



## El Salvador

<b>General</b>	Types of indirect taxes (VAT/GST and other indirect taxes).	VAT.
	Are there other indirect taxes?	Not applicable.
	What are the standard or other rates (i.e. reduced rate) for VAT/GST and other indirect taxes?	13% standard rate and 0% for exports.
	Who is required to register for VAT/GST and other indirect taxes?	Anyone who supplies goods or renders services, no matter if taxed or not, except for companies with turnover below USD5,714.28 and total assets below USD2,285.71 in the previous 12 months. This also applies to permanent establishments of overseas companies.
<b>VAT/GST registration</b>	Is voluntary registration for VAT/GST and other indirect taxes possible for an overseas company (e.g. if the annual turnover is below the relevant VAT/GST and other indirect taxes registration threshold)?	No, under Salvadorian VAT legislation, it is not possible for a non-resident entity to voluntarily register in El Salvador and act as an established entity.
	Does an overseas company need to appoint a fiscal representative?	Only in a few cases (i.e. international transport) in order to apply for a VAT refund.
	Which forms and supporting documentation does an overseas company need to submit for VAT/GST and other indirect tax registrations?	Not applicable.
	Is grouping* for VAT/GST and other indirect taxes possible?	No.
<b>VAT/GST compliance</b>	How frequently are VAT/GST and other indirect tax returns submitted?	Monthly.
	What are the exchange rate rules in your country?	No.
<b>VAT/GST recovery</b>	Can an overseas company recover VAT/GST and other indirect taxes if it is not registered for VAT/GST and other indirect taxes locally?	It is not possible for a company not registered for VAT to recover VAT. VAT is part of the cost of the products for non-registered companies.
	Are there any exemptions with the right to recover or deduct input VAT?	Exporters can deduct VAT based on the percentage of zero-rated sales.
	Are there any restrictions to the deduction of input VAT?	Yes, there are certain restrictions for VAT recovery, such as exempt supplies where VAT relates to both taxable and exempt supplies. In those cases, an apportionment (pro rata rule) needs to be made.

\* By 'grouping' we mean: either a consolidation mechanism between taxpayers belonging to the same group (payment and refund are compensated but taxpayers remain distinct) or a unity for VAT/GST purposes (several taxpayers are regarded as a single taxpayer).

<b>Invoices</b>	Is a business required to issue tax invoices?	Yes.
	Is it possible/mandatory to issue invoices electronically?	Yes, it is possible. The Tributary Code states some requirements before giving permission to issue electronic invoices.
	Is it possible for the vendor to issue an invoice, i.e. is self-billing possible?	Self-billing is only possible for the consumption of goods by the taxpayer, such as inventory shortages or destruction, promotions or gifts not included in the customer's bill.
<b>Audits</b>	Do tax audits take place on a regular basis?	The Ministry of Finance ( <i>Ministerio de Hacienda</i> ) is the authority that performs tax audits. However, every year the taxpayer with assets greater than USD1,142,857 and sales greater than USD571,428 will appoint an independent auditor to express an opinion related to the applicable provisions tax compliance and will file its report to the Ministry of Finance for each fiscal year.
	Are audits done electronically in your country (e-audit)? If so, what system is in use?	The tax office does not perform audits electronically except for the cross-checking of certain information regarding taxpayers involved in an operation, in order to match figures.
	What penalties can arise from non-compliance?	<p>There are certain penalties for failing to fulfill formal obligations. The minimum fine or penalty is a minimum salary:</p> <ul style="list-style-type: none"> <li>— for underpayment of the VAT, the fine or penalty is 40% of the determined tax</li> <li>— for late filings of a VAT return and late payment of VAT, the fine or penalty is between 5% and 20% on the extemporal tax payment</li> <li>— for incorrect returns, there is a fine or penalty of 20% on the unpaid tax</li> <li>— for returns with arithmetic errors, there is a fine or penalty of 10% on the difference of the unpaid tax.</li> </ul>
<b>Special indirect tax rules</b>	Are there any special rules for the sale of a company by one taxpayer to another where VAT is not due on the sale?	There is no transfer of a business as a going concern (TOGC) relief, but VAT is only due on the movable assets transferred.
	Are there unique specific indirect tax rules that you would not expect to find in 'standard' VAT jurisdictions?	No.
	Does a reverse charge mechanism apply for goods or services?	Yes, local recipients of services rendered by non-resident suppliers must withhold and pay the VAT to the state. The withheld tax can be offset at a later stage.
	Are there indirect tax incentives available (e.g. reduced rates, tax holidays)?	There is a Free Trade Zone Law and an International Services Law that excludes certain companies tax and their stakeholders of paying importation taxes and income tax.
<b>Rulings</b>	Are rulings and decisions issued by the tax authorities publicly available?	Some resolutions and information are available at <a href="http://www.mh.gob.sv">www.mh.gob.sv</a> .