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Investment in Central America

El Salvador





El Salvador

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Abbreviations

Abbreviation	Meaning
AFP´S	Pension Fund Administrators
SAP	Pension Savings System
Art.	Article
AT	Tax Administration
BCR	Central Reserve Bank
CBA	Basic Food Basket
CT	Tax Code
DGII	General Directorate of Internal Taxes
DIGESTYC	General Directorate of Statistics and Censuses
EHPM	Multi-Purpose Household Survey
IMF	International Monetary Fund
ISR	Income tax
ISSS	Salvadoran Social Security Institute
VAT	Value Added Tax
NIT	Tax Identification Number
NRC	Taxpayer Registration Number
PAHO	Pan American Health Organization
PROESA	Export and Investment Promotion Agency of El Salvador
SIEPAC	Electrical Interconnection of Central American Countries

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General Information

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General Information

Population

For the year 2024, the Central Reserve Bank of El Salvador presents the VII Population Census and VI Housing Census, where a total population of 6,029,976 people is presented for that year.

Geography

El Salvador has an area of 21,041 km², located in Central America, which is bordered to the north and east by Honduras, to the south by the Pacific Ocean, to the west and northwest by Guatemala and the Gulf of Fonseca, in the extreme southeast, which separates it from Nicaragua. In 2025, El Salvador is divided into 14 departments, 44 municipalities, and 262 districts, with San Salvador being the capital and largest city in the country.

Education

In El Salvador, 18.67% of the employed population has passed 7 to 9 years of study, 32.24% has passed 10 to 12 years of study and 16.84% has passed 13 or more years of study. El Salvador has a variety of Technical Institutes and Universities, including:

- 24 universities
- 13 Specialized Institutes
- 4 Technical Institutes

Of which 9 are public institutions and 32 belong to the private sector.

Infrastructure

El Salvador is trying to become, thanks to maritime infrastructure, a Regional Logistics Center with the capacity to mobilize cargo and facilitate agile and orderly procedures to boost the economy and its growth. To enhance cargo capacity, work is being done on the transformation and modernization of the Port of Acajutla, to improve port mobility logistics in the country's main maritime terminal.

Roads

El Salvador seeks to have an efficient road network, the millionaire bet that seeks investment aimed at improving the entire road structure of the country. This involves large projects that improve competitiveness and renew all access routes to promote development. These constructions will improve logistics, trade, tourism and connectivity, incorporating the expansion of the Litoral highway, Surf City, Pan-American highway in the Los Chorros section; Northern Longitudinal Highway and works in the eastern and western areas.

1 Population and Housing Census El Salvador 2024
2 Legislative Assembly of El Salvador, June 2023.
3 Higher Education Statistics 2024
4 Multi-Purpose Household Survey 2024
5 Investment and Export Promotion Agency| investinelsalvador.com
6 Central Reserve Bank of El Salvador | Census 2024
7 El Mundo Newspaper, October 2025

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Airports

In the country's airport system, the Monsignor Oscar Arnulfo Romero International Airport stands out as an important regional hub and high-level maintenance center for commercial aircraft.

Ports

El Salvador has a port infrastructure to meet the needs of maritime cargo, with the following ports:

- Port of Acajutla
- Port of La Union

Electric power

The Salvadoran electricity market is the most open in the region, as its legislation has promoted a competitive market and private participation in the generation, distribution and commercialization of electricity, which is carried out by two solid private participants, Grupo AES and Distribuidora de Electricidad del Sur.

Likewise, Salvadoran regulation allows companies to generate their own energy and sell their surpluses.

Telecommunications

El Salvador's telecommunications market ensures high-quality services at competitive prices. Users benefit from the existence of various competitors and the wide coverage of services. Major telecommunications companies are making significant investments that ensure continued development of telecommunications infrastructure and adoption of state-of-the-art technologies.

Life expectancy

According to the most recent report of "Population Estimates and Projections 1950-2050" published by the Central Reserve Bank of El Salvador (BCR), life expectancy in El Salvador reached 75.6 years in 2025. For this year, it is estimated that life expectancy in women is higher than in men, being 78.3 years for the female population and 72.5 years for the male population, showing a difference of 5.8 years.

Cost of living

By 2025, El Salvador has the cheapest basic food basket in the entire Central American region. The average of the CBA is USD$ 253.05 and the expanded CBA is USD$ 506.10. In September of this year, the price of CBA in the urban area was USD$ 250.71, showing a cost of living of USD$ 501.42. While the CBA in the rural area was USD$190.93 in the same month, representing a cost of living of USD$381.86 for this area.

Monetary unit

The Monetary Integration Law establishes the dollar, colon banknotes and their fractional coins as legal tender.

Exchange rate provisions

The dollar is the legal tender in El Salvador and is used for all commercial and banking transactions that are carried out.

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Investment Opportunities

Aeronautics

With more than 30 years of experience in the development of the aeronautical industry, El Salvador has positioned itself as a benchmark on the world aeronautical map, mainly in aircraft maintenance.

El Salvador provides aircraft maintenance services for important commercial airlines such as American Airlines, Southwest, Airlines, DELTA Airlines, LAN, Copa Airlines, Avianca and Volaris.

The country has an emerging aeronautical cluster that incorporates private actors and government institutions, and investment opportunities can be found in the following areas:

- Commercial Aircraft Maintenance Service Operations
- Aeronautical Ground Services
- Helicopter maintenance and assembly operations
- Manufacture of LSA (Light Sport Aircraft) aircraft fuselage, and engine parts.
- Painting and maintenance of commercial aircraft interiors.
- Assembly of aircraft harness systems
- Sub-assembly of aerostructures
- Among others.

Agribusiness

El Salvador offers an ideal location for food production and processing, as well as serving specific niche markets that go beyond traditional agricultural industries.

Energy

The government of El Salvador has an energy policy for the period 2010-2024, which has among its strategic lines the diversification of the energy matrix and the promotion of renewable energy sources, as well as innovation and technological development, and regional energy integration through the Central American interconnection line SIEPAC. The Law on Tax Incentives for the promotion of renewable energies in electricity generation is currently in force

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Light Manufacturing

El Salvador offers investment opportunities for companies that manufacture medical devices, chemical-pharmaceutical and cosmetics, footwear, auto parts, and electronic components that are destined for the markets of the United States, Canada, Mexico, Central America, and the Caribbean.

Investment opportunities for manufacturing for:

- Auto parts: (harnesses, self-matrix garments, safety systems and sensors)
- Medical devices (hospital medical supplies, orthopedic products, and hospital furniture)
- Chemical-pharmaceutical (generic drugs, vitamin supplements, phytopharmaceuticals)
- Electronic components (electronic capacitors, transistors, resistors, etc.)
- Footwear (Manufacture of footwear, assembly of components and parts, manufacture of accessory supplies)

Remote Business Services

The remote business services industry, which offers services from inside to outside the country, in El Salvador has experienced unprecedented growth in recent years, offering the following investment opportunities:

i. Contact Centers

- Product sales
- Order taking
- Technical Support
- Customer Services
- Answering incoming or outgoing calls
- Among others

ii. Enterprise Processing Services

- Data consolidation
- General Ledger
- Order Processing
- Human Resource Management
- Among others

iii. Information Technology Services

Software development, testing, business process management, and process management.

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Tourism

El Salvador extends over a coastal plain and volcanic highland in the interior, bordered to the south and southwest by the Pacific Ocean, Guatemala to the northwest and Honduras to the northeast, so investment opportunities are ample in this sector.

Textiles and clothing

The textile and clothing sector is one of the main engines for El Salvador's development, with a value chain that has been consolidated and integrated into products with greater added value.

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General aspects of the Legal System

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General aspects of the Legal System

Entities available for business

According to the Commercial Code of El Salvador, there are two types of companies, those of persons and those of capital. Below, we present the most commonly used legal figure according to the type of company.

Capital companies

Capital companies are classified into two categories

a) Limited partnership by shares

b) Public Limited Company

Main features:

Limited partnership by shares		Public Limited Company
Shareholders	There are two types of partners, limited partners and limited partners.	It is composed only of shareholders, who make capital contributions.
Liability	The limited partners are jointly and severally liable for the company's obligations. Limited partners are only bound by the limit of the value of their shares.	Shareholders are obliged to respond up to the limit of the value of their shares.
Name	It is formed with the names of one or more limited partners, followed by the words "and company" or other equivalents. The words "limited partnership" or its abbreviation "S. en C."	It is incorporated under a corporate name, immediately followed by the words "Sociedad Anónima" (S.A.).

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General aspects of the Legal System

Capital companies

	Limited partnership by shares	Public Limited Company
Capital	The share capital will be divided into shares. The shares of the limited partners shall be nominative and may not be transferred without the unanimous consent of the partners of their class and the absolute majority of the limited partners. It can adopt the variable capital regime, in which case a minimum capital is established.	The share capital will be divided into shares. The shares will always be nominative until their value has been paid in full. Once the full value of the shares has been paid, bearer securities will be issued. It can adopt the variable capital regime, in which case a minimum capital is established.
Administration	The limited partners are obliged to administer the company.	The administration will be in charge of one or more directors, who may or may not be shareholders. The administration may also be in charge of several people, in which case a Board of Directors must be constituted. In both cases they are elected by the General Shareholders' Meeting.

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General aspects of the Legal System

Characteristics of the public limited company:

The Sociedad Anónima is the most commonly used company in El Salvador, which is equivalent to a Corporation. Below, we present its main characteristics:

Appearance	Detail
Share capital	• It is constituted with a minimum of US$2,000 and must be fully subscribed. • At least 5% of the minimum legal capital is paid in the yearof incorporation. • It may adopt the Variable Capital regime, inwhich case a minimum capital is indicated. • The contribution in kind is admitted according to the valuation by an authorized auditor.
Actions	• They are securities. • They are nominative as long as their value has not been paid in full. • Face value of one dollar or integer multiples of one. • They are indivisible • They confer equal rights. However, the deed can establish severaltypesof actionwithspecialrights.
Administration	• Shareholders may benatural persons or companies, whether domiciled or foreign. • It is headedby one or more directors (whether or not they are shared) appointed for a fixed period of time at the general meetingof shareholders. • In the event that there are severaldirectors,a board of directors will be set up and the presidentof theboard will represent the company. • The general meetingof shareholders isthegoverning body of the company, which shall meetat least once a year.
Legal reserve	• Annually, 7% ofnet profits are allocated and theminimum legal limit will be one halfof the share capital. Two-thirdsof this reservemust be made available or invested in easily realized commercial securities.

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General aspects of the Legal System

Advantages of the public limited company

Below are key aspects of the corporation commonly used in El Salvador:

1. Due to the fact that it is a company open to the public, the entry of any partner is admitted, being able to form a very large share capital.
2. It enjoys greater economic stability due to the easy access of capital to be part of the company
3. The liability of the partners is limited
4. If the variable capital regime is used and there are no changes in the minimum capital established in the articles of incorporation, the shareholders' agreement and the registration in the book kept by the Company for these purposes is sufficient
5. For the sale or transfer of shares, it is sufficient to register the changes made in the shareholders' book kept for these purposes. In the same way, shares are transferable by simple endorsement

Commercial obligations applicable to companies

Whatever the type of company, some of the most relevant commercial obligations are detailed below:

1. Obtain annual registration of social trader and establishment
2. Keep formal accounting according to the standards approved by the Public Accounting or Audit Supervisory Board (IFRS or IFRS for SMEs)
3. Appoint an external auditor
4. Keeping the accounting and administrative books.
    - Ledger Journal
    - Shareholders/partners
    - Capital Increases and Decreases
    - General Meeting of Shareholders/Partners
    - Board of Directors (if applicable).
    - Financial statements
5. Annual registration of financial statements in the Commercial Register
6. Annual deposit of the external auditor's report

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General aspects of the Legal System

Simplified Joint Stock Company (SAS)

01

Capital

- The minimum share capital USD 1 represented by securities denominated "shares" each with a nominal value of one dollar or a multiple thereof.
- Upon incorporation, the share capital must be fully subscribed.
- The company may be incorporated by a minimum of one shareholder, who may be either an individual or a legal entity

02

Articles of Incorporations and Corporate Registries

- A public deed is not required for the incorporation process
- Incorporation, amendment, transformation, dissolution, and liquidation are carried out through standardized forms provided by the National Registry Center (CNR).
- A minutes book must be maintained to record the resolutions of the general shareholders' meeting or, when applicable, the sole shareholder.
- The company may be established with either a fixed or indefinite duration

03

Management

- Legal representation is vested in the designated individual when there is more than one shareholder
- When the company has a sole shareholder, that person automatically assumes legal representation.
- The legal representative is not required to reside within the company's registered domicile.

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Legal Reserve

- An annual allocation must be made to establish the company's legal reserve, pursuant to applicable regulations

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General aspects of the Legal System

Procedures and permits to start a business

Procedure for formalizing an investment as a legal entity

As part of the actions to improve the business climate, El Salvador has created a single channel for the incorporation of companies and obtaining the commercial registration. These procedures are carried out via the web through the www.miempresa.gob.sv. site, making El Salvador one of the 28 countries in the world that has a one-stop shop for starting a business.

Procedures to be carried out online:

- Registration of the company in the Commercial Registry
- Company and establishment registration
- NIT – VAT Card (NRC)
- Authorization and issuance of Electronic Tax Documents (DTE): Final Consumer Invoice, Tax Credit Voucher, Remittance Note, Credit Note, Debit Note, Export Invoice, Withholding Receipt, Excluded Subject Invoice, Donation Receipt, Settlement Voucher and Settlement Accounting Document.
- Registration of a company establishment with the Min Labour
- Employer registration in the ISSS (NIP)
- Employer registration in the AFPs
- Registration of companies in the Municipal Mayor's O



7 Export and Investment Promotion Agency of El Salvador, Investor's Guide 2018

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General aspects of the Legal System

Visas and work permits

El Salvador is part of the agreement to create the Single Central American Visa for the Free Mobility of Foreigners between the Republics of El Salvador, Honduras, Guatemala and Nicaragua. This agreement defines, according to the visitor's country of origin, the type of visa (or exemption) to enter any of the Central American countries that are signatories to the agreement.

Types of visas in El Salvador

- Visa Exempt (Visa Exempt Passports)
- Exempt Visa with Tourist Card Payment (Visa Exempt Passports): The tourist card is purchased at the established border entry points or at the International Airport of El Salvador.
- Consular Visa (Tourism, Business, Official, Transit, Conference, Congress, Studies, Research, Others): They are granted at the Diplomatic or Consular Representations of El Salvador.
- Consulted Visa (Tourism, Business, Official, Transit, Conference, Congress, Studies, Research, Others): They are granted with prior authorization from the General Directorate of Migration and Foreigners.

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Types of Residencies in El Salvador

- Temporary residence with authorization to work (Dependent work and residence permit): Foreigners may apply for temporary residence with authorization to work in the General Directorate of Migration and Aliens with the opinion of the Ministry of Labor and Social Welfare for Central Americans and Panamanians and for non-Central Americans when the employer is a legal person or is a sole trader.
- Temporary residence for investors (Residence Permit): Foreigners may apply for investor residence as long as their investment is greater than the four thousand minimum monthly wages in force in the trade and services sector in El Salvador. You may also apply for Investor Residency when you have the status of Legal Representative of a national company, foreign branch that has been incorporated or established in the country for Central Americans and Panamanians and non-Central Americans.
- Temporary residence with special permit for workers or braceros (Dependent work and residence permit): Seasonal workers to perform work during harvest times, which for reasons of public interest are needed due to the lack of Salvadoran labor.
- Temporary residence for people applying for permission to act as representatives of companies or companies (Dependent work and residence permit)
- Temporary residence for people who work in the country as aid workers, interns and volunteers.
- Temporary residence for Catholic religious
- Temporary residence for religious of other denominations
- Provisional residence for rentiers 90 days individual and or family group
- Temporary residence with authorization for university and technical studies
- Permanent residence

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General aspects of the Legal System

Characteristics of the labor regime

Employment contracts

Individual employment contracts are classified according to their continuity:

- **Contract for an indefinite period:** Work that by its nature is permanent in the company, is considered to be held for an indefinite period, even if it indicates a deadline for its termination.
- **Contract for specific work:** Subordinate services in the execution of a specific work, will also be understood to be entered into in installments. When the part of the work that the worker is responsible for executing is carried out, this period will be considered to have expired.
- **Contract for interim jobs:** Employers may hire temporary workers to fill vacancies that occur, and they will acquire all the rights of permanent workers, except for the immobility of the position.
- **Probationary contract:** In individual employment contracts, it may be stipulated that the first 30 days will be probationary. Within this term, either of the parties may terminate the contract without stating cause. Once the thirty days have expired, without any of the parties having expressed their willingness to terminate the contract, it will continue for an indefinite period.

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General aspects of the Legal System

Employment Benefits

The following labor benefits and benefits are included within Salvadoran legislation:

Concept	Description	Source
Annual Vacation	Paid holidays are paid once a year and correspond to fifteen calendar days plus 30% of the fortnightly salary. The annual enjoyment of said vacation period is mandatory and monetary compensation is prohibited for not enjoying them	Art. 177 CT
Vocational training (INCAF)	Applicable only to companies with 10 or more employees. The Employer pays a contribution of 1% on the base salary.	Art. 19 numeral 3 Law of the National Institute of Training and Education
Strenna	It is paid annually between October and December, in relation to the years worked: 1-3 years (15 days of salary), 3-10 years (19 days of salary), 10 or more years (21 days of salary).	Articles 196 to 202 of the Labor Code
Benefit for voluntary resignation	For a worker who has at least two continuous years of service, he will be entitled to 15 days of salary for each year of service, with a maximum of 2 times the current minimum wage, for which the employee must give 30 days' written notice in the case of managers, managers and specialized workers, and 15 days for the rest of the workers.	Art. 8 Law Regulating the Financial Benefit for Voluntary Resignation
Severance pay	For a worker dismissed without just cause, 30 days' salary will be paid up to a maximum of 4 times the current minimum wage, for each year of service rendered and proportionally by fractions of a year.	Art.58, Labor Code

8 Legislative Decree No. 15 amended, Labor Code

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Minimum wage

In the Executive Decree of the Ministry of Labor No. 11, published in D.O 95, Volume 447 of May 23, 2025, the following minimum wages were established for each economic branch:

Salary	Agricultural USD	Industry USD	Trade & Service USD	Textile and design maquila USD
Time	1.12	1.68	1.68	1.64
Day	8.96	13.44	13.44	13.28
Month	272.53	408.80	408.80	402.32

Social security scheme

Social Security

The compulsory Social Security regime will originally apply to all workers who depend on an employer, regardless of the type of employment relationship that binds them and the way in which the remuneration has been established.

The employer must register within a period of five working days from the date on which he assumes the status of such. Workers must be registered within ten working days from the date of their entry into the company.

The contributions to the system are detailed below:

Concept	Description	Monthly percentage	Source
Patron	Contribution on the employee's salary up to a maximum of USD1,000.00	7.50%	Art. 29 SS Law
Employee	Contribution on salary, up to a maximum of USD1,000.00	3.0%	

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General aspects of the Legal System

Pension Savings System

Affiliation to the System will be mandatory when a person enters a job in a relationship of labor subordination. The person must choose an Administering Institution and sign the respective affiliation contract.

The contributions to the system are detailed below:

Concept	Description	Monthly percentage	Source
Patron	Contribution on the employee's salary up to a maximum of USD6,500.00	8.75%	Art. 16 SAP Law
Employee	Contribution on salary up to a maximum of USD6,500.00	7.25%	

Register of shareholders and ultimate beneficiaries

In relation to shareholders, Salvadoran companies have the following obligations:

- **Obligation to register in the Taxpayers Registry and informs:** All national or foreign shareholders must have their NIT.
    - **Shareholders who are national companies** will obtain it at the time of their incorporation as a company
    - **Shareholders who are foreign companies** will obtain it prior to the appearance for the incorporation of the Salvadoran company of which they will be shareholders.
- **Report on Shareholders and Profits:** Salvadoran companies will have the obligation to submit in January the list of persons who have the status of partner, shareholder or cooperating partner of the respective legal entity, whether or not they have been distributed dividends, surpluses or profits.
- **Register of shareholders**: Salvadoran companies must keep a register of shareholders according to the nature of the company, which will detail the name of the shareholders, number and type or class of shares, the nominal value and total amount of the shares, as well as the transfers made.

9 Tax Code

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General Aspects of the Tax System

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General Aspects of the Tax System

Corporate income tax

General

Income Tax will be applied to the obtaining of income by taxpayers in the tax year or period in question. The tax is applied on the net income obtained in the year they are determined, following the following formula: Taxable income minus deductible costs and expenses.

Rates

For domiciled companies, the tax rates will be as follows:

Rate	Generator Fact	Taxable base
25%	Earning taxable income less than or equal to $150,000	Net income
30%	Obtaining taxable income greater than USD150,000	Net income

Source: Income Tax Law with its amendments, Legislative Decree No. 134.

Statement

The determined tax is settled by means of an affidavit, contained in form F-11, which must be filed within 4 months following the expiration of the tax year.

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General Aspects of the Tax System

Partial payments

The mandatory integers as an advance on account of income tax are made monthly on gross income and are settled with the income tax return computed at the end of the year. Below are the different applicable fees:

Classification	Rate
Natural persons who own commercial companies that distribute beverages, edible products or articles for personal hygiene, to whom their supplier assigns suggested retail prices or the profit margin.	0.30%
Persons authorised to provide passenger transport services to the public.	0.30%
Legal entities owning companies for the sale of gasoline and diesel.	0.75%
All other taxpayers.	1.75%

Source: Art. 151 of the Tax Code.

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General Aspects of the Tax System

Alternative income tax regime

There is no alternative income tax regime in El Salvador.

Dividends

Generator Fact

Payments or crediting of dividends to partners or shareholders on profits generated from 2011 onwards.

Statement

The withholdings made to the Salvadoran shareholder are automatically reflected in the F-11 at the time of filing the online declaration annually.

The foreign shareholder is not required to file a return, if the only income obtained in El Salvador corresponds to the dividends received.

Rates

The applicable rate is 5%, which is withheld at the time of payment or accrual and corresponds to the final payment of income tax.

Withholdings on Remittances Abroad

Payments made to non-domiciled entities for services rendered are subject to a general withholding tax of 20%. The following services are subject to withholding at a reduced rate, as detailed below:

- International transportation services – 5%
- Insurance – 5%
- Financing (previously qualified) – 10%
- Intangibles and usage rights – 5%
- Capital yields (stock exchange) – 3%

The withholding tax for entities domiciled in a low- or no-tax jurisdiction is 25%.

Payroll taxes

Income tax on payrolls is calculated and withheld by the employer.

Generator Fact

Obtaining income by taxpayers in the tax year or period in question, from income from salaries, wages, bonuses, overtime, bonuses, commissions, gratuities, Christmas bonuses and any other compensation for personal services (permanent employees).

Statement

Monthly employer pays withholding made using Form F-14

Fee

The withholdings of ISR that the employer must make to its permanent employees will be made in accordance with the following withholding tables[10]:

10 Legislative Decree 95, Income Tax Withholding Tables

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General Aspects of the Tax System

a) Taxable remuneration payable monthly:

	From	Up to	% To be applied	On the excess of:	Plus fixed fee of:
SECTION I	$ 0.01	$ 550.00		**NO RETENTION**	
SECTION II	$ 550.01	$ 895.24	10%	$ 550.00	$ 17.67
III SECTION	$ 895.25	$ 2,038.10	20%	$ 895.24	$ 60.00
SECTION IV	$ 2,038.11	From now on	30%	$ 2,038.10	$ 288.57

b) Taxable remuneration payable biweekly:

	From	Up to	% To be applied	On the excess of:	Plus fixed fee of:
SECTION I	$ 0.01	$ 275.00		**NO RETENTION**	
SECTION II	$ 275.01	$ 447.62	10%	$ 275.00	$ 8.83
III SECTION	$ 447.63	$ 1,019.05	20%	$ 447.62	$ 30.00
SECTION IV	$ 1,019.06	From now on	30%	$ 1,019.05	$ 144.28

c) Taxable remuneration payable weekly:

	From	Up to	% To be applied	On the excess of:	Plus fixed fee of:
SECTION I	$ 0.01	$ 137.50		**NO RETENTION**	
SECTION II	$ 137.51	$ 223.81	10%	$ 137.50	$ 4.42
III SECTION	$ 223.82	$ 509.52	20%	$ 223.81	$ 15.00
SECTION IV	$ 509.53	From now on	30%	$ 509.52	$ 72.14

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General Aspects of the Tax System

Likewise, in the months of June and December, a six-monthly recalculation is carried out:

1) For the month of June (First recalculation):

	Taxable remuneration		% To be applied	On the excess of:	Plus fixed fee of:
	From	Up to			
SECTION I	$ 0.01	$ 3,300.00		**NO RETENTION**	
SECTION II	$ 3,300.01	$ 5,371.44	10%	$ 3,300.00	$ 106.20
III SECTION	$ 5,371.45	$ 12,228.60	20%	$ 5,371.44	$ 360.00
SECTION IV	$ 12,228.61	From now on	30%	$ 12,228.60	$ 1,731.42

2) For the month of December (second reccolo)

	Taxable remuneration		% To be applied	On the excess of:	Plus fixed fee of:
	From	Up to			
SECTION I	$ 0.01	$ 6,600.00		**NO RETENTION**	
SECTION II	$ 6,600.01	$ 10,742.86	10%	$ 6,600.00	$ 212.12
III SECTION	$ 10,742.87	$ 24,457.14	20%	$ 10,742.86	$ 720.00
SECTION IV	$ 24,457.15	From now on	30%	$ 24,457.14	$ 3,462.86

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General Aspects of the Tax System

Tax treatment of expatriates

Obtaining residency visas

All foreign natural persons working in El Salvador or foreign investors must opt for a visa and residence permits.

Obtaining statutory social benefits

The provisions of section 3.4.4. are applicable to all foreign natural persons working in El Salvador, so they must be registered with the Salvadoran Social Security Institute and with a Pension Fund Administrator of their choice.

Income tax

The provisions of sections 4.5 and 4.7 apply to all foreign natural persons working in El Salvador

All Salvadorans who are working abroad and receive their remuneration from a Salvadoran entity will continue to declare their income in El Salvador and adhere to the income tax table indicated in section 4.7.3

All Salvadorans who are working abroad and receive their remuneration from a foreign entity will continue to file their income tax return in El Salvador, if they previously filed their annual tax settlement at least once.

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General Aspects of the Tax System

Personal income tax

Generator Fact

Obtaining income during the fiscal year or period of taxation

Statement

Annually, all individuals domiciled who obtain income in El Salvador must pay their tax in the F-11, which is available only online on the MH website.

Fee

Income Tax will be calculated in accordance with the following:

	Net or Taxable Income		% To be applied	On the excess of:	Plus fixed fee of:
	From	Up to			
SECTION I	$ 0.01	$ 6,600.00		**EXEMPT**	
SECTION II	$ 6,600.01	$ 9,142.86	10%	$ 6,600.00	$ 212.12
III SECTION	$ 9,142.87	$ 22,857.14	20%	$ 9,142.86	$ 720.00
SECTION IV	$ 22,857.15	ONWARDS	30%	$ 22,857.14	$ 3,462.86

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General Aspects of the Tax System

Capital taxes (income, gains and losses)

Generator Fact

Obtaining profits by natural or legal persons who are not habitually engaged in the purchase, sale, exchange, or other form of negotiations on goods, movable or immovable, provided that such goods are not made within twelve months following the date of their acquisition, since in this case the gain will be added to the ordinary taxable net income and the tax will be calculated as ordinary income.

Statement

Capital gains tax will be assessed on the F-11 and the F-944 capital gains and/or loss report must be attached.

Fee

The income tax payable on the capital gain will be the equivalent of 10% of such gains.

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General Aspects of the Tax System

VAT/ITBMS/Sales Tax

General

VAT is applied to the transfer of movable property and the provision of services.

Generator Fact

The application of the rate to the taxable base of the generating events determines the tax that is caused by each operation carried out in the corresponding tax period and that for the purposes of this tax, is called Tax Debit. The following generating events can be distinguished below:

- Transfer of ownership for consideration of tangible movable property.
- Withdrawal or disaffection of tangible movable property from the company's realizable assets, even from its own production, made by the taxpayer for the own use or consumption of the partners, managers or personnel of the company.
- Withdrawals of tangible movable property intended for raffles, raffles or free distribution for promotional, propaganda or advertising purposes, whether or not they are part of the company's line of business, made by taxpayers of this tax.
- Importation and definitive entry into the country of movable tangible goods and services.
- Provision of services arising from acts, conventions or contracts in which one party is obliged to provide them and the other is obliged to pay as consideration an income, fee, commission, interest, premium, royalty, as well as any other form of remuneration.
- Use of the services produced by the taxpayer, intended for the own use or consumption of the partners, directors, proxies or personnel of the company, the family group of any of them or third parties.

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General Aspects of the Tax System

Statement

The tax period will be one calendar month, so taxpayers responsible for the tax must issue a monthly affidavit on the taxed, exempt and non-taxable transactions carried out in the period (F-07).

Fee

The applicable rate will be 13% of the taxable base.

Tax credits

For taxpayers of the tax, the amounts charged to them as a tax on tax credit receipts for the acquisition of tangible movable property or provision of services and the tax they pay on imports and importation of goods and services, will constitute for them a tax credit deductible from the VAT tax debit for each period.

If the amount of the tax credit is greater than the total tax debit for the tax period, the excess of the tax credit will be added to the tax credit for the following or successive tax period until it is fully deducted.

An exporter who does not have liquid, firm and enforceable tax debts that can be offset against said tax credit may request the DGII to reimburse said remaining balance.

The amounts withheld for the purchases made or services used, covered by the respective Withholding Receipts, also constitute a tax credit for the withholding agent.

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General Aspects of the Tax System

Generator Fact

Real Estate Transfer

Statement

Form F-09 within 60 days of the transfer of the property, accompanied by a testimony of the deed of alienation, certification of the auction deed or the adjudication order in their respective cases

Fee

If the value of the property is:	The tax will be
Up to $28,571.43	Exempt
From $28,571.44 onwards	3%

Other taxes

City taxes:

Taxes are paid according to the rates established in the different 44 municipalities, whose taxable base is mainly the total assets. Rates vary according to the company's activity.

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General Aspects of the Tax System

Other tax compliance regulations

Transfer pricing

Study

The Tax Code establishes the obligation for all taxpayers who enter into operations or transactions with related subjects or subjects domiciled, incorporated or located in countries, states or territories with low or no taxation regimes or tax havens, to determine the prices and amounts of the considerations, considering for these operations the market prices used in transfers of goods or provision of services thereof species, between independent subjects.

Only

taxpayers who have carried out transactions that individually or jointly are equal to or greater than USD571,429., must submit on the MH website a Report of the operations executed with said subjects, through form F-982.

Masterfile

In El Salvador, the Master File has not been adopted as a guideline for transfer pricing documentation.

Country-by-country

In El Salvador, Country-by-country has not been adopted as a guideline for transfer pricing documentation.

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General Aspects of the Tax System

Tax audit

Taxpayers who meet the following conditions are required to have a tax opinion and appoint an independent auditor:

a) To have owned a total asset as of December thirty-one of the year immediately prior to the one in which it is ruled, greater than USD1,142,857;

b) Have obtained a total income in the previous year greater than 4,817 minimum wages from the Commerce and Services Sector, calculated in United States dollars; (approximately USD1,445,100)

c) The legal entities resulting from the merger or transformation of companies must comply with this obligation for the fiscal year in which such acts occur and for the following year;

d) Companies in liquidation will have this obligation for each of the periods or years of taxation, as the case may be, from the date of registration of the dissolution until the date on which the liquidation procedures are completed and prior to its registration.

The appointed Auditor must submit to the TA the tax opinion together with the tax report, the financial statements, the tax reconciliations and supplementary information, no later than May thirty-one of the year following the period under review.

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General Aspects of the Tax System

Information exchange and double taxation treaties

The following conventions have been ratified in El Salvador:

Agreement related to the exchange of information

- **Convention on Mutual Administrative Assistance in Tax Matters:**

  In the context of the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes, El Salvador signed the Convention on Mutual Administrative Assistance in Tax Matters, which has been in force since December 1, 2018, which allows the 112 signatory States to fight against international tax evasion that will promote a better functioning of domestic tax laws. The treaty includes the exchange of information from simultaneous tax audits and participation in audits abroad, as well as assistance in the collection, notification or service of documents.

- **Agreement on Mutual Assistance and Technical Cooperation between the Tax and Customs Administrations of Central America**

  In the context of Central American Economic Integration, the countries of El Salvador, Costa Rica, Nicaragua and Honduras signed this Agreement, which has been in force since August 2012, which allows the signatory States to establish the provisions and mechanisms through which the Administrations, mutual assistance and technical cooperation shall be provided in the functions of management, inspection and collection and shall be applied to the information and documentation related to the taxes in force, to any legislation that modifies them or establishes new taxes, after the signing of the Agreement.

Convention against double taxation

- Agreement between the Republic of El Salvador and the Kingdom of Spain for the avoidance of double taxation and the prevention of tax evasion in respect of income and wealth taxes, in force since 2008.

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General Aspects of the Tax System

Available tax incentives and special areas of business

In El Salvador there is a set of laws that promote and protect investment, providing attractive benefits to local and foreign investors.

Each of the existing incentives is briefly described below:

Law on Legal Stability for Investments

This Law streamlines the procedures for making investments in the national territory, providing equality for all investors (foreign and national), as well as guaranteeing the right to make transfers abroad of funds related to their investment.

Law on Industrial and Marketing Free Zones

Law applicable to companies exporting national or foreign goods which use Free Trade Zones and Inward Processing Warehouses (DPA) for certain activities. This Law benefits by giving tariff exemption, exemption on transfer of real estate, exemption from ISR according to certain criteria, exemption on distributed dividends and exemption from municipal taxes according to certain criteria.

International Services Law:

Law that benefits companies dedicated to the provision of certain services for foreign clients, which are established in parks or service centers. This law provides exemption from customs duties and other taxes on the import of goods intended for the incentivized activity, total exemption from ISR for the income from the incentivized activity, total exemption from municipal taxes.

Tourism Law

This law establishes that a tourism company can qualify to be declared a tourism project of national interest and opt for the benefits of exemption from the tax on the transfer of real estate destined for the project, exemption from customs duties on the import of goods and construction materials for the buildings of the project, total exemption from income tax for the period of 10 years and partial exemption from taxes municipal (50%) for a period of 5 years.

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General Aspects of the Tax System

Available tax incentives and special areas of business

Law on Tax Incentives for the Promotion of Renewable Energies in Electricity Generation

This Law seeks to encourage investment through the use of hydraulic, geothermal, wind, solar, marine, biogas and biomass resources, as well as any other source that is identified as renewable. Under this Law, it is possible to obtain the benefits of exemption from customs duties on imports (during the first 10 years) of goods intended for investment and pre-investment in the construction and expansion of works of power generation plants, exemption from income tax for a period of 5 years for projects greater than 10 megawatts and for 10 years for projects of 10 or less megawatts and exemption total on the payment of taxes on income directly from the Reduced Emission Certificates (CERs).

Digital Assets Law

Law applicable to the issuance of public offerings made in the territory of El Salvador; as well as to regulate the requirements and obligations of issuers, digital asset service providers, and other participants operating in the public offering process. Under this Law, the nominal value and the income or income from digital assets will be exempt from all kinds of levies, taxes, fees and contributions, of any kind and nature, present or future, whether ordinary or extraordinary or even special. The capital gain or ordinary income obtained from the purchase or sale or any other mode of transfer of digital assets, including debt forgiveness, will be exempt from any type of taxation. The benefits will be applicable to market participants duly registered by the National Digital Assets Commission.

Law for the Promotion of Innovation and Manufacturing of Technology

Law that benefits natural or legal persons, national or foreign, who develop within the national territory a new investment in innovation projects or technological manufactures. This law provides exemption from customs duties and other taxes on the import of goods intended for the incentivized activity, total exemption from ISR for the income from the incentivized activity, total exemption from municipal taxes, exemption from payment to Capital Gains, as well as exemption from all types of ISR withholdings with respect to the incentivized activity.

Special Regime to Encourage and Facilitate High-Value Investments Law

that benefits investments of an amount equal to or greater than US 2 billion in investment or equity for the development of any economic activity. This law provides exemption from customs duties and other taxes on the import of goods intended for the incentivized activity, total exemption from ISR for the income from the incentivized activity, total exemption from municipal taxes, exemption from all types of ISR withholdings for payments greater than USD 100 thousand with respect to the incentivized activity, Exemption from the tax on the transfer of real estate.

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General Aspects of the Tax System

Available tax incentives and special areas of business

Special Provisions for the Promotion and Granting of Tax Incentives for the Promotion of Project Development

Law that benefits new investments in construction projects or construction of high-rise real estate developments that have thirty-five floors or levels of height or more. This law provides exemption from income tax for a period of 15 years, as well as from capital gains, withholdings from withholdings at source or the payment or advance of income tax related to the incentivized activity.

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Accounting Regulations

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Accounting Regulations

Applicable regulations

Social traders (legal entities) domiciled in El Salvador are required to keep duly organized accounts, in accordance with International Financial Reporting Standards (IFRS) or the International Financial Reporting Standard for SMEs, as established by the Supervisory Board of the Public Accounting and Auditing Profession.

Accepted variances between financial and tax statements

Variations are not accepted since there is only one basis for the preparation of financial statements, which has been confirmed by the Tax Code and are those established by the Supervisory Council of the Public Accounting and Auditing Profession, that is, IFRS or IFRS for SMEs.

Audited Financial Statement Requirements

The supervision of public limited companies is entrusted to the external auditor, who must be appointed by the General Meeting of shareholders within the first five months of each year and whose appointment must be registered in the Commercial Registry, within 10 working days following the date on which the resolution was taken.

Commercial companies and individual limited liability companies are required to submit their financial statements, together with the Auditor's opinion, to the Registry of Commerce for deposit, duly signed by the legal representative, the accountant and the External Auditor.

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Financial System

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Financial System

General

The Financial System of El Salvador is the set of financial institutions that operate in a country with the purpose of providing services through financial instruments.

Entities that make up and regulate the financial system:

The Central Reserve Bank. The BCR aims to ensure the macroeconomic stability of the country and that of the financial system. Its functions are:

- Lower inflation, promote savings, increase productivity and promote lower interest rates, encouraging investment and creating the virtuous circle.
- Promoting macroeconomic stability
- Improving opportunities
- Ensuring economic stability

Superintendence of the Financial System. It is part of the Financial Supervision and Regulation System, which aims to preserve the stability of the financial system and ensure its efficiency and transparency, as well as to ensure the security and soundness of the members of the financial system.

Its competence is to comply with and enforce the laws, regulations, technical standards and other legal provisions applicable to the financial system, to preventively monitor the risks of the member institutions, to promote the efficient, transparent and orderly functioning of the financial system, to ensure that the supervised institutions carry out their business, acts and operations in accordance with the provisions of current legislation, giving continuity to the efficient work of supervision and regulation previously carried out by the Superintendencies of the Financial System, Pensions and Securities.

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Financial System

Entities subject to the supervision of the Superintendence of the Financial System:

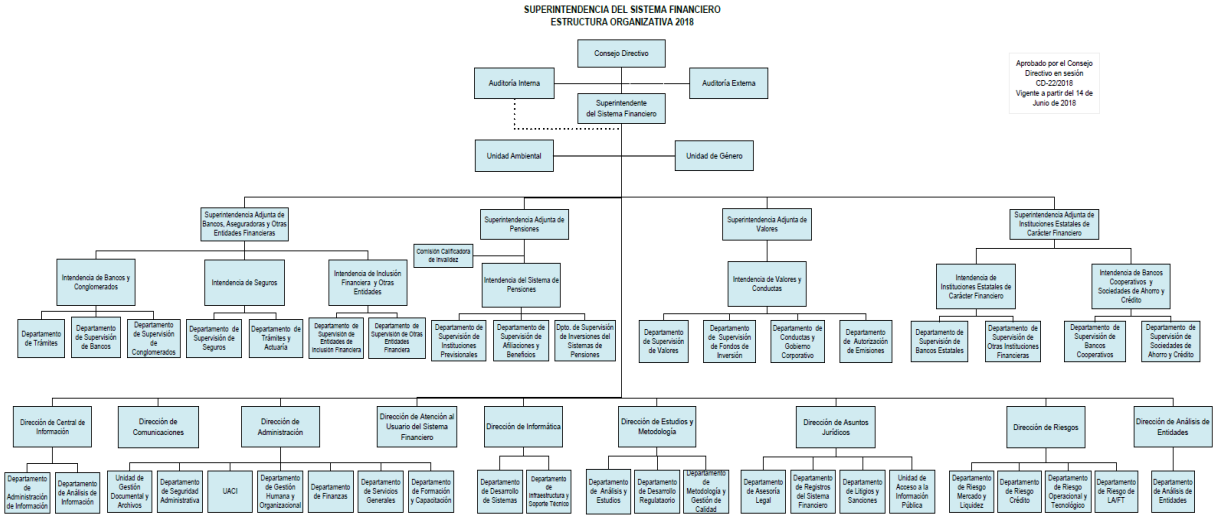
- Private banks
- State banks
- Branches of foreign banks
- Authorized Cooperative Banks
- Savings and Credit Societies Authorized to Collect Deposits from the Public
- Entities Authorized to Operate as Insurance and Bonding Companies
- Information Offices of Foreign Entities Not Authorized to Collect Deposits from the Public
- Cooperative Banks Not Authorized to Take Deposits from the Public
- Entities of the Mutual Guarantee System
- Public Credit Institutions
- Entities Authorized to Operate as Exchange Houses
- Companies in the Process of Dissolution and Liquidation
- Entities Authorized to Operate in the Stock Market
- Authorized Entities of the Pension System
- Individuals' Credit History Data Reporting Agencies
- Remittance Agents
- Payment Systems Administrator Companies
- Remittance agents with subagents
- Electronic Money Provider Companies
- State Financial Institutions

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Financial System

Structure and supervision of the banking and securities system



Source: Superintendence of the Financial System, Structure of the Financial System, taken from https://ssf.gob.sv/estructura-organizativa/

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Financial System

Requirements for the operation of financial and banking institutions

The following are the most salient requirements related to financial institutions:

Banks and conglomerates:

- Authorization of incorporation
- Authorisation for the start of operations of new entities
- Authorization for withdrawal of capital stock from entities that are in the process of starting operations.
- Authorization to transfer from extraordinary assets to fixed assets
- Authorization for the donation of extraordinary assets
- Authorization for the donation of extraordinary assets
- Authorization to administer trusts
- Closure of agencies and establishments

Savings and credit societies

- Authorization of incorporation of SAC
- Authorisation for the start of operations of new entities
- Authorization for withdrawal of capital stock from entities that are in the process of starting operations.
- Authorization of a savings and credit society to take deposits from the public
- Authorization of the main banking computer system (core banking) and changes to accounting systems.
- Authorization to transfer from extraordinary assets to fixed assets

Conditions for the handling of foreign exchange

Article 51 of the Banking Law establishes that banks are authorized to operate in the foreign exchange market.

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Financial System

Credit Availability

The main institutions authorized to grant credit are the following:

- Banco Agrícola, S.A.
- Banco Cuscatlán de El Salvador, S.A.
- Banco Davivienda Salvadoreño, S.A
- Banco Promérica, S.A.
- Banco de América Central, S.A.
- Banco Atlántida El Salvador, S.A.
- Banco ABANK, S.A.
- Banco Industrial El Salvador, S.A.
- Banco Azul El Salvador, S.A.
- Banco Apoyo Integral, S.A.

Second-tier banks

- Development Bank of El Salvador

Other Financial Institutions

- Cooperative Banks
- Branches of foreign banks
- Electronic Money Providers
- Savings and Credit Societies

By 2025, the credit portfolio has increased its growth rate, observing a year-on-year variation of 6.47% for 2025, higher than that shown in 2024 (6.0%). The loan portfolio reflects a growing dynamism in loans with banks that continue to diversify into productive sectors such as Consumption, Commerce, Housing Purchase, Manufacturing Industry and Services.

Incentives available for Banking

Investment Funds Law: Regulates and establishes the framework for the supervision of Investment Funds, their participation quotas, the companies that manage them, and their operations; as well as other participants.

Open and closed investment funds benefit from exemption from ISR, VAT and any other kind of taxes, fees and special contributions of a fiscal nature, exemption from the tax on the transfer of Real Estate related to closed investment funds, exemption from all fees for assignments, endorsements, registrations and corresponding marginalizations made to form an investment fund.

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