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RESOLUTION SRI

REFORMS TO THE RESOLUTION REGARDING VAT WITHHOLDING AGENTS

Through Resolution No. NAC-DGERCGC23-00000026 of September 27, 2023, which as of the date hereof has not yet been published in the Official Gazette, the Internal Revenue Service (SRI) establishes reforms to Resolution No. NAC-DGERCGC20-00000061 regarding VAT withholding and its respective withholding agents in Ecuador.

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The Resolution No. NAC-DGERCGC23-00000026 updates several articles related to VAT withholding and its respective withholding agents detailed in Resolution No. NAC-DGERCGC20-0000006 and its amendments. The changes are as follows:

- **"Entities and agencies of the Public Sector from Central and Decentralized Government, its Deconcentrated Bodies and its public companies, universities and polytechnic schools"** are established as VAT withholding agents, thus applying 100% VAT withholding on the payment for goods or services. This inclusion is already in force through the final clause of article 63 of the Internal Tax Regime Law (LRTI) amended on July 2, 2021.
- Two types of taxpayers are added on which VAT withholding should not be applied:
 - ✓ **Companies created for the development of public projects under the public-private partnership scheme**, as long as this benefit is stated, totally or partially, in the economic terms and conditions and in the economic-financial plan granted, annexed to the delegated management



agreement subscribed with the State.

- ✓ **Individuals and companies categorized as Entrepreneurs within the Simplified Regime for Entrepreneurs and Popular Businesses - RIMPE, when paying by**

credit card, debit card, transfer or any other means of electronic payment, even when the payment is made by an entity of the national financial system, a credit or debit card issuing company and/or a payment aggregator, as applicable.

- ✓ **The above is part of the 13 types of taxpayers on which VAT withholding must not be made** (special taxpayers, state institutions, public companies, aviation companies, travel agencies, fuel distribution centers, financial system institutions, credit card issuers, newspaper and magazine vendors, regular exporters qualified as withholding agents or special taxpayer and payment aggregator entities or online marketplaces when the payment is made by an entity of the national financial system, credit card issuer or payment aggregator).

- **Regular exporters of goods or services qualified as withholding agents or special taxpayers shall withhold 100% of VAT, including those qualified as special taxpayers or withholding agents;** regular exporters of goods or services, exporters of non-renewable natural resources.

There are exceptions for the non-withholding of VAT by regular exporters and that corresponds to payments made to state institutions, public companies, aviation companies, travel agencies, fuel distribution centers, financial system institutions, credit card issuers, newspaper and magazine vendors, public project companies by public-private partnership and RIMPE's individuals or companies with payment by credit card, debit card, transfer or any other means of electronic payment.

- In the case of **entities and agencies of the Public Sector from the Central and Decentralized Government, its Deconcentrated Bodies and its public companies, universities and polytechnic schools are not required to have the qualification of withholding agent, special taxpayer or any limitation** to make 100% VAT withholding.



- This Resolution will become effective as from its publication in the Official Gazette, which has not

been published yet, but is expected to be published in **October 2023**.

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As experts in the field, we understand that **legislative changes and regulations** can generate doubts and concerns. So we are committed to being your trusted partner and providing clear and accurate answers to all your questions. **Our team of highly trained professionals** is here to guide you through any legal or tax challenges you may face.

If you have any questions, concerns or would like to take advantage of our services, please do not hesitate to contact us. We are eager to listen to your inquiry and offer solutions tailored to your business needs.



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