Ecuador

Tax overview

Corporate Income Tax	25%
Personal Income Tax	37%, progr.
Gift Tax	35%, progr.
Inheritance Tax	35%, progr.
Wealth Tax	0.15%

Corporate Income Tax

Corporations incorporated in Ecuador are subject to tax on worldwide income at a rate of 25%, and 22% applies to small corporations. However, a 28% rate applies to Ecuadorian corporations with beneficial owners that are Ecuadorean resident individuals and one or more shareholders are resident in low tax jurisdictions (LTJs), or where corporations have not disclosed their beneficial ownership chain.

Personal Income Tax

Residents of Ecuador are taxed on worldwide income at progressive rates up to 37%. Gift and Inheritance tax are taxed at progressive rates up to 37%, depending on the degree of consanguinity. Ecuador has no wealth tax per se, but entrepreneurs are subject to a municipal tax of 0.15% of net assets.

Anti-Avoidance Rule

Ecuador has General Anti-Avoidance Rules (GAARs). In addition, Ecuador has Transfer Pricing Rules based on OECD Guidelines, which require that transactions between related parties, be arms-length. Ecuador also applies Thin Capitalization rules. Ecuador has no Controlled Foreign Corporation (CFC) rules.

Controlled Foreign Corporation Rules (CFC)

As from December 20, 2023, Foreign corporations with ultimate beneficial owners that are Ecuadorean with a direct or indirect shareholding of at least 25% equity or voting rights in foreign corporations, including through related parties, shall be treated as CFCs, which are subject to an effective income tax of les tan 60% of the Ecuadoran rate (25%), which would be 15%. The application of the CFC rules will result in imputation of the undistributed income pro rata to the Ecuador resident shareholder.

Law Tax Jurisdictions (LTJs)

Transactions, such as services and loans, between Ecuadorean residents and entities incorporated in LTJs are deemed to be between related parties and are subject to Transfer Pricing Rules. Preferential tax regimes are defined as jurisdictions where the effective tax rate is less than 60% of the Ecuadorian tax rate, or where no substantial economic activity occurs. A 35% withholding tax applies to payments of Ecuadorian-source income to companies resident in LTJs.

Low Tax Jurisdiction | "Black-List"

Andorra, Anguilla, Aruba, Bahamas, Barbados, Belize, Bermuda, British Virgin Islands, Cayman Islands, Cyprus, Gibraltar, Isle of Man, Liberia, Liechtenstein, Luxembourg, Madeira, Maldives, Malta, Marshall Islands, Mauritius, Monaco, Panama, Puerto Rico, Seychelles, Turks and Caicos, United Arab Emirates, and US Virgin Islands, among others.

Double Tax Treaties (DTTs)

DTTS with financial centers including Bolivia, Colombia, Canada, Chile, France, Germany, Peru, Singapore, Spain, Switzerland, and Uruguay.

Foreign Investment Protection

DTTS with financial centers including Bolivia, Colombia, Canada, Chile, France, Germany, Peru, Singapore, Spain, Switzerland, and Uruguay.

OECD Multilateral Convention

Ecuador has ratified the OECD Convention on Mutual Administrative Assistance in Tax Matters. Signatories are required to exchange information "on request", and may exchange information automatically or spontaneously. The Convention is also the underlying instrument to the MCAA.

Common Reporting Standard (CRS)

Ecuador has signed the Multilateral Competent Authority Agreement (MCAA) to implement CRS for the automatic exchange of account information.

FATCA

Ecuador has not signed a FATCA Intergovernmental Agreement (IGA) with the United States.

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