



Ecuadorian Tax Overview and Q&A

Presented by

*Sara Chaca of Ecuador Visas &
Jessica Figueroa of Accro Corp*

February 28th, 2024

We serve the expats community.

Today's presenters



Attorney Sara Chaca
CEO, Attorney
Ecuador Visas



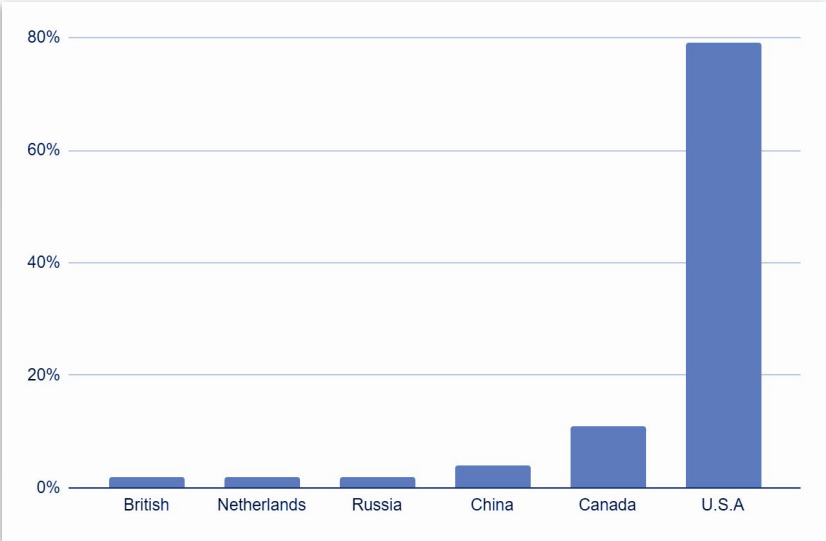
Jessica Figueroa
Owner, CPA
Accro Corp

Agenda

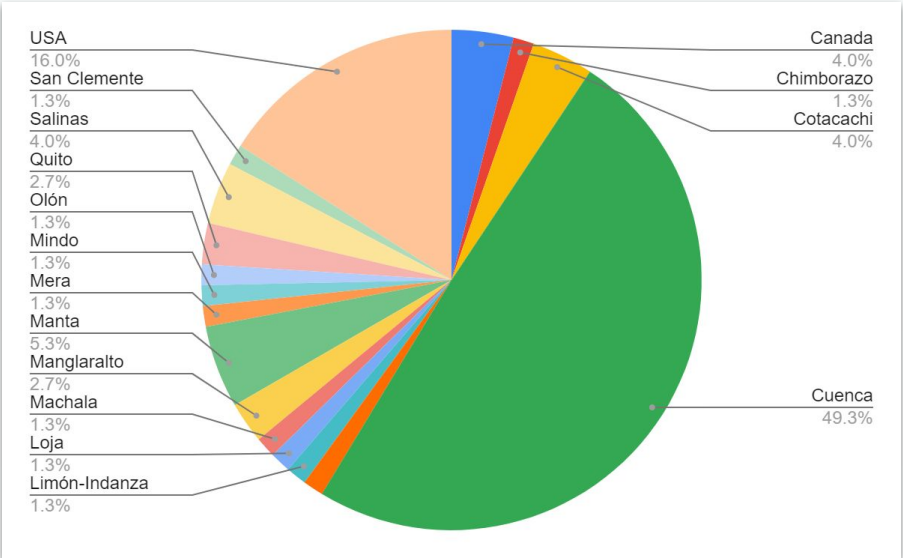
1. Introductions
2. Overview and Q&A (Jessica F.)
 - Ecuadorian tax system
 - Personal income tax | Asset annex reporting
 - Sales/IVA Refund
3. Overview and Q&A (Sara C.)
 - Remittance/exit tax
 - Property tax
 - Business tax
 - Other taxes (household workers | digital nomads | Inheritance, etc.)
4. Live Q&A (Time Permitting)

Participants of this webinar

Your Original Home Country



Where you live now



This webinar is NOT about the tax laws in your home country. Please consult your home country CPA for tax returns that need to be filed in your home country.

Agenda

1. Introductions

2. Overview and Q&A (Jessica F.)

- Ecuadorian tax system
- Personal income tax | Asset annex reporting
- Sales/IVA Refund

3. Overview and Q&A (Sara C.)

- Remittance/exit tax
- Property tax
- Business tax
- Other taxes (householder workers | digital nomads | Inheritance, etc.)

4. Live Q&A (Time Permitting)

Ecuadorian Tax At a Glance



E C U A D O R V I S A S

Overview

- Corporate income tax - Due in April
- Personal income tax - Due in March
- VAT (sales tax) - Due monthly for service/goods providers
- Withholding taxes (for dividend/interest/royalties) - Due monthly
- Capital gains tax (for transfer of equity shares) - Varies
- Inheritance/gift tax - Varies
- Property tax - Varies by by local government

Q&A

1. How does Ecuadorian tax system work in general? How does it fund its infrastructure and programs?
2. Overview of Ecuador Tax reporting threshold and deadlines?
3. Please explain the taxation system in Ecuador: timelines, what documents I need to collect, where do I file taxes, etc.

Personal Income Tax

Overview

- A tax resident of Ecuador is defined as a person who stays in Ecuador for more than 183 days in a calendar year.
- An individual is required to file Ecuadorian Tax if Ecuadorian sourced gross income exceed 0% income tax bracket. (for 2024, it is \$11,902 - **Refer to Appendix A**)
- However, you may need to pay Ecuadorian tax if your taxable income exceeds \$30,000 after deductions.
- Taxable income is income from Ecuadorian sources includes earnings from labor, professional, commercial, industrial, agricultural, mining, service-related, and other economic activities conducted within Ecuador. The law specifies which income is taxable and which is exempt.
- Personal income tax is filed in March and specific date of the deadline depends on your cedula ID or RUC.
- Deductions are allowed but have limits.



E C U A D O R V I S A S

Q&A

1. Are there any personal tax differences between the statuses of Permanent Resident and Citizen?
2. Do we need to pay Ecuadorian taxes on interest earned from our CDs (including investor visa CDs) in Ecuadorian banks? Do I need to pay US taxes on these CD interest?
3. What is the minimum taxable income in Ecuador? If our only Ecuador income is from CD investments, and the interest income per person is less than the minimum taxable income, do we need to file taxes at all?
4. What is the threshold for declaring tax and the practicalities of doing it - WHERE is this declaration made and do I need an account somewhere?
5. Do I need to pay taxes for foreign sourced income (e.g. 100% US sourced income such as social security)
6. What are Expat's tax filing obligations on income earned in Ecuador?
7. Is rent received for a property in the US, is the income taxable in the US? (I'm retired, it that matters)



Asset Annex Reporting

Overview

- Individuals with total assets exceeding 20 tax-exempt basic fractions must annually submit their asset information as of January 1st. (\$238,000 for single)
- If assets are shared in a conjugal or de facto union, a joint declaration is required for combined assets exceeding 40 basic fractions. (\$476,00 for married)
- Due May - specific due date depending on cedula id and RUC #s.

Q&A

1. Assets Annex reporting(savings, investments, retirement accounts) value\$ to be reported to if residing in Ecuador.
2. Do Ecuadorian banks have any obligation to report private information to the US IRS about US citizens who have bank accounts in Ecuador? In the US, banks are required to notify the IRS about all accounts with more than \$10,000. For that reason, we are uncertain whether we should keep our Ecuadorian bank account balances under \$10,000 even if we want to invest more in Ecuador. Is that thinking correct?

Sales | IVA Tax and Refund

Overview

- Sales Tax - IVA here, also Known as the Value Added Tax (VAT)
 - The standard VAT rate is 12%
 - Certain goods and services are subject to a 0% rate or are exempt.
 - The 0% rate applies to exports and some specific goods and services
 - Exemptions include health services, education, certain financial services, and others.
 - This includes digital services.
- VAT change starting April 1st, 2024
 - IVA -Increase to 15% (from original 12%) except
 - Construction materials - Decrease to 5% (from original 12%)
- VAT refunds can be requested by
 - Seniors (65 or older) and
 - People with disabilities- % of refund depends on the degree of disability (No longer necessary to have a disability card as the info will be on your cedula.
- The VAT refund is monthly and is calculated based on 12% of two minimum wages (\$460x12%)
 - For 2024, the maximum refund amount is \$ 110.40
 - This may be increased to 15% due to pending IVA increase (\$138)



E C U A D O R V I S A S

Q&A

1. What are the higher IVA taxes going to be on which is coming next month, which items are not included? People may want to advance some purchases.
2. Where could I get help to get IVA refund?

Agenda

1. Introductions
2. Overview and Q&A (Jessica F.)
 - Ecuadorian tax system
 - Personal income tax | Asset annex reporting
 - Sales/IVA Refund
3. Overview and Q&A (Sara C.)
 - Remittance/exit tax
 - Property tax
 - Business tax
 - Other taxes (householder workers | digital nomads | Inheritance, etc.)
4. Live Q&A (Time Permitting)

Remittance/Exit Tax

Overview

- Exit Tax on Foreign Exchange Transactions (ISD)
 - Applies to the transfer of foreign currency abroad, whether in cash, transfers, or other payments.
 - ISD (exit tax) – 5% (from original 3.5%)
- For cash transfers, the taxable base is calculated by
 - Subtracting the equivalent of three Basic Unified Salaries (SUB) of the worker in general (USD 1,380.00 in 2024, which is the exempt value) from the cash amount carried by the person at the time of leaving the country.
- Exemptions
 - Commercial Investments
 - Students studying abroad at institutions recognized by Ecuador. The exemption amount is equivalent to cost directly charged by the institution.
 - Non-resident foreigners entering the country with foreign currency and staying less than 90 days are also exempt from the tax upon exit

Q&A

1. Can an American/Canadian citizen who DOES NOT have residence / visa status in EC, can they open and maintain CDs in Ecuador?
2. What is the process if they want to withdraw the CDs and interest earned, and take it back to their country (USA/Canada)? What are the taxes that will need to be paid to the EC government?
3. What is the process to withdraw money from CD and take it back to US or Canada? How much taxes will need to be paid in Ecuador. If there is a exit tax, does that tax apply only on the portion of interest earned in Ecuador or does this exit tax apply to the principal that was transferred from US / Canada to Ecuador ?
4. What is the process and taxes to be paid if an Ecuadorian resident / Investor Visa holder wants to withdraw all their CD funds and interest earned, and move that money outside EC?
5. What are the Ecuador tax liabilities if money from the sale of a house is repatriated back to the US?

Property Tax

Overview

- Urban Property Tax
 - The property's valuation is considered.
 - Rate is from a min of 0.25% to a max 5%, established by ordinance for each municipal council.
 - Payment Date: From January 1st of the following year until December 31st.
- Rural Property Tax
 - Rate is from a min of 0.25% to a max 3%.
 - Payment Date: March 1st
- Capital Gains Tax
 - Paid by the seller of property
 - Applies to owners of urban properties only
 - 10%, but can be changed by ordinance
 - Discounts available
- Transfer Tax
 - Paid by the buyer at the purchase time.
 - Applies to both urban and rural properties
 - 1% of the purchase price in the contract

Q&A

1. I am in the process of buying a house. What are the normal annual property taxes and are there any other financial concerns I should have?
2. What are the taxes involved in closing a real estate purchase transaction?
3. Is there capital gains tax on the primary residence property ?
4. Is there any tax difference between the owner of a property is a "natural person" vs. a "company"?

- To open a business in Ecuador
 - Choose your business structure
 - Register your business
 - Get a tax ID number (RUC)
 - Register with the local government
 - Register with social security (if you plan to hire employees)
- Business taxes required for small businesses
 - Business license tax
 - Ranging from \$10-\$25,000 (determined by municipality)
 - Business income tax
 - Payroll taxes (social security & public healthcare) if there are employees

1. What is required to start a company that will import Coffee from Panama?
2. What are business tax required for small businesses?

Other Taxes

Overview

- **Household workers**
 - You need to pay payroll taxes for having a domestic employee unless they issue you an invoice with a RUC
 - Additional responsibilities for an employer also include:
 - Employment contract
 - Social security affiliation
 - Payment of 13 and 14th salary
 - Vacations etc.
- **Digital Nomads**
 - The law is NOT 100% clear on this at the moment
 - Tax resident vs. Ecuadorian sourced income
- **Inheritance tax**
 - Must declare within six months of acceptance or deed registration
 - Deductions can be taken for certain expenses associated with the inheritance as such funeral fee, inherited debts, and executor fees. **Refer to Appendix B** for more details.



E C U A D O R V I S A S

Q&A

Household workers

1. Do we owe payroll taxes on payments to household workers?

Digital Nomads

1. Any need to pay taxes as a digital nomad?
2. I am working as a digital nomad in Ecuador for a non-Ecuadorian company. Do I need to report and pay taxes to the Ecuador government?

Inheritance tax

1. What are Inheritance tax requirements?

Misc

1. We have heard IESS is based on income. Is this Ecuadorian income or personal income?
2. Do I need to pay Ecuadorian taxes on Crypto?

Agenda

1. Introductions
2. Overview and Q&A (Jessica F.)
 - Ecuadorian tax system
 - Personal income tax | Asset annex reporting
 - Sales/IVA Refund
3. Overview and Q&A (Sara C.)
 - Remittance/exit tax
 - Property tax
 - Business tax
 - Other taxes (householder workers | digital nomads | Inheritance, etc.)
4. Live Q&A (Time Permitting)

Thank you! ,,

For additional questions and help, please reach out to:



Attorney Sara Chaca
sara@ecuadorvisas.com
www.ecuadorvisas.com



Jessica Figueroa
info@accrocorp.com
www.accrocorp.com

Appendices

Appendix A:

Personal Income Tax Brackets (2024)

IMPUESTO A LA RENTA PERSONAS NATURALES

AÑO 2024			
En dólares			
Fracción Básica (USD)	Exceso hasta (USD)	Impuesto Fracción Básica (USD)	Impuesto Fracción Excedente (%)
0	11.902	-	0%
11.902	15.159	-	5%
15.159	19.682	163	10%
19.682	26.031	615	12%
26.031	34.255	1.377	15%
34.255	45.407	2.611	20%
45.407	60.450	4.841	25%
60.450	80.605	8.602	30%
80.605	107.199	14.648	35%
107.199	En adelante	23.956	37%

Appendix B:

Inheritance Tax Brackets (2024)

HERENCIAS, LEGADOS Y DONACIONES

AÑO 2024

En dólares

Fracción Básica (USD)	Exceso hasta (USD)	Impuesto Fracción Básica (USD)	Impuesto Fracción Excedente (%)
0	76.558	-	0%
76.558	153.115	-	5%
153.115	306.231	3.828	10%
306.231	459.379	19.139	15%
459.379	612.515	42.112	20%
612.515	765.630	72.739	25%
765.630	918.725	111.018	30%
918.725	En adelante	156.946	35%