

COUNTRY PROFILE



El Salvador

Tax overview

Corporate Income Tax	30%
Personal Income Tax	30%, progr.
Gift Tax	None
Inheritance Tax	None
Wealth Tax	None

Territorial Tax Regime

El Salvador applies the tax principle of territoriality. Income tax is levied only on El Salvador source income only, and not income from foreign sources.

Corporate Income Tax

El Salvador corporations are subject to tax on local source income at a standard rate of 30%. Capital gains are taxed at 10%.

Personal Income Tax

Individual taxpayers are subject to tax on El Salvador source income only at progressive rates of up to 30%. Capital gains are taxed at 10%. El Salvador does not levy gift, inheritance or wealth tax on individuals.

Anti-Avoidance Rule

El Salvador does not have General Anti-Avoidance Rules (GAARs). El Salvador has Transfer Pricing Rules that require transactions with related parties and persons resident in tax havens or preferential tax regimes be made at arm's length. El Salvador has Thin Capitalization rules, but does not have Controlled Foreign Corporation (CFC) rules.

Tax Havens and Preferential Regimes

El Salvador guidelines (DG-02/2020) provide that payments by El Salvador residents to residents of tax havens and preferential tax regimes, defined as taxable at less than 80% of the El Salvador rate, are subject to a withholding of 25% of payments made, including dividends and profit distributions, and disallow the deductibility of expenses related to such payments, including losses, interest on loans, etc.

Double Tax Treaties (DTTs)

El Salvador has a DTT in force with Spain.

Foreign Investment Protection

El Salvador has agreements with a number of jurisdictions for the protection of investments that provide for international arbitration in the event of nationalization or expropriation, including with Luxembourg, Netherlands, Panama, Spain, Switzerland, United Kingdom, and Uruguay.

OECD Multilateral Convention

El Salvador signed the OECD Multilateral Convention on Mutual Administrative Assistance in Tax Matters. Signatories are required to exchange information on request, and authorizes exchange of information spontaneously and automatically.

Common Reporting Standard (CRS)

El Salvador has not adopted CRS for the automatic exchange of account information.

FATCA

El Salvador has not executed a FATCA Intergovernmental Agreement (IGA) with the United States, and there is no "agreement in substance" for FATCA implementation.

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