



Tax Newsletter

Timely news and information on national tax issues

Foreign Agents Law in El Salvador: General Aspects of the Tax on Transactions

On 20 May 2025, the Legislative Assembly passed Legislative Decree 308, which contains the Foreign Agents Law in El Salvador, published in the Official Gazette No. 100, Volume No. 447, dated 30 May 2025, which went into effect on 7 June 2025. This law establishes the legal framework applicable to local or foreign individuals or legal entities, whose activities in El Salvador correspond to interests or are directly or indirectly financed by a foreign individual.

In addition, the law has been created with the purpose of promoting transparency in the operation of these entities and regarding their influence within the national territory.

Given the above, it is important to know the contents of the law and its considerations for the payment of taxes, which we describe as follows:

a) Obligated parties

All local or foreign individuals or legal entities, that within the territory of El Salvador perform activities that correspond to interests, directly

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or indirectly controlled or financed by a foreign principal, including nonprofit associations and foundations, are obligated to comply with this law.

For purposes of this law, all the obligated parties will be referred to as “Foreign Agent,” as well as “Foreign Director” or “Foreign Principal.”

b) Exclusions

Obligated parties may request to be excluded from the application of the obligations established in the law, subject to previous qualification determined by the Foreign Agents Registry (RAEX).

For qualification for exclusion, the RAEX will consider the nature of the project, the entity generating the resources, the recipient entity, the work, good or service that will be executed or acquired with the resources received, and strict compliance with the above for its renewal.

c) Tax regime and tax obligations

1. Taxable event

The financial transactions performed by foreign principals in favor of their agents triggers the obligation to pay the taxes established in the law.

2. Tax on transactions

For each financial transaction, disbursement, transfer, importation in kind or of material goods of any type, or any other, and originating from funds of the foreign principal, whether through donations, payments or other itemizations, in favor of their Foreign Agents in the country, **a tax of the 30% will be applied**. In the case of importations in kind or of material goods, the taxable event is triggered when so determined by the RAEX.

3. Tax withholding

The tax on transactions will be collected through a withholding, which will be directly made by the Institutions of the Financial System, as well as any other entity, mechanism, individual or legal entity involved in the receipt, channeling or transfer of funds from abroad in favor of nonprofit organizations. The withholding must be made at the time when, through these entities or mechanisms, the foreign principals make the respective transfers or make them available to their Agents.

4. Withholding agents and payment procedure

The institutions and entities subject to the oversight of the Superintendency of the Financial System, as well as those individuals or legal entities, entities or mechanisms that, even if not subject to such oversight, are involved in the receipt, channeling or transfer of funds from

abroad in favor of nonprofit organizations, are designated as Special Withholding Agents.

The amounts withheld by the Withholding Agents must be paid without any deduction to the General Treasury Office (DGT) within the first ten business days of the month following the tax period in which the withholdings were made.

Additionally, the Withholding Agents mentioned above have the obligation to send within the first fifteen business days of the month following the tax period in which the withholdings were made, a report on the Foreign Agents that were subject to these withholdings, using the technical specifications and forms that the Tax Administration provides.

5. Donations made within the national territory

With respect to the donations that could be made to the Foreign Agents within the national territory, the latter will be obligated to pay 30% tax on the amounts received for such items. The payments will be determined in monthly periods, with respect to the gross donations received, which must be verified no later than within the ten business days following the closing of the monthly period in which they

were received, using the forms that the Tax Administration will provide.

d) Formal obligation of Foreign Agents

Foreign Agents that have been subject to the withholdings of the cited tax or that have paid the tax corresponding to the donations received in the national territory, have the obligation to send within the first fifteen business days of the month following the tax period in which the withholdings and/or payments were made, a report through electronic means, using the technical specifications and forms established by the Tax Administration.

e) Temporary provisions

The obligated parties must register in the Foreign Agents Registry (RAEX) within a maximum term of 90 days, as of the entry into force of the law.

The withholding and payment of the tax on transactions established in the law will not be effective until after the conclusion of the 90-day term granted for obligated parties to register themselves and request their qualification as exempt from the tax.



The obligated parties falling under the Foreign Agents Law should analyze and timely comply with all the obligations established in this new provision, whose term is **90 days, counting from the entry into force of this law.**

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Tax Calendar

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Tax Obligations before the Tax Office (Ministerio de Hacienda)



Municipal Tax Obligations



Payroll Management Obligations

June 2025						
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					

To learn more about **June's** obligations:



Download the 2025 Tax Calendar

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