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RESOLUTION NAC-DGERCGC24-00000008 AND ATS CATALOG RELATED TO INCOME TAX WITHHOLDING PERCENTAGES

Update in the determination of Income Tax Withholding at Source Percentages for Taxable Income

Through Resolution No. NAC-DGERCGC24-00000008 of February 29, 2024 published in Supplement to Official Gazette No. 508, the **withholding percentages at the source of income tax for taxpayers who make payments or credit on account taxable income are established.**

Also, on March 5, 2024, the SRI's institutional web page updated the ATS catalog related to income tax withholding percentages.

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Resolution NAC-DGERCGC24-00000008 establishes the income tax withholding at source percentages (0%, 1%, 1.75%, 2%, 2.75%, 2.75%, 3%, 8%, and 10%) applicable to taxpayers making payments or crediting taxable income. Likewise, it extends the term for the issuance of vouchers until March 30, 2024 for those that must be made between March 1 and 15, 2024. The following table summarizes the concepts with their respective withholding percentage and the most relevant points of said Resolution:

Withholding percentages the payments or credits on account for:

WITHHOLDING PERCENTAGE	CONCEPT
0%	Interest paid to banks and entities supervised by the Superintendence of Banks and the Popular and Solidarity Economy.
	Transactions carried out by persons deprived of liberty who participate in labor and economic reinsertion programs of the National System of Social Rehabilitation.

	Acquisitions from RIMPE taxpayers categorized as popular businesses (with preprinted sales receipt).
1%	Interest and bank commissions, as well as financial yields from investments made between banks and entities regulated by the Superintendence of Banks and the Popular and Solidarity Economy.
	Transportation services
	Electric energy
	Acquisition of agricultural, poultry, livestock, beekeeping, rabbit, bio-aquatic, forestry and meat goods that are kept in a natural state made directly to the producer. Excluded are payments for local acquisition of bananas from producers, but not payments for the acquisition of fruit other than bananas from banana producers.
	The consideration generated by the sale of capital rights or similar rights of companies, either to residents or non-residents in Ecuador, which are not listed in the stock exchanges of the country.
	Acquisitions from RIMPE taxpayers categorized as entrepreneurs.
	Payments or credits to insurance companies, both national and branches of foreign companies in Ecuador on the total of premiums or cession of premiums, invoiced or listed.
1,75%	Acquisition of tangible personal property.
	Payments or credits for construction activities.
	Acquisition of agricultural, poultry, livestock, beekeeping, rabbit, bio-aquatic, forestry and meat goods that are kept in a natural state made directly to the producer that are kept in a natural state made by non-producer traders.
2%	Services rendered by natural persons with predominance of labor.
	Payments made by credit card issuers to their affiliated establishments and those made by financial system entities for debit card consumption made by their customers.
	Interest and financial yields.
	Settlements of goods and services to individuals not required to keep accounting records, nor registered in the RUC (or suspended RUC) on the total value of the payment or credit in account.
	Receipt of non-returnable PET plastic bottles for Individuals with a value higher than the basic fraction taxed at zero percent (0%) of IR. The withholding is made from the moment it exceeds

	<p>this value until the closing of the fiscal year (December 31) on the values that exceed the fraction. For Corporations the withholding proceeds for each Delivery-Receipt on any value.</p> <p>Acquisition of mineral substances within the national territory.</p> <p>Payments to leasing companies in Ecuador, including lease payments and purchase option payments.</p> <p>For credit sales, interest and commissions will be added to the value of the merchandise and the withholding will be made on the total value.</p>
2,75%	Invoices issued by media and advertising agencies.
3%	<p>Professional services by resident companies credited with a title.</p> <p>Commissions to local or foreign companies resident in Ecuador and permanent establishments domiciled in the country.</p>
8%	<p>Sportsmen, trainers, referees and independent technical personnel for their services (Legal Entities apply withholding of 2.75%).</p> <p>Services rendered by local or foreign artists residing in the country (Legal Entities apply withholding of 2.75%).</p>
10%	<p>Services rendered by Natural Persons with predominance of Intellect. In this case, the professional title or the relation of the title with the activity performed is indistinct.</p> <p>Payments for the use of image or reputation to individuals and companies, national or foreign, resident in Ecuador, including artists, athletes, coaches, referees, members of the coaching staff and influential people in social networks ('influencers').</p> <p>Resident individuals who provide teaching services.</p> <p>Payments to notaries for activities inherent to their position.</p> <p>Fees, royalties, and payments related to intellectual property rights.</p> <p>Profits obtained from the sale of rights of companies listed on stock exchanges in Ecuador.</p> <p>Lease of real estate with obligation to grant use and payment of a price in money, species or services.</p>

Those payments not specified in the resolution are subject to 2.75% withholding.

Payments to **Individuals and Companies not residing in Ecuador** for occasional services rendered in the country, as well as other payments other than profits or dividends sent abroad, **will be subject to withholding at source**. In such cases, the general corporate income tax rate will be applied on the total of the payments or credits made. In situations where such income is received by persons located in tax havens or under preferential tax

regimes, a withholding tax equivalent to the maximum rate established for individuals will be applied.

If the taxpayer provides different goods or services subject to different withholding percentages, the percentage corresponding to each one is applied, even if they are in the same voucher. If they are not separated, the highest percentage is used.

Exceptions:

Exceptions to withholding at source for IR include payments exempt under the Internal Tax Regime Law, income from employment as an employee, payments from financial entities to payment aggregators or online marketplaces (withholding agents), payments between companies as payment aggregators (without prejudice to withholdings for own income), and payments for purchase of fuel.

Important considerations:

- Agents, representatives, intermediaries or agents of a third party, which acts as a withholding agent, are obliged to make withholdings on behalf of the third party. these withholdings must be carried out at the precise moment of payment or account crediting.
- A relevant aspect to consider is that payment aggregators and online marketplaces have the possibility of issuing a single monthly voucher covering all transactions made.
- It is important to underline that, before applying the international conventions aimed at avoiding double taxation, the withholding agent must carry out the due verification of the tax residence of the recipient of the income in the other Contracting State. This process is carried out without neglecting the additional requirements that may be established in the international instrument itself.
- The entities of the financial system will act as income tax withholding agents for payments, credits or credits on account made to residents or non-residents, whether or not attributable to a permanent establishment in Ecuador. This role is carried out in accordance with the collection or debit agreements entered with their clients. In this process, withholdings are applied according to the established percentages regardless of whether the client is a withholding agent or not.

It is important to consider that in the web link <https://www.sri.gob.ec/formularios-e-instructivos1>, in the section "Simplified Transactional Annex (ATS)", in the field "Taxpayer's Guide" you will find the "ATS Catalog - 3.58 MB (update date: March 05, 2024)" where you will be able to download and view the document in Excel format.

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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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