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Global Tax Alert

News from EY Americas Tax

Ecuador's National Assembly to consider bill that would create new tax to increase funding to combat COVID-19

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Ecuador's President, Lenin Moreno, submitted a bill to Ecuador's National Assembly that would establish a new tax to fund humanitarian support in light of COVID-19.

The National Assembly will analyze the bill and, once approved, will send the bill to the President for his signature. The bill would be enacted once the final version is published in the Ecuadorian *Official Gazette*. While the bill is in the National Assembly, it is subject to changes.

New tax contribution for companies

The bill would impose a 5% tax on an entity's profits of US\$1 million or more. The tax would be calculated on the difference between the taxable income and profit available for distribution in tax year 2018. For entities incorporated on or after 1 January 2019, the results of tax year 2019 would be used to calculate the tax.

The bill would grant exemptions only for entities in economic sectors that have been severely affected by COVID-19. The requirements for obtaining an exemption would be set out in the regulations after the bill is enacted.

Failure to pay this tax could result in a 3% fine for each month the tax remains unpaid, plus interest. The fine would be calculated on the amounts not paid. Entities would not be allowed to claim the tax as a credit or a deduction against other taxes.

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