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Solución que marca la diferencia

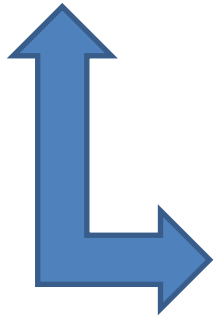
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ORGANIC LAW FOR
PRODUCTIVE PROMOTION,
INVESTMENT ATTRACTION,
EMPLOYMENT CREATION, AND
FISCAL STABILITY AND
BALANCE.



IT PROPOSES A LONG-TERM ECONOMIC STABILITY PLAN, AND ALSO PRESENTS INCENTIVES TO ATTRACT NEW INVESTMENTS TO THE COUNTRY, BOTH INTERNAL AND EXTERNAL, PROMOTING EMPLOYMENT AND INJECTING DYNAMISM INTO PRODUCTION AND THE ECONOMY.



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INCOME TAX



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INCOME TAX BENEFITS FOR MICROENTERPRISES

NEW MICROENTERPRISES:

TAX EXEMPTION

THOSE WHO START THEIR ECONOMIC ACTIVITY WILL BE EXEMPT FROM THE INCOME TAX FOR 3 YEARS, STARTING THE FIRST YEAR IN WHICH THEY GENERATE OPERATIONAL INCOME, AS LONG AS THEY GENERATE NET EMPLOYMENT AND INCORPORATE NATIONAL ADDED VALUE IN THEIR PRODUCTIVE PROCESSES.

SOURCE: ORGANIC CODE OF PRODUCTION, COMMERCE AND INVESTMENTS AND THE INVESTMENT REGULATION OF THE ORGANIC CODE OF PRODUCTION, COMMERCE AND INVESTMENTS (DECREE No. 757).

FOR TAX PURPOSES, THE CLASSIFICATION OF MICRO, SMALL AND MEDIUM-SIZED ENTERPRISES, SHOULD BE CONSIDERED GROSS ANNUAL INCOME AND NUMBER OF EMPLOYEES. IN THE EVENT NON-CONFORMITY OF THE APPLIED VARIABLES, THE GROSS VALUE OF ANNUAL SALES WILL PREVAIL OVER THE NUMBER OF EMPLOYEES, FOR THE PURPOSES OF DETERMINING THE CATEGORY OF AN ENTERPRISES.



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EXEMPTION OF INCOME TAX FOR MICRO-ENTERPRISES (ART... ADDED AFTER ARTICLE 23 RALRTI)

- **NEW MICRO-ENTERPRISES:** IN ARTICLE 9.6 OF THE LRTI, NEW MICRO-ENTERPRISES MUST COMPLY WITH THE FOLLOWING:
 - THE CONDITION OF CREATING NET EMPLOYMENT MUST BE FULFILLED FROM THE FIRST FISCAL YEAR IN WHICH OPERATIONAL INCOME IS GENERATED. THIS CONDITION WILL BE UNDERSTOOD AS COMPLIED TO THE EXTENT THAT AT LEAST THE NET NUMBER OF EXISTING JOB POSITIONS AT THE BEGINNING OF SAID YEAR IS MAINTAINED..
 - THE NEW MICRO-ENTERPRISES MUST INCORPORATE IN THEIR PRODUCTIVE PROCESSES AT LEAST 25% OF NATIONAL ADDED VALUE, CONSIDERING SOME OF THE FOLLOWING COMPONENTS:
 - EQUIPMENT OR MACHINERY;
 - RAW MATERIAL;
 - SUPPLIES;
 - WORKFORCE; OR
 - LOCAL SERVICES
 - TO COMPLY WITH THE ARTICLE, THE MICRO-ENTERPRISE WILL BE REQUIRED TO BE COMPLETELY NEW WITHOUT CONSIDERING JUST THE TRANSFER OF ASSETS.



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EXEMPTION OF INCOME TAX FOR MICRO-ENTERPRISES

MEMO No. NAC-DGECCGC19-00000003

(TO THE SUBJECT LIABLE TO PAY THE INCOME TAX. REQUIRED TO FILE THEIR TAX STATEMENTS FOR THE FISCAL YEAR 2018)

9. TAX BENEFITS

1. THE ARTICLE 9.6 FROM THE INTERNAL TAX REGIME LAW (IRC) STATES THAT NEW MICRO-ENTERPRISES THAT START THEIR ECONOMIC ACTIVITY FROM THE DATE OF ENTRY INTO FORCE OF THE ORGANIC LAW FOR "THE REVIVAL OF THE ECONOMY, STRENGTHENING THE DOLLARIZATION AND MODERNISATION OF FINANCIAL MANAGEMENT", SHALL BE EXEMPTED FROM INCOME TAX DURING THREE (3) YEARS, STARTING FROM THE FIRST FISCAL YEAR IN WHICH OPERATIONAL INCOME IS GENERATED, PROVIDED THAT THEY GENERATE NET EMPLOYMENT AND INCORPORATE NATIONAL ADDED VALUE INTO THEIR PRODUCTION PROCESSES.

4. ALL TAX ISSUES RELATED WITH THE CONCEPTS OF INCREASE AND CREATION OF NET EMPLOYMENT MUST BE UNDERSTOOD AS COVERED, PROVIDING THAT THEY COMPLY WITH THEIR DEFINITION AND CONDITIONS THAT ARTICLE 46 PARAGRAPH 9 OF THE INTERNAL TAX REGIME LAW REGULATION DICTATES. THESE CONDITIONS SHALL BE MAINTAINED WHILE THE BENEFICIARY ENJOYS THE INCENTIVE FOR WHICH THEIR COMPLIANCE IS REQUIRED.



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EXEMPTION OF INCOME TAX FOR MICRO-ENTERPRISES

- THE COMPANY ABC S.A., IS CONSIDERED A MICRO-ENTERPRISE IN ACCORDANCE WITH THE TAX REGULATION.
- THE COMPANY PRESENTS THE FOLLOWING VALUES AT DECEMBER 31, 2019:

- INCOME USD 200,000
- EXPENSES USD 80,000
- NON DEDUCTIBLE EXPENSES USD 7,500

Description	Income taxes calculation (no benefit)
Total revenues	\$200.000,00
(-) Total Costs and Expenses	\$(80.000,00)
(=) Profit for the Exercise	\$120.000,00
(-) 15% Employee participation in profits	\$(18.000,00)
(+) non-deductible expenses	\$7.500,00
(-) exempt income	\$-00
(+) 15% Employees' Statutory Profit Sharing (exempt income)	\$-00
(=) taxable profit	\$109.500,00
(=) Current Income tax (rate 22%)	\$24.090,00

Income taxes calculation (with benefit)
\$200.000,00
\$(80.000,00)
\$120.000,00
\$(18.000,00)
\$80.000,00
\$(200.000,00)
\$18.000,00
\$-00
\$-00



RETURN OF THE 2019 INCOME TAX ADVANCE



WHEN THE INCOME TAX ADVANCE IS GREATER THAN THE TAX CAUSED, THE RETURN OF THE SURPLUS OR COMPENSATION MAY BE REQUESTED IN THE FOLLOWING THREE YEARS.



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EXAMPLE OF THE REFUND OF THE 2019 INCOME TAX ADVANCE

DETAIL	VALUES	%	2019
TOTAL ASSETS	10.000.000	0,4%	40.000
TOTAL EQUITY	4.000.000	0,2%	8.000
TOTAL TAXABLE INCOME	15.000.000	0,4%	60.000
TOTAL DEDUCTIBLE EXPENSES	12.000.000	0,2%	24.000
TOTAL			132.000
(-) WITHHOLDING			(32.000)
ADVANCE			100.000
FORM OF PAYMENT:			
FIRST INSTALLMENT			50.000
SECOND INSTALLMENT			50.000
THIRD INSTALLMENT			-

NOTE: THE VALUES INCLUDED IN THE 2019 COLUMN CORRESPOND TO THE FINANCIAL STATEMENTS OF THE PREVIOUS YEAR



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EXAMPLE OF THE REFUND OF THE 2019 INCOME TAX ADVANCE

THE COMPANY ABC S.A., PRESENTS THE FOLLOWING INFORMATION AT DECEMBER 31:

CURRENT INCOME TAX	70,000
(-) ADVANCE CORRESPONDING TO THE DECLARED FISCAL YEAR	100,000
(=) CURRENT INCOME TAX GREATER THAN THE CALCULATED ADVANCE	-
(+) BALANCE OF THE PENDING ADVANCE	0.00
(=) TAX TO PAY BEFORE WITHHOLDINGS AND TAX CREDITS	0.00
(=) TAX CREDIT GENERATED BY THE ADVANCE	(30,000)
(-) WITHHOLDINGS AT SOURCE MADE IN THE FISCAL YEAR	(22,000)
SUBTOTAL TAX PAYABLE	0.00
SUBTOTAL BALANCE IN FAVOR	(52,000)



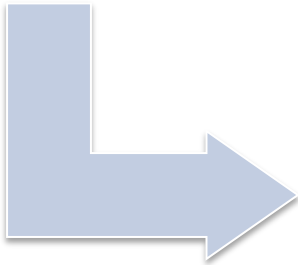
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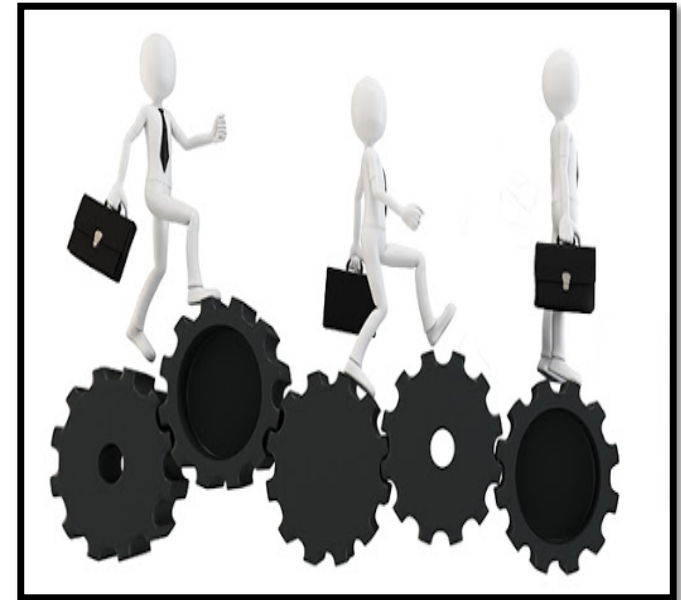
REDUCTION OF TAX RATE

MICRO AND SMALL BUSINESSES: FOR COMPANIES THAT HAVE THE STATUS OF MICRO AND SMALL BUSINESSES, THE RATE OF 22% WILL BE MAINTAINED.

SMALL COMPANY
-10 TO 49 WORKERS
- ANNUAL GROSS SALES BETWEEN US \$ 300,001 AND US \$ 1,000,000



MICRO COMPANY
-1 TO 9 WORKERS
-YEARLY GROSS SALES EQUAL OR LESS THAN US \$ 300,000



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REDUCTION OF TAX RATE

MICRO AND SMALL ENTERPRISES: THE REDUCTION BENEFIT OF THE THREE PERCENTAGE POINTS MAY BE APPLIED TO COMPANIES THAT ARE CATEGORIZED AS MICRO OR SMALL ENTERPRISES BY THE ARTICLE 106 REGULATON OF THE ORGANIC CODE OF PRODUCTION, COMMERCE AND INVESTMENTS :

USUAL EXPORTERS



FOR SOCIETIES THAT HAVE THE STATUS OF REGULAR EXPORTERS, THE 22% RATE WILL BE MAINTAINED AS LONG AS THE CORRESPONDING FISCAL YEAR (2019) REFLECTS A SAFEGUARD OR INCREASE OF JOBS..

CONDITIONS FOR USUAL EXPORTERS



IT WILL BE UNDERSTOOD, FOR TAX PURPOSES, AS A REGULAR EXPORTER, TO THE TAXPAYER WHO, IN THE PREVIOUS TAX YEAR, HAS COMPLIED WITH THE FOLLOWING CONDITIONS:

- A. THE AMOUNT OF THEIR ANNUAL NET EXPORTS ARE EQUAL TO OR GREATER THAN 25% OF THE TOTAL AMOUNT OF THEIR ANNUAL NET SALES; AND,
- B. HAVE CARRIED OUT AT LEAST SIX (6) EXPORTS AND IN SIX (6) DIFFERENT MONTHLY PERIODS. IN THE CASE OF CYCLIC PRODUCTION EXPORTS, IT WILL BE CONSIDERED AT LEAST THREE (3) EXPORTS, IN THREE (3) DIFFERENT MONTHLY PERIODS.



INCOME TAX EXEMPTION FOR MICRO ENTERPRISES (GENERATION OF NET JOBS)

CIRCULAR NO. NAC-DGECCGC19-00000003

(TO THE SUBJECT LIABLE TO PAY THE INCOME TAX. REQUIRED TO FILE THEIR TAX STATEMENTS FOR THE FISCAL YEAR 2018)

9. TAX BENEFITS

THE PRODUCTION UNITS CATALOGED AS MICRO-ENTERPRISES, FOR THE CALCULATION OF THE TAX BASE, SHALL ADDITIONALLY RECORD AN AMOUNT EQUIVALENT TO A BASIC FRACTION DEDUCTED WITH ZERO INCOME TAX RATE FOR NATURAL PERSONS IN THE ADDITIONAL DEDUCTIONS BOX OF THE FORM FOR THE DECLARATION OF CORPORATE INCOME TAX. FOR TAXPAYERS WHO MAKE USE OF THE EXEMPTION PROVIDED FOR IN THE PREVIOUS SECTION, THIS DEDUCTION MAY BE APPLIED AFTER THE RESPECTIVE EXEMPTION PERIOD HAS BEEN COMPLETED.

2. ACCORDING TO THE SECOND UNNUMBERED ARTICLE BELOW ARTICLE 37.1 OF THE INTERNAL TAX REGIME LAW, MICRO AND SMALL BUSINESSES OR HABITUAL EXPORTERS OF GOODS ENJOY A REDUCTION IN THE INCOME TAX RATE BY THREE (3) PERCENTAGE POINTS.

FOR USUAL EXPORTERS OF GOODS, THIS RATE WILL APPLY AS LONG AS THE EMPLOYMENT IS MAINTAINED OR INCREASED IN THE CORRESPONDING FISCAL YEAR .



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EXONERATION OF INCOME TAX PRIORITY TO SECTORS (ART. 26 ORGANIC LAW OF PRODUCTIVE PROMOTION)



CITIES THROUGHOUT THE COUNTRY, EXCEPT FOR THE URBAN AREA, QUITO AND GUAYAQUIL, WILL HAVE THE RIGHT TO EXEMPTION OF INCOME TAX FOR 12 YEARS.



URBAN AREA QUITO AND GUAYAQUIL, WILL HAVE THE RIGHT TO EXONERATION FOR 8 YEARS.



WHEN THE INVESTMENT IS MADE EFFECTIVE IN BORDER CANTONS, WITHIN THE INDUSTRIAL, AGRO-INDUSTRIAL AND AGRO-ASSOCIATE PRIORITIZED SECTORS, THE EXONERATION OF IR WILL BE 15 YEARS.



IN NEW AND EXISTING SOCIETIES THE INCENTIVE WILL APPLY ONLY IF NET EMPLOYMENT IS GENERATED, WITH THE CONDITIONS AND PROCEDURES ESTABLISHED BY THE REGULATION, CONSIDERING THE SIZE OF THE COMPANY.



SUCH INCENTIVES MAY ALSO BE APPLIED BY COMPANIES ESTABLISHED PRIOR TO THE EFFECTIVENESS OF THIS LAW, IN WHICH CASE THE EXEMPTION WILL APPLY PROPORTIONALLY TO THE VALUE OF THE NEW PRODUCTIVE INVESTMENTS.

THE NEW PRODUCTIVE INVESTMENTS, ACCORDING TO THE DEFINITIONS ESTABLISHED IN LITERALS A) AND B) OF ARTICLE 13 OF THE ORGANIC CODE OF PRODUCTION, TRADE AND INVESTMENTS, THAT BEGIN FROM THE VALIDITY OF THIS LAW, IN THE PRIORITIZED SECTORS ESTABLISHED IN THE ARTICLES 9.1 OF THE INTERNAL TAX REGIME LAW.



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EXEMPTION OF INCOME TAX ON INVESTMENTS IN PRIORITIZED SECTORS (Art. 9.1 ORGANIC LAW OF INTERNAL TAX REGIME)

PRIORITIZED ECONOMIC SECTORS:

1. AGRICULTURAL SECTOR; PRODUCTION OF FRESH, FROZEN AND INDUSTRIALIZED FOOD;
2. FOREST AND AGROFORESTAL CHAIN AND ITS PRODUCTS;
3. METALMECHANICAL;
4. PETROCHEMICAL AND OLEOCHEMICAL;
5. PHARMACEUTICAL; CINEMATOGRAPHY AND AUDIOVISUALS; AND, INTERNATIONAL EVENTS.- THIS BENEFIT WILL APPLY IN THE TERMS AND CONDITIONS PROVIDED IN THE REGULATION;
6. TOURISM, RENEWABLE ENERGIES INCLUDING BIOENERGY OR ENERGY FROM BIOMASS;
7. LOGISTIC SERVICES FOR FOREIGN TRADE;
8. BIOTECHNOLOGY AND APPLIED SOFTWARE;

10. EXPORT OF SERVICES, IN THE TERMS AND CONDITIONS PROVIDED IN THE REGULATION;
11. DEVELOPMENT AND SERVICES OF SOFTWARE, PRODUCTION AND DEVELOPMENT OF TECHNOLOGICAL HARDWARE, DIGITAL INFRASTRUCTURE, COMPUTER SECURITY, PRODUCTS AND DIGITAL CONTENT, AND ONLINE SERVICES;
12. ENERGY EFFICIENCY;
13. SUSTAINABLE CONSTRUCTION MATERIALS AND TECHNOLOGIES INDUSTRIES;
14. THE INDUSTRIAL, AGRO-INDUSTRIAL AND AGRO-ASSOCIATION SECTOR, IN THE TERMS AND CONDITIONS PROVIDED IN THE REGULATION; AND,
15. THE SECTORS OF STRATEGIC SUBSTITUTION OF IMPORTS AND PROMOTION OF EXPORTS, WHICH THE PRESIDENT OF THE REPUBLIC DETERMINES BY EXECUTIVE DECREE.



EXEMPTION OF INCOME TAX TO PRIORITIZED SECTORS (ART. 17 OF THE REGULATORY TO ORGANIC CODE OF PRODUCTION, COMMERCE AND INVESTMENTS)

- **AGRICULTURAL SECTOR; FRESH FOOD, FROZEN AND INDUSTRIALIZED**

ALL COMPANIES DEDICATED TO THE PRODUCTION AND GATHERING OF RAW MATERIALS OF PLANT ORIGIN THROUGH CROPS ARE INCLUDED IN THIS SECTOR.

IT ALSO INCLUDES THE PRODUCTION AND OBTAINING OF PROCESSED FRESH FOOD, FROZEN AND PRODUCED PRODUCTS (INCLUDING CONCENTRATE FEEDS NECESSARY FOR THE FOOD PRODUCTION CHAIN). IN THIS CONTEXT, IT INCLUDES ALL THE AGRICULTURAL, AGRO-INDUSTRIAL, LIVESTOCK, INDUSTRIAL LIVESTOCK, AQUACULTURE, MARICULTURE AND FISHERIES, AS LONG AS IT GENERATES ADDED VALUE.

THE ACTIVITIES OF THIS SECTOR INCLUDE THE CROPS OF CEREALS, FRUITS, NUTS AND VEGETABLES. ALSO, THE PROCESSING OF OILS AND FATS, STARCHES, SUGAR, NON-ALCOHOLIC BEVERAGES, CANDY SHOPS; CANNED FRUITS, AND VEGETABLES; MACARONI AND NOODLES; ANIMAL FEED; MILLING PRODUCTS; DAIRY PRODUCTS; CONSERVATION OF FISH PRODUCTS; FISHING, FARMING AND NURSERIES; PRODUCTION OF MEAT AND MEAT PRODUCTS.

IT ALSO INCLUDES NEW ADDED VALUE MARKETING AND LOGISTICS ACTIVITIES THAT REDUCE THE COSTS BETWEEN PRODUCERS AND THE FINAL CONSUMER.



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EXEMPTION OF INCOME TAX TO PRIORITIZED SECTORS (ART. 17 OF THE REGULATORY TO ORGANIC CODE OF PRODUCTION, COMMERCE AND INVESTMENTS)

- INDUSTRIAL, AGRO-INDUSTRIAL AND AGRO-ASSOCIATION SECTOR

INDUSTRIAL FIELD :

ACTIVITIES THAT INVOLVE THE TRANSFORMATION OF RAW MATERIALS THROUGH PRODUCTIVE PROCESSES.

THEREFORE, THIS SECTOR INCLUDES ALL RAW MATERIAL HANDLING ACTIVITIES FOR THE MANUFACTURE OF SECONDARY, PROCESSED OR SEMI-ELABORATED PRODUCTS, INCLUDING ASSEMBLY AND SET UP, PROVIDED THAT IT GENERATES ADDED VALUE.

AGRO-INDUSTRIAL FIELD:

IT SPECIFICALLY INCLUDES INDUSTRIAL ACTIVITIES RELATED TO THE PRODUCTION, INDUSTRIALIZATION AND MARKETING OF AGRICULTURAL, FORESTRY AND OTHER NATURAL BIOLOGICAL RESOURCES.

IT INVOLVES ANY ACTIVITY THAT GENERATES ADDED VALUE TO THE PRODUCTS OF THE AGRICULTURAL INDUSTRY, FORESTRY AND FISHERIES, WITH THE PURPOSE, AMONG OTHERS, OF FACILITATING THE DURABILITY AND AVAILABILITY OF THE PRODUCT FROM ONE SEASON TO THE OTHER, ESPECIALLY THOSE THAT ARE MORE PERISHABLE.

IN THE SAME WAY, IT INCLUDES THE ASSOCIATIVE FORMS THAT ARE CREATED FOR THE DEVELOPMENT OF AGRICULTURAL ACTIVITIES.



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EXEMPTION OF INCOME TAX TO PRIORITIZED SECTORS (ART. 18 OF THE REGULATION TO ORGANIC CODE OF PRODUCTION, COMMERCE AND INVESTMENTS)

SECTORS OF IMPORTS SUBSTITUTION AND EXPORTS PROMOTION

THE FOLLOWING SECTORS ARE ESTABLISHED AS KEYS FOR STRATEGIC REPLACEMENT OF IMPORTS AND FOR THE PROMOTION OF EXPORTS:

- A.- MANUFACTURE OF BASIC CHEMICALS, INCLUDING NITROGEN COMPOSITES AND COMPOUNDS;
- B.- MANUFACTURE OF PESTICIDES AND OTHER CHEMICAL PRODUCTS FOR AGRICULTURAL USE;
- C.- MANUFACTURE OF SOAPS AND DETERGENTS, PREPARED TO CLEAN AND POLISH, PERFUMES AND TOILETRIES;

- D.- MANUFACTURE OF OTHERS CHEMICAL PRODUCTS;
- E.- MANUFACTURE OF CERAMIC PRODUCTS;
- F.- MANUFACTURE OF RADIO RECEIVERS, TELEVISION, CELL PHONES AND RELATED PRODUCTS FOR THE CONSUMER;
- G.-MANUFACTURE OF CLOTHING AND TEXTILE MATERIALS;
- H.-MANUFACTURE LEATHER AND FOOTWEAR; AND,
- I.- MANUFACTURE OF APPLIANCES FOR DOMESTIC USE.
- J.- MANUFACTURE OF CEMENT.

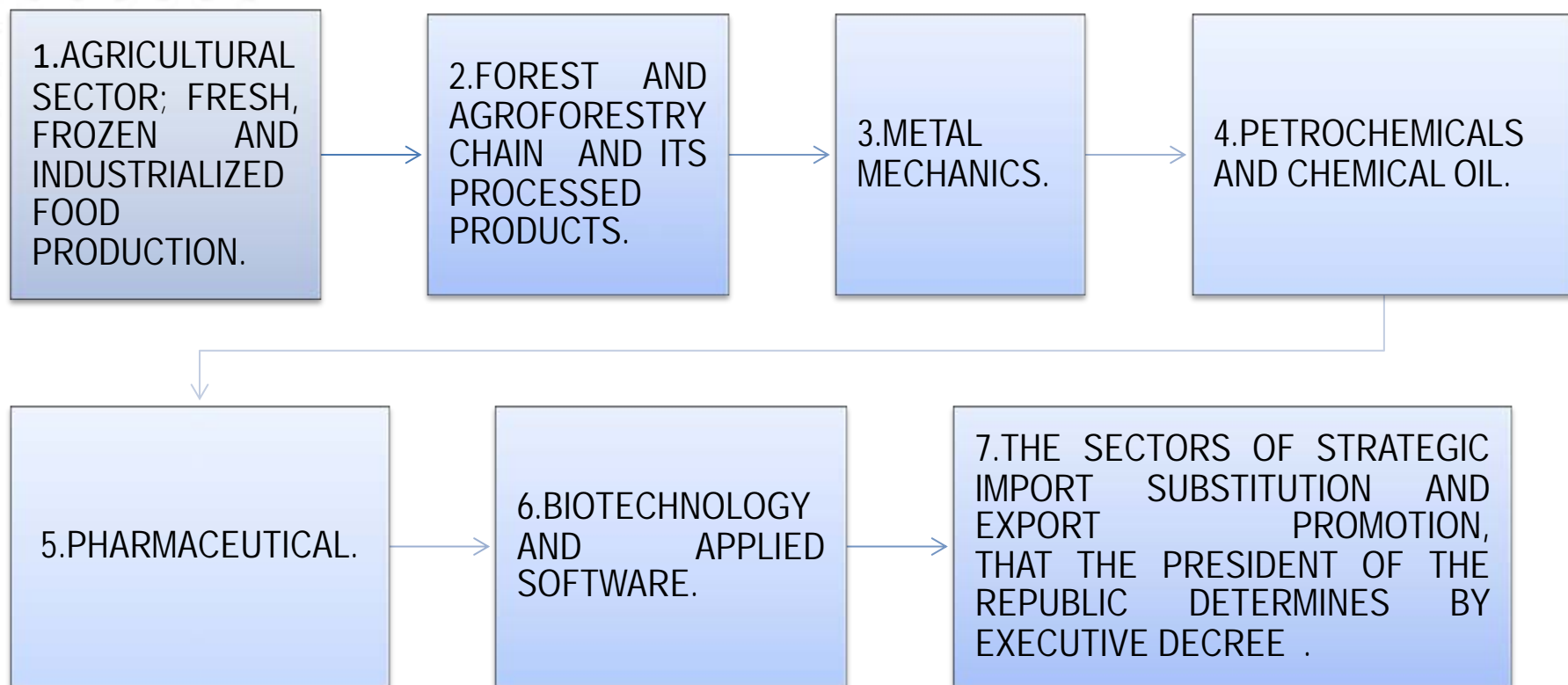
IN EACH OF THESE SUB-SECTORS, THE NEW MARKETING ACTIVITIES AND ADDED VALUE LOGISTICS THAT REDUCE THE COSTS BETWEEN PRODUCERS AND THE FINAL CONSUMER ARE ALSO INCLUDED .



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EXEMPTION OF INCOME TAX TO PRIORITIZED SECTORS - MARKETING ACTIVITIES
(ART. 17, 18 OF THE REGULATION TO ORGANIC CODE OF PRODUCTION, COMMERCE AND INVESTMENTS)



MAIN REQUIREMENTS TO USE THE INVESTMENT INCENTIVES (Art. 1 REGULATION FOR THE APPLICATION OF THE LAW OF PRODUCTIVE PROMOTION.)

LOCATION OF INVESTMENT:

THE PLACE (CANTON) IN WHICH THE INVESTMENT IS EFFECTIVELY EXECUTED, REGARDLESS OF THE LEGAL ADDRESS OF THE COMPANY, WILL PREVAIL.

NEW INVESTMENT:

THE INVESTMENT MUST BE NEW, EXCEPT IN THE CASE IN WHICH THE INVESTMENT INCLUDES LAND AND OPERATING ASSETS THAT ARE NECESSARY FOR THE INVESTMENT PROJECT.

NET JOB GENERATION:

TO ACCEPT EXONERATION, YOU MUST COMPLY WITH THE CONDITION OF NET JOB GENERATION.



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DETERMINATION OF NET EMPLOYMENT TO USE THE INCENTIVES FOR NEW INVESTMENTS (ART. 2 REGULATION FOR THE APPLICATION OF THE LAW OF PRODUCTIVE PROMOTION.)

- THE NET INCREASE IN JOBS WILL BE CALCULATED ACCORDING TO THE SIZE OF THE COMPANY, FOLLOWING THE CATEGORIZATIONS ESTABLISHED BY THE COPCI AND ITS REGULATIONS.

NEW COMPANIES

- THE CATEGORY OF THE SIZE OF THE COMPANY WILL BE DETERMINED BASED ON THE INFORMATION OBTAINED FROM THE FIRST FISCAL YEAR.

EXISTING COMPANIES:

- THEY WILL HAVE TO INCREASE THEIR NET JOB, WHICH WILL BE MEASURED IN ATTENTION TO THE MEDIAN OF THE FISCAL YEAR PRIOR TO THE EXECUTION OF THE INVESTMENT.



CONDITIONS FOR EACH CATEGORY



- SMALL AND MEDIUM SIZED BUSINESSES MUST INCREASE AT LEAST ONE ADDITIONAL WORKER DURING THE PERIOD OF EXECUTION OF THE INVESTMENT.
- LARGE COMPANIES WILL HAVE TO PROGRESSIVELY INCREASE THEIR NET EMPLOYMENT, DURING THE IMPLEMENTATION OF THE INVESTMENT AND REACH AT LEAST 3% ADDITIONAL TO THE EXISTING ONE.



EXCEPTIONALITIES TO THE CONDITION OF CREATION OF NET EMPLOYMENT,
(RESOLUTION NO. 001- STRATEGIC COMMITTEE ON INVESTMENT PROMOTION AND
ATTRACTION -2019)

SMALL AND MEDIUM-SIZED ENTERPRISES SHOULD HAVE AT LEAST ONE PARAMETER, AND
LARGE COMPANIES SHOULD APPLY AT LEAST TWO:

- TECHNOLOGY-INTENSIVE INVESTMENT
- PROMOTION OF PRODUCTION
- MARKET DIVERSIFICATION
- FOREIGN CURRENCY INCOME
- PURCHASE COMPOSITION
- FRIENDLY PRACTICES OR ECOEFFICIENCY
- PROPORTION OF THE NEW INVESTMENT ON THE TOTAL ASSETS OF THE COMPANY
- EXPORTATION OF SERVICES
- ECUADORIAN RECOGNITION GREEN POINT
- LINKS WITH THE POPULAR AND SOLIDARITY ECONOMY (EPS) AND CRAFTSMEN



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CALCULATION OF EXEMPTION INCENTIVE IN EXISTING COMPANIES FOR NEW INVESTMENTS

IN THE CASE OF EXISTING COMPANIES, THE TAXPAYER MUST APPLY THE EXEMPTION PROPORTIONALLY TO THE VALUE OF THE NEW PRODUCTIVE INVESTMENTS, THROUGH SOME OF THE OPTIONS DETAILED BELOW:

OPTION 1:

DIFFERENTIATE IN ITS ACCOUNTING THE VALUES OF ASSETS, LIABILITIES, INCOME, COSTS AND EXPENSES, PROFITS AND LABOR PARTICIPATION ATTRIBUTABLE TO THE NEW PRODUCTIVE INVESTMENT, ACCORDING TO THE APPLICABLE ACCOUNTING STANDARDS.

OPTION 2:

APPLY THE BENEFIT IN A PROPORTIONAL WAY TO THE VALUE OF NEW PRODUCTIVE INVESTMENTS, CALCULATED BY THE FOLLOWING FORMULA:

$$\text{REDUCTION IN APPLICABLE RATE} = \frac{\text{NEW PRODUCTIVE INVESTMENT}}{\text{REVALUATED GROSS FIXED ASSETS TOTAL}} \times \text{INCOME TAX RATE}$$

CONDITIONS: IF THE INCOME TAX REDUCTION IS GREATER THAN 10 POINTS, THE INVESTMENT CONTRACT MUST BE SIGNED AND THE COMPANY MUST COMPLY WITH THE SPECIAL CONDITIONS ESTABLISHED BY CEPAI RESOLUTION (STRATEGIC COMMITTEE FOR THE PROMOTION AND INVESTMENT ATTRACTION).



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CALCULATION OF EXEMPTION INCENTIVE IN EXISTING COMPANIES FOR NEW INVESTMENTS

$$\text{REDUCTION IN APPLICABLE RATE} = \frac{\text{NEW PRODUCTIVE INVESTMENT}}{\text{REVALUATED GROSS FIXED ASSETS TOTAL}} \times \text{INCOME TAX RATE}$$

- **NEW PRODUCTIVE INVESTMENT:** CORRESPONDING TO THE ACCUMULATED INVESTMENT INTENDED FOR THE ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE AND BIOLOGICAL ASSETS TO BE USED WITHIN THE PRODUCTIVE PROCESS OF GOODS AND SERVICES, WHICH ARE EXCLUSIVE TO THE FISCAL YEARS WHEN THE NEW PRODUCTIVE INVESTMENT IS MADE, IN ACCORDANCE WITH THE LAW.
- **REVALUATED GROSS FIXED ASSETS TOTAL:** CORRESPONDING TO THE TOTAL VALUE OF FIXED ASSETS WITHOUT DEDUCTING DEPRECIATION AND CONSIDERING REVALUATIONS FOR THE EFFECT OF APPLICATION OF IFRS, AT THE CLOSE OF THE DECLARED FINANCIAL YEAR.
- **NOTE:** THE ITEMS INDICATED ABOVE, WILL BE UPDATED TO THE EXTENT THAT THEY ARE EXECUTED.
- **INCOME TAX RATE:** CORRESPONDING TO THE INCOME TAX RATE APPLICABLE TO THE DATE OF THE DECLARATION.



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METHOD TO APPLY PROPORTIONALITY

Example:

The company XYZ as of 12/31/2018 has a balance of gross fixed assets of USD 8MM

It will make a productive investment of USD 7,500,000 during the years 2019 to 2021, as follows:

INVESTMENT SCHEDULE			
Year	2019	2020	2021
New Productive Investment	2.000.000	2.500.000	3.000.000

- Tax Base 2019, 2020 and 2021 are as follows: US \$ 700,000; US \$ 1,000,000; US \$ 1,500,000
- Company income tax rate 25%.

Development: Determination of the new reduced rate of Income Tax and Current Tax.



CALCULATION OF EXEMPTION INCENTIVE IN EXISTING COMPANIES FOR NEW INVESTMENTS

$$\text{YEAR 1 (2019)} = \frac{2,000,000}{10,000,000} \times 25\% = 5\%$$

REDUCED RATE = 25% - 5% = 20%

$$\text{YEAR 2 (2020)} = \frac{\quad}{\quad} \times 25\% = \quad$$

REDUCED RATE = 25% - =

$$\text{YEAR 3 (2021)} = \frac{\quad}{\quad} \times 25\% = \quad$$

REDUCED RATE = 25% - =



METHOD TO APPLY PROPORTIONALITY

INVESTMENT SCHEDULE			
YEAR	2019	2020	2021
New Productive Investment	2.000.000	2.500.000	3.000.000

Development: Determination of the new reduced rate of Income Tax and Current Tax.

	YEAR 2019	ACCUMULATED YEAR 2020	ACCUMULATED YEAR 2021
NEW PRODUCTIVE INVESTMENT	2.000.000		
FIXED ASSETS REVALUED TOTAL	10.000.000		
COMPANY INCOME TAX RATE	25%		
REDUCTION IN APPLICABLE RATE	-5%		
INCOME TAX NEW RATE	20%		
FISCAL YEAR TAXABLE BASE	700.000		
CURRENT INCOME TAX	140.000		
SAVING	35.000		

CONDITIONS: IF THE INCOME TAX REDUCTION IS GREATER THAN 10 POINTS, AN INVESTMENT CONTRACT MUST BE SIGNED AND THE SPECIAL CONDITIONS ESTABLISHED BY CEPAI RESOLUTION (STRATEGIC COMMITTEE FOR THE PROMOTION AND INVESTMENT ATTRACTION) MUST BE COMPLIED.



CALCULATION OF EXEMPTION INCENTIVE IN EXISTING COMPANIES FOR NEW INVESTMENTS

$$\text{YEAR 1 (2019)} = \frac{2,000,000}{10,000,000} \times 25\% = 5\%$$

$$\text{REDUCED RATE} = 25\% - 5\% = 20\%$$

$$\text{YEAR 2 (2020)} = \frac{4,500,000}{12,500,000} \times 25\% = 9\%$$

$$\text{REDUCED RATE} = 25\% - 9\% = 16\%$$

$$\text{YEAR 3 (2021)} = \frac{7,500,000}{15,500,000} \times 25\% = 12,10\%$$

$$\text{REDUCED RATE} = 25\% - 12,10\% = 12,9\%$$



METHOD TO APPLY PROPORTIONALITY

INVESTMENT SCHEDULE			
YEAR	2019	2020	2021
New Productive Investment	2.000.000	2.500.000	3.000.000

Development: Determination of the new reduced rate of Income Tax and Caused Tax..

	YEAR 2019	ACCUMULATED YEAR 2020	ACCUMULATED YEAR 2021
NEW PRODUCTIVE INVESTMENT	2.000.000	4.500.000	7.500.000
FIXED ASSETS REVALUED TOTAL	10.000.000	12.500.000	15.500.000
COMPANY INCOME TAX RATE	25%	25%	25%
REDUCTION IN APPLICABLE RATE	(5%)	(9%)	(12.10%)
INCOME TAX NEW RATE	20%	16%	12.90%
FISCAL YEAR TAXABLE BASE	700.000	1.000.000	1.500.000
CURRENT INCOME TAX	140.000	160.000	193.548
SAVING	35.000	90.000	181.452

CONDITIONS: IF THE INCOME TAX REDUCTION IS GREATER THAN 10 POINTS, AN INVESTMENT CONTRACT MUST BE SIGNED AND THE SPECIAL CONDITIONS ESTABLISHED BY CEPAI RESOLUTION (STRATEGIC COMMITTEE FOR THE PROMOTION AND INVESTMENT ATTRACTION) MUST BE COMPLIED.



INVESTMENTS DOUBLE DEDUCTION - ORGANIC CODE OF PRODUCTION, COMMERCE AND INVESTMENTS (COPCI)
(2ND. TRANSITORY PROVISION LOIP AND 15TH. GENERAL PROVISION OF THE REGULATION FOR THE APPLICATION OF THE INTERNAL TAX REGIME LAW)

Deduction of an additional 100% of the cost or expense of depreciation

For 5 years from the start of the productive use of the asset, which must coincide with your accounting record

- Companies incorporated before COPCI(dec29 / 2010) in any jurisdiction of the country, and after COPCI within urban jurisdiction in Quito and Guayaquil.
- Acquire new productive fixed assets from 2015.
- Allocate them to investments within prioritized economic sectors.
- It cannot be applied when said assets have been acquired to be entitled to other benefits.
- Benefit term is 10 years, since December 29, 2014.
- The mere change of ownership of productive assets, which are already functioning and operational, does not imply new investment.



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**INVESTMENTS DOUBLE DEDUCTION - ORGANIC CODE OF PRODUCTION, COMMERCE AND INVESTMENTS (COPCI)
(2ND. LOOP TRANSITIONAL PROVISION AND 15TH. REGULATION FOR THE APPLICATION OF THE INTERNAL TAX REGIME LAW GENERAL PROVISION)**

In the case of locally acquired fixed assets, the value of the asset on which the additional depreciation benefit will be calculated will be the one stated in the sales receipt, and in the case of imports, the value stated in the customs declaration of import:

Row labels	2015	2016	2017	2018	2019	Total Tax Benefit
BUILDING	6,608.75	5,638.78	55,479.57	16,088.10	74,565.44	158,380.63
COMPUTING EQUIPMENT	65.31	13,749.71	5,521.33	725.33	1,730.72	-
FACILITIES	3,898.27	15,322.91	81,264.30	19,430.38	7,788.64	127,704.50
MACHINERY AND EQUIPMENT	106,285.94	95,521.25	83,855.94	22,913.86	77,613.55	386,190.54
FURNITURE AND APPLIANCES	3,971.00	5,111.05	12,361.98	40,732.46	1,727.68	-
VEHICLES AND FORKLIFTS	206.40				750.00	956.40
Grand Total	121,035.66	135,343.68	238,483.13	99,890.13	164,176.03	673,232.07





V.A.T. AND INCOME TAX PAYMENT DEFERRAL TO CERTAIN TAXPAYERS



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INCOME TAX AND VALUE ADDED TAX PAYMENT DEFERRAL (EXECUTIVE DECREE NO. 1021 OFFICIAL REGISTER 173 31-III-2020)

TAXPAYERS

- MICRO-ENTERPRISES: ALL TAXPAYERS THAT, REGARDLESS OF THEIR ECONOMIC ACTIVITY, HAVE HAD ANNUAL GROSS INCOME OF UP TO USD 300,000 IN FISCAL YEAR 2019.
- TAXPAYERS WHO HAVE THEIR MAIN TAX ADDRESS IN THE PROVINCE OF GALÁPAGOS.
- TAXPAYERS WHOSE ECONOMIC ACTIVITY CORRESPONDS TO THE OPERATION OF AIRLINES, TOURISM (EXCLUSIVELY REGARDING THE ACTIVITIES OF PROVIDING TOURIST ACCOMMODATION AND / OR FOOD SERVICES) OR AGRICULTURE.
- TAXPAYERS WHO ARE HABITUAL EXPORTERS OF GOODS, OR 50% OF THEIR INCOME CORRESPOND TO GOODS EXPORT ACTIVITIES.



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INCOME TAX AND VALUE ADDED TAX PAYMENT DEFERRAL (EXECUTIVE DECREE NO. 1021 OFFICIAL REGISTER 173 31-III-2020)

PAYMENT DEFERRAL

PAYMENTS WILL BE MADE IN 6 INSTALMENTS, BETWEEN THE 10TH AND THE 28TH OF EACH MONTH, ACCORDING TO NINTH DIGIT OF THE RUC.

IN THE FIRST AND SECOND MONTH, 10% OF THE VALUE OF THE TAX WILL BE PAID.

IN THE THIRD, FOURTH, FIFTH AND SIXTH MONTH, 20% OF THE VALUE OF THE TAX WILL BE PAID.

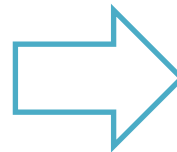
THE TAXPAYERS WHOSE ADDRESS IS IN THE PROVINCE OF GALÁPAGOS, ARE ABLE TO MAKE THE PAYMENT UNTIL THE 28TH OF THE MONTH, WITHOUT CONSIDERING THE NINTH DIGIT OF RUC.



INCOME TAX AND VALUE ADDED TAX PAYMENT DEFERRAL (EXECUTIVE DECREE NO. 1021 OFFICIAL REGISTER 173 31-III-2020)

PAYMENT OF CORPORATE INCOME TAX

SOCIETIES WILL PAY THEIR TAX YEAR 2019 DURING THE MONTHS OF APRIL THROUGH SEPTEMBER 2020, ACCORDING TO THE SIX INSTALMENTS PREVIOUSLY MENTIONED.



PAYMENT OF VALUE ADDED TAX

TAXPAYERS WILL PAY THE VALUE ADDED TAX OF THE MONTHS OF APRIL, MAY AND JUNE DURING THE NEXT MONTHS, ACCORDING TO THE SIX INSTALMENTS PREVIOUSLY MENTIONED.



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INCOME TAX AND VALUE ADDED TAX PAYMENT DEFERRAL (EXECUTIVE DECREE NO. 1021 OFFICIAL REGISTER 173 31-III-2020)

VALUE ADDED TAX TO PAY IN THE MONTH OF	PAYMENT MONTHS
APRIL 2020	FROM APRIL TO SEPTEMBER 2020
MAY 2020	FROM MAY TO OCTOBER 2020
JUNE 2020	FROM JUNE TO NOVEMBER 2020

TAXPAYERS SUBJECT TO THE MICRO-ENTERPRISE TAX REGIME WILL MAKE THE DECLARATION AND PAYMENT OF VAT ON A SEMI-ANNUAL BASIS.



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INCOME TAX AND VALUE ADDED TAX PAYMENT DEFERRAL FOR OTHER TAXPAYERS (EXECUTIVE DECREE NO. 1030)

THERE ARE MORE PASSIVE SUBJECTS THAT MAY USE THE INCOME TAX AND THE VALUE ADDED TAX DEFERRAL

PASIVE SUBJECTS

THE SMALL AND MEDIUM-SIZED ENTERPRISES OF ANY ACTIVITY, EXCEPT THOSE THAT AT APRIL 1, 2020 HAVE HAD AS THEIR MAIN ECONOMIC ACTIVITY IN THE TAXPAYER REGISTRY (RUC), SOME OF THE FOLLOWING:



➤ AUXILIARY ACTIVITIES OF FINANCIAL SERVICES ACTIVITIES; AND/OR

➤ FINANCIAL SERVICES ACTIVITIES, EXCEPT THOSE OF INSURANCE AND PENSION FUNDS.



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VALUE ADDED TAX REFUND



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VALUE ADDED TAX REFUND

ART. 72.- V.A.T. PAID IN EXPORT ACTIVITIES.- NATURAL PERSONS AND SOCIETIES THAT HAVE PAID THE VALUE ADDED TAX IN LOCAL PURCHASES OR IMPORTS OF GOODS THAT ARE EXPORTED, AS WELL AS GOODS, RAW MATERIAL, SUPPLIES, SERVICES, AND FIXED ASSETS USED IN THE MANUFACTURE AND MARKETING OF GOODS THAT ARE EXPORTED, HAVE THE RIGHT TO HAVE THIS TAX REFUNDED, WITHOUT INTEREST, IN A TIME NO LONGER THAN NINETY (90) DAYS THROUGH THE ISSUE OF A CREDITNOTE , CHECK OR OTHER MEANS OF PAYMENT. INTEREST SHALL BE RECOGNISED IF THE CLAIMED VAT HAS NOT BEEN REFUNDED BEFORE THE END OF THE PERIOD PREVIOUSLY MENTIONED. PRIOR TO HIS REQUEST FOR RETURN, THE EXPORTER MUST BE REGISTERED IN THE INTERNAL REVENUE SERVICE, AND IT MUST RETURN THE PAYMENT AFTER THE FORMAL PRESENTATION OF THE DECLARATION FROM THE LEGAL REPRESENTATIVE.

BENEFIT IS TRANSFERRED TO DIRECT SUPPLIERS OF EXPORTERS

- THE REFUND OF THE V.A.T. WILL ONLY BE REQUESTED ONCE THE TAX DECLARATIONS HAVE BEEN SUBMITTED
- REFUND PROCESS: 90 BUSINESS DAYS
- IT DOES NOT GENERATE INTERESTS
- THROUGH ELECTRONIC CREDIT NOTE
- THE RIGHT TO REQUEST A RETURN PRESCRIBES IN 5 YEARS
- LIMIT: TAX CREDIT REPORTED V.A.T. STATEMENT



VALUE ADDED TAX REFUND

RETURN MECHANISMS	AUTOMATIC PROVISIONAL REFUND	PROVISIONAL RETURN THROUGH AUTOMATIC COMPENSATION WITH RETENTIONS MADE OF V.A.T.	REFUND BY TECHNICAL COEFFICIENTS	EXCEPTIONAL REFUND
REFUND SUBMISSION	INTERNET			IRS COUNTER
AMOUNT RETURNED IN A PROVISIONAL WAY	ACCREDITED PERCENTAGE BY ELECTRONIC CREDIT NOTE	COMPENSATION OF PERCENTAGE WITH VAT RETENTIONS BY PAYING IN THE SAME VAT DECLARATION		
AMOUNT RETURNED IN RESOLUTION	DIFFERENCE BETWEEN REQUESTED VALUE AND THE ONE PROVISIONALLY RETURNED	DIFFERENCE BETWEEN THE REQUESTED VALUE AND THE ONE COMPENSATED IN THE VAT DECLARATION	ACCORDING TO COEFFICIENT ESTABLISHED BY THE IRS	ACCORDING TO LIMITS PROVIDED IN THE LAW. ITS MAXIMUM IS THE TAX CREDIT PRESENTED IN THE VAT DECLARATION
SUBMIT PHYSICAL INFORMATION AT IRS	TWO (BUSINESS) DAYS AFTER EXECUTED THE PROCESS OF ONLINE RETURN		DOCUMENTS SHOULD NOT BE PRESENTED, UNLESS THE IRS REQUEST FOR INFORMATION	DOCUMENTS MUST BE PRESENTED ALONG WITH THE REQUEST
PAYMENT METHOD	ELECTRONIC CREDIT NOTE			
TIME OF RESOLUTION	90 BUSINESS DAYS		5 BUSINESS DAYS AFTER ENTERING THE REQUEST	90 BUSINESS DAYS



VALUE ADDED TAX REFUND

INTERNAL TAX REGIME LAW

ART. 69.- TAX PAYMENT .- THE RESULTING DIFFERENCE, AFTER THE DEDUCTION INDICATED IN THE PREVIOUS ARTICLE, CONSTITUTES THE AMOUNT THAT MUST BE PAID IN THE SAME PERIODS FOR THE PRESENTATION OF THE DECLARATION. IF THE DECLARATION DELIVERS A BALANCE IN FAVOR OF THE PASSIVE SUBJECT, SUCH BALANCE WILL BE CONSIDERED A TAX CREDIT, WHICH WILL BECOME EFFECTIVE ON THE DECLARATION OF THE FOLLOWING MONTH. THE AMOUNTS OBTAINED IN THIS WAY WILL BE AFFECTED BY THE RETENTIONS MADE TO THE PASSIVE SUBJECT AND WITH THE TAX CREDIT OF THE PREVIOUS MONTH, IF ANY. WHEN BY ANY EVIDENT CIRCUMSTANCES, IT IS PRESUMED THAT THE RESULTING TAX CREDIT CANNOT BE COMPENSATED WITH THE VAT CAUSED WITHIN THE FOLLOWING SIX IMMEDIATE MONTHS. THE PASSIVE SUBJECT COULD REQUEST THE REFUND OR COMPENSATION OF TAX CREDIT CAUSED BY RETENTIONS TO THE REGIONAL OR PROVINCIAL DIRECTOR OF THE INTERNAL REVENUE SERVICES. THE RETURN OR COMPENSATION OF THE VAT BALANCES IN FAVOR OF THE TAXPAYER DOES NOT CONSTITUTE UNDUE PAYMENTS AND, THEREFORE, WILL NOT CAUSE INTEREST.

THE REFUND OR COMPENSATION OF THE VAT BALANCES IN FAVOR OF THE TAXPAYER DOES NOT CONSTITUTE UNDUE PAYMENTS AND, THEREFORE, WILL NOT CAUSE INTEREST.



V.A.T. RETURN IN CONSTRUCTION PROJECTS



SOCIETIES THAT DEVELOP HOUSING DEVELOPMENT PROJECTS OF SOCIAL INTEREST, QUALIFIED BY THE AUTHORITY IN THE MATTER, WILL HAVE THE RIGHT TO REQUEST THE REFUND OF VAT PAID IN THE ACQUISITIONS OF LOCAL GOODS AND SERVICES USED IN THOSE PROJECTS.



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MECHANISMS AND REQUIREMENTS FOR THE VALUE ADDED TAX REFUND

RESOLUTION NO. NAC-DGERCGC18-00000419

- PROJECTS MUST BE QUALIFIED BY THE GOVERNING ENTITY IN MATTER OF HOUSING.
- REFUND WITHIN A TERM NO LONGER THAN NINETY (90) DAYS.
- IT WILL BE APPLICABLE FROM THE DATE OF ISSUE OF THE QUALIFICATION CERTIFICATE OF THE PROJECT.
- THE ACTION OF THE VAT REFUND, REGARDING THE REQUESTED PERIOD, MUST HAVE NOT PRESCRIBED .



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TAX ADDED VALUE REFUND ON EXPORT OF SERVICES

THE VAT REFUND BENEFICIARIES ALSO INCLUDE THOSE PASSIVE SUBJECTS EXPORTING SERVICES IN THE TERMS DEFINED BY THIS LAW REGULATION AND THE LIMITS ESTABLISHED BY THE TAX POLICY COMMITTEE.



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MECHANISMS AND REQUIREMENTS FOR THE VALUE ADDED TAX REFUND

V.A.T. REFUND ON EXPORT OF SERVICES:

ANY OPERATION THAT COMPLIES WITH THE CONDITIONS ESTABLISHED IN NUMERAL 14 OF ARTICLE 56 OF THE LRTI WILL BE CONSIDERED AS AN EXPORT OF SERVICES.



THE EXPORTERS OF SERVICES MAY USE THIS BENEFIT, IN THE PROPORTION OF THE NET INCOME OF FOREIGN CURRENCIES TO ECUADOR, WITHIN A MAXIMUM PERIOD OF SIX MONTHS FROM THE ISSUE OF THE INVOICE OF SUCH SERVICES



THE AMOUNT TO BE REFUNDED FOR V.A.T. WILL BE CONSIDERED TAKING INTO ACCOUNT THE PROPORTION OF THE NET INCOME OF FOREIGN CURRENCIES AGAINST THE TOTAL OF THE NET EXPORT.



THE AMOUNT OF THE NET EXPORT CORRESPONDS TO THE INVOICE AMOUNT MINUS REFUNDS AND RETENTIONS THAT HAVE BEEN MADE ABROAD BY SUCH EXPORT.





CAPITAL OUTFLOW TAX (ISD)



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CAPITAL OUTFLOW TAX (ISD) REFUND

EXPORTERS OF GOODS AND SERVICES WILL HAVE THE RIGHT TO REQUEST THE REFUND OF ISD PAID ON THE IMPORT OF RAW MATERIALS, SUPPLIES AND CAPITAL GOODS THAT ARE NECESSARY FOR THE EXPORTS THEY MAKE.

REFUND IS APPLICABLE SINCE JANUARY 2018

TERMS

- MUST BE A USUAL EXPORTER OF GOODS
- IMPORTS ITEMS MUST BE ON THE TAX POLICY COMMITTEE LISTING (TAX POLICY COMMITTEE -03-2012)
- SUBMIT THE DECLARATION ESTABLISHED BY THE IRS (F.104 CASILLEROS 700-701-702)

$$fX = \frac{\text{TOTAL EXPORTS OF GOODS (NET VALUE IN DOLLARS)}}{\text{TOTAL SALES (NET VALUE) IN DOLLARS}} \times 100\%$$



ISD TAX CREDIT

THE ISD PAID ON THE IMPORT OF RAW MATERIALS, SUPPLIES AND CAPITAL GOODS TO BE INCORPORATED IN PRODUCTIVE PROCESSES; WHICH ARE ALSO ON THE LIST THAT THE TAX POLICY COMMITTEE ESTABLISHES FOR THE EFFECT, MAY BE USED AS A TAX CREDIT FOR THE PAYMENT OF THE INCOME TAX OR ITS ADVANCE.

IF TAX CREDIT IS NOT USED, IN WHOLE OR IN PART, IN THE CURRENT FISCAL YEAR, THE TAXPAYER MAY:

- USE IT AS A DEDUCTIBLE EXPENDITURE ONLY IN THE YEAR IN WHICH THE ISD WAS PAID.
- USE IT AS A TAX CREDIT IN THE NEXT 4 YEARS
- REQUEST REFUND IN THE NEXT YEAR OF PAYMENT OR WITHIN THE NEXT 4 YEARS.



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ISD REFUND IN THE EXPORT ACTIVITY

FOR USUAL EXPORTERS OF GOODS AS WELL AS THE EXPORTERS OF SERVICES: IN THE IMPORT OF RAW MATERIALS, SUPPLIES AND CAPITAL GOODS, IN ACCORDANCE WITH THE COMMITTEE OF TAX POLICY.

COMMISSIONS FOR RECEPTIVE TOURISM SERVICES.

DEADLINE NO LONGER THAN 90 DAYS, WITHOUT INTEREST.

THIS BENEFIT APPLIES AS LONG AS THE EXPORTER DEMONSTRATES THE NET INCOME OF FOREIGN CURRENCY TO THE COUNTRY.



ISD REFUND BENEFITS

NEW PRODUCTIVE INVESTMENTS SUBSCRIBING INVESTMENT CONTRACTS.

PAYMENT FOR IMPORTS

CAPITAL GOODS AND RAW MATERIALS, UP TO THE AMOUNT AND DEADLINE PROVIDED IN THE INVESTMENT CONTRACT.

DIVIDENDS

DISTRIBUTED BY NATIONAL OR FOREIGN COMPANIES LOCATED IN ECUADOR IN FAVOR OF EFFECTIVE BENEFICIARIES, RESIDENT OR NOT, UP TO THE TIME PERIOD SET IN THE INVESTMENT CONTRACT, AS LONG AS THE RESOURCES COME FROM ABROAD AND THE INVESTOR DEMONSTRATES THE ENTRY OF THE FOREIGN CURRENCY TO THE COUNTRY.



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ISD - EXEMPTION FOR FOREIGN LOANS (Art. 41 ORGANIC LAW OF TAX SIMPLICITY AND PRODUCTIVITY - LOSPT)

THE REQUIREMENT ABOUT THE TIME LIMIT IS LOWERED TO 180 DAYS FOR FOREIGN LOANS, WHICH CURRENTLY HAVE THE EXEMPTION OF ISD.



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ISD - EXEMPTION IN PAYMENT OF DIVIDENDS (ART. 41 LOSPT)

PAYMENTS OF DIVIDENDS TO FOREIGN COMPANIES OR NATURAL PERSONS NON-RESIDENT IN ECUADOR WILL BE EXEMPTED FROM THE ISD.



THIS EXEMPTION DOES NOT APPLY WHEN DIVIDENDS ARE DISTRIBUTED TO FOREIGN COMPANIES THAT HAVE ECUADORIAN RESIDENT SHAREHOLDERS WITHIN THEIR SHARE CHAIN WHO AT THE SAME TIME HOLD SHARES IN THE COMPANY THAT DISTRIBUTE THOSE DIVIDENDS.



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ISD - EXEMPTION ON FOREIGN PAYMENTS OF CAPITAL, FINANCIAL PERFORMANCE AND CAPITAL GAINS (ART. 41 LOSPT).

PAYMENTS TO OTHER COUNTRIES, FOR FINANCIAL PERFORMANCE, CAPITAL GAINS AND CAPITAL, RELATED TO:

- INVESTMENTS FROM ABROAD USED IN ECUADOR'S STOCK MARKET.
- FUNDS ACQUIRED ABROAD BY COMPANIES LOCATED IN ECUADOR INTENDED FOR HOUSING PROJECTS, SMALL LOANS OR PRODUCTIVE INVESTMENTS.
- FIXED-TERM DEPOSITS OR INVESTMENTS, WITH RESOURCES FROM ABROAD, IN INSTITUTIONS OF THE NATIONAL FINANCIAL SYSTEM.
- THIS EXEMPTION DOES NOT APPLY WHEN PAYMENT IS MADE BETWEEN RELATED PARTIES.



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