



EL SALVADOR

El Salvador - Civil Law

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In a hurry? Click incorporate now, and startup your company immediately.

Incorporating a company in El Salvador

El Salvador taxes

If you want to do business in El Salvador, reading this will help you becoming knowledgeable on the specific tax laws and rates for a LLC which is the most common legal entity in El Salvador.

El Salvador has a territorial tax system. This means that usually income accrued abroad, from our research, but seek professional advice, is not subject to taxation. Certain income accrued abroad such as those from securities and other financing operations may be taxable. Corporate Income Tax standard rate is 30%. This ranks El Salvador as 136th overall with regards to CIT globally.

The valued added tax rate in El Salvador is 13.00%, which ranks the country as 73th overall with regards to VAT globally. In terms of other taxation, an employer will contribute 14.25% to the equivalent of a social security fund and an employee will contribute 9.25%. The overall complexity of the tax system is medium. This is measured by average time to comply with a country's labor tax requirements is as it is 96hours. Contributing to this is the number of yearly labor tax payments, which is 8 in SV.

Thin cap mandates are officially enacted. This refers to any type of requirements on given company with respect to debt-to-asset ratios. Dividends received from a resident company may be included in taxable income. Dividends from foreign entities are deemed to be foreign-source and therefore not subject to taxation. Dividends are distributions of a company earnings, voted by the board, to a particular class of shareholders. Dividends can be issued as stock, cash, or property. Capital Gains are subject to a Capital Gains Tax of 10%. Except when gains are obtained within 12 months following the purchase date, in which case they are taxed as business income. A capital gains tax is levied on the profits that a corporation or natural person realizes when he or she sells a capital asset for a price that is higher than the purchase price.

The interest withholding tax rate is estimated at 20%. This means that the tax authorities expects companies to automatically withhold 20% of interests remitted abroad. The dividends withholding tax rate is 5%. Which means that the relevant tax authorities expects companies to pay tax on 5% of dividends paid to non-residents. The royalties withholding tax rate is 20% This means that the relevant tax authorities expects LLC's to pay tax on 20% of royalties remitted abroad. A withholding tax rate of 25% may apply to payments on dividends, interests and royalties if recipient is resident of a considered tax haven.

There is a tax on net wealth in El Salvador. There are no inheritance and real property taxes. There is a transfer tax. There are no widely used credits for innovation spend that include breaks on taxation in this country.

The above is not tax or legal advice for your company situation. We are able to refer you to a tax advisor in El Salvador who can give you the proper advice. Ready to get started? Click incorporate now if you are in a hurry, or press the free consultation button above.

The vat rate in El Salvador is 13% which ranks 72 in the world.

- ✗ **Patent box**
- ✗ **RND credit**
- ✗ **Wealth tax**
- ✗ **Estate tax**
- ✓ **Transfer taxes**
- ✗ **Asset taxes**
- ✗ **Capital duties**

- 5 **Tax treaties**
- 0% **Offshore Tax**
- 30% **Corp rate**
- **Loss carryback years**
- 128 **Corporate time**
- 13% **VAT rate**

El Salvador Legalese

When examining a jurisdiction in which to incorporate, the first thing to look at is the legal code. The underlying law in El Salvador is civil law. You will want to get some local advice as to how to best structure a company in El Salvador. Electronic signatures are permitted.

The country code SV is for El Salvador and the most common company structure in El Salvador is a LLC.

The average time to incorporate is 4 weeks to incorporate a LLC in SV. The types of consideration you can use to fund your legal entity is most commonly USD legal tender.

Yes, one is allowed to re-domicile a LLC from SV. You are usually allowed to change the jurisdiction of the company, pending certain procedures.

There must be at least This means it is not possible for you to own a LLC in El Salvador as a sole shareholder. You must have other shareholders, they can be nominees or de facto shareholders. Corporate Shareholders are encouraged, which means you can have a corporate shareholder. Foreign ownership is tolerated, up to 49% of the ownership of the legal entity.

A company is only required to have one director. Speaking of shareholders, corporate directors are permitted. Directorship information is usually not shared with the general public. There is a requirement to have annual meetings of shareholders.

A registered office is a requirement, whom the company will pay yearly, for an office which can receive any lawsuit papers on behalf of the company. Furthermore, a company secretary is a requirement.

There is a legal obligation to file accounts on a yearly basis. Furthermore, there is oftentimes a requirement to have these accounts audited.

Overall we think El Salvador is a ok option and have given it a score of 55 as an IO score, using the Incorporations.IO proprietary formula.

- ✓ **Directors not disclosed in a public registry**
- ✓ **Shareholders not disclosed in a public registry**
- ✓ **Redomiciliation permitted**
- ✓ **Registered office required**
- ✓ **Corporate director permitted**
- ✓ **Local Secretary not required**
- ✓ **Local Director not required**
- ✓ **Electronic signature**

- 2 Shareholders required**
- 1 Directors required**
- 4 weeks to form**



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Country Info



🏴 National Flag of

República de El Salvador (spa)

\$ Currency

SVC

☎ Area Code

+503

🏰 Capital

San Salvador

📍 Region

Central America

🌿 Native Languages

Spanish