxed in the same way as subsidiaries.

Taxable income: Corporate income tax is imposed on Salvadoran-source profits derived by companies from their profit-making activities. Certain income derived from capital also is subject to tax. Taxable income is determined by deducting from gross income all necessary costs and expenses, and other specific deductions established by the law. Certain income is exempt.

Rate

General

The standard corporate income tax rate is 30%. A 25% rate applies to taxpayers that have annual taxable income less than or equal to USD 150,000.

Surtax

There is no surtax.

Alternative minimum tax

There is no alternative minimum tax.

Global minimum tax (Pillar Two)

El Salvador has not made any announcements regarding the implementation of rules in line with the global anti-base erosion (GloBE) or “Pillar Two” model rules published by the OECD/G20 Inclusive Framework on BEPS that are designed to ensure a global minimum level of taxation of 15% for multinational enterprise groups with annual consolidated revenue of at least EUR 750 million.

Taxation of dividends: Dividends are taxed at a corporate income tax rate of 5%, and the tax is generally paid through a final withholding tax. The rate may increase to 25% if the recipient is resident, established, or located in a tax haven or a jurisdiction with a preferential tax regime (i.e., a low-tax or no-tax regime). The El Salvador tax authorities issue an annual guide to help taxpayers determine if a jurisdiction has a preferential tax regime.

Capital gains: Capital gains are taxed at a rate of 10%.

Losses: Ordinary losses may not be carried forward or back. Capital losses may be carried forward for five years to offset capital gains.

Foreign tax relief: There is no foreign tax relief; El Salvador operates a territorial tax system, under which income tax is imposed only on Salvadoran-source income.

Participation exemption: There is no participation exemption.

Holding company regime: There is no holding company regime.

Incentives: There are incentives and exemptions available to promote investment in El Salvador. The main laws offering incentives include the following:

- **Industrial and Commercial Free Zones Law:** Applicable to companies operating in free zones and asset consolidation warehouses;
- **International Services Law:** Applicable to companies operating in parks and service centers in strategic sectors such as service centers, business process outsourcing, aircraft maintenance and repair, and logistics;
- **Law for the Promotion of Innovation and Technology Manufacturing:** Applicable to entities that research and/or develop new technologies;
- **Digital Asset Issuance Law:** Applicable to issuers, certifiers, and digital asset service providers; and
- **Tax Incentives Law for the Promotion of Renewable Energy in Electricity Generation:** Applicable to investments in projects using renewable energy sources through hydroelectric, geothermal, wind, and solar resources, as well as biomass, for electricity generation.

Compliance for corporations

Tax year: The tax year (or “fiscal year”) is the calendar year.

Consolidated returns: Consolidated returns are not permitted; each company must file its own return.

Filing and payment: The annual income tax return must be filed by 30 April of the year following the tax year.

Penalties: Penalties are imposed for late filing, failure to file, underreporting, or tax avoidance/evasion.

Rulings: A taxpayer may request a binding ruling on the tax consequences of a transaction in which it has a direct interest.

Individual taxation

Rates		
Individual income tax rate	Taxable income	Rate
	Up to USD 6,600	0%
	USD 6,600.01 to USD 9,142.86	10% of taxable income above USD 6,600 + a fixed amount of USD 212.12
	USD 9,142.87 to USD 22,857.14	20% of taxable income above USD 9,142.86 + a fixed amount of USD 720
	Over USD 22,857.14	30% of taxable income above USD 22,857.14 + a fixed amount of USD 3,462.86
Capital gains tax rate		10%

Residence: Individuals are considered resident in El Salvador if they remain in the country for an uninterrupted period of at least 200 days within a year.

Basis: Resident individuals generally are subject to income tax only on their Salvadoran-source income. Nonresident individuals generally are subject to withholding tax on Salvadoran-source income.

Taxable income: Tax generally is imposed on all income arising from Salvadoran sources, including income derived from employment, capital, goods, and services.

Rates: Income tax rates are progressive, ranging from 10% to 30%. Nonresident individuals are taxed via withholding at rates of 20% or 25%, or at reduced rates for Salvadoran-source income obtained from certain types of services.

Capital gains: Capital gains are taxed at a rate of 10%.

Deductions and allowances: Resident individuals may deduct social security contributions and certain school and medical expenses. A personal allowance is granted to certain individuals.

Foreign tax relief: There is no foreign tax relief; El Salvador operates a territorial tax system, under which income tax generally is imposed only on Salvadoran-source income.

Compliance for individuals

Tax year: The tax year is the calendar year.

Filing status: Each taxpayer is required to file a return; joint returns are not permitted.

Filing and payment: The tax return must be filed online by 30 April of the year following the tax year. Tax on employment income is withheld at source by the employer.

Penalties: Penalties are imposed for late filing, failure to file, underreporting, or tax avoidance/evasion. Penalties for noncompliance with formal requirements also are imposed.

Rulings: Taxpayers may request a binding ruling on the tax consequences of a transaction in which they have a direct interest.

Withholding tax

Rates				
Type of payment	Residents		Nonresidents	
	Company	Individual	Company	Individual
Dividends	5%	5%	5%/25%	5%/25%
Interest	0%/10%	10%	10%/20%/25%	10%/20%/25%
Royalties	0%	10%	5%/20%/25%	5%/20%/25%

Dividends: Dividends paid to a resident company or individual are subject to a 5% withholding tax.

Dividends paid to a nonresident company or individual generally are subject to a 5% withholding tax, in addition to the tax applicable to the distributed profits at the corporate level. The rate may increase to 25% if the recipient is resident, established, or located in a tax haven or a jurisdiction with a preferential tax regime.

Interest: A 10% withholding tax applies to interest paid to resident and nonresident individuals and companies on bank deposits. Interest paid between resident companies is not subject to withholding tax.

Interest paid to a nonresident company or individual (other than interest on bank deposits) generally is subject to a 20% withholding tax. The rate may increase to 25% if the recipient is resident, established, or located in a tax haven or a jurisdiction with a preferential tax regime. Withholding tax at a reduced rate of 10% applies if the recipient of the interest is a financial institution supervised in its country of origin and registered with the Central Reserve Bank of El Salvador.

Royalties: Royalties paid to a resident company are not subject to withholding tax. A 10% withholding tax applies to royalties paid to a resident individual.

Royalties paid to a nonresident generally are subject to a 20% withholding tax. The rate may increase to 25% if the recipient is resident, established, or located in a tax haven or a jurisdiction with a preferential tax regime. A 5% rate is applicable to payments to nonresidents for transfers of intangible assets or for the use of, or the right to use, rights over tangible and intangible assets related to cinematographic movies, videotapes, phonographic discs, radio serials, television serials, serials and strips reproduced by any means, video and track records, and television programs transmitted by cable, satellite, or other similar media.

Fees for technical services: Fees for technical services paid to a resident company are not subject to withholding tax. A 10% withholding tax applies to fees for technical services paid to a resident individual.

Fees for technical services paid to a nonresident are subject to a 20% withholding tax. The rate may increase to 25% if the recipient is resident, established, or located in a tax haven or a jurisdiction with a preferential tax regime.

Branch remittance tax: There is no branch remittance tax.

Anti-avoidance rules

Transfer pricing: The transfer pricing rules require that prices in transactions between Salvadoran taxpayers and related parties or persons resident, established, or located in a tax haven or a jurisdiction with a preferential tax regime be equal to the market price in similar transactions with third parties. The tax authorities are entitled to adjust the price of such transactions if they are not carried out on arm's length terms.

Transfer pricing documentation is required. Taxpayers must submit, by 31 March of each year, a report listing transactions carried out with related parties or persons resident, established, or located in a tax haven or a jurisdiction with a preferential tax regime.

Interest deduction limitations: Intercompany debt cannot exceed three times the accounting capital of a domestic taxpayer.

Controlled foreign companies: There are no controlled foreign company rules.

Anti-hybrid rules: There are no anti-hybrid rules.

Economic substance requirements: In general, for an expense to be deductible for income tax purposes, corporate taxpayers must document the following:

- The expense is useful and necessary for the operation of the company;
- Any services for which a deduction is claimed actually were provided;
- There are contracts and invoices to support the transaction (as applicable);
- The transaction is recorded in the company's accounting books;
- Any necessary withholding has been properly carried out; and
- Where the transaction was carried out between related parties, it was carried out at fair market value.

Disclosure requirements: Documentation is required for transfer pricing purposes (see "Transfer pricing," above).

Exit tax: There are no exit tax rules.

General anti-avoidance rule: There is no general anti-avoidance rule.

Value added tax

Rates	
Standard rate	13%
Reduced rate	0%

Taxable transactions: VAT applies to the transfer of movable goods, the provision of services, and imports.

Rates: The standard VAT rate is 13%. Certain transactions are zero rated or exempt from VAT.

Registration: Registration for VAT purposes generally is required upon incorporation.

Filing and payment: Entities are required to file monthly returns within the first 10 business days after the end of each tax period.

Other taxes on corporations and individuals:

Unless otherwise stated, the taxes in this section apply both to companies and individuals and are imposed at the national level.

Social contributions: The employer must contribute to social security at a rate of 7.5% of the employee's total monthly remuneration; the maximum wage cap for calculating this contribution is USD 1,000. The employer also must contribute to the private pension funds of its employees at a rate of 8.75% of the employee's monthly compensation.

Employees must contribute to social security at a rate of 3% of their total monthly remuneration; the maximum wage cap for calculating this contribution is USD 1,000. They also must contribute to their private pension funds at a rate of 7.25% of their monthly compensation.

Capital duty: There is no capital duty.

Real property tax: There is no real property tax.

Transfer tax: The transfer of real estate is subject to a tax of 3% on the value of the real property, to the extent that the value exceeds USD 28,571.43.

Stamp duty: There is no stamp duty.

Net wealth/worth tax: There is no net wealth tax or net worth tax.

Inheritance/estate tax: There is no inheritance tax or estate tax.

Other: A municipal tax is imposed on the assets located in each municipality, with the rate varying by jurisdiction.

Tax treaties: El Salvador has concluded one tax treaty, with Spain. For information, visit [Deloitte International Tax Source](#).

Tax authorities: General Office of Internal Revenue (DGII) and General Customs Office (DGA), under the authority of the Treasury Department

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