

# Global Tax Alert

News from EY Americas Tax

## Ecuador requires certain taxpayers to pay estimated income taxes for fiscal-year 2020

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The Ecuadorian President, through an executive decree, has ordered certain taxpayers to pay estimated income taxes for fiscal-year 2020.

### Background

Normally, taxpayers would pay their entire income tax obligation for fiscal-year 2020 in April 2021. Due to the health emergency triggered by COVID-19, the Government believes estimated income tax payments are necessary to address the social and economic effects of the virus.

### Taxpayers required to pay estimated income taxes

The requirement to pay estimated income taxes applies to individuals and companies, including permanent establishments of foreign companies, that:

- ▶ Are subject to income tax
- ▶ Received US\$ 5 million or more in gross income during fiscal-year 2019
- ▶ Earned a profit from January through June 2020

The requirement does not apply to employees, who are already subject to withholding through their employer. For those subject to the requirement, the estimated payments will be considered tax credits. Taxpayers that paid more estimated taxes than they owe on final settlement may request a refund.

## **Taxpayers not required to pay estimated income taxes**

The following taxpayers are not required to pay estimated income taxes:

- ▶ Taxpayers considered “micro, small and medium” companies under Ecuadorian law
- ▶ Taxpayers that are exempt from paying income tax based on their total income for fiscal-year 2020
- ▶ Taxpayers domiciled in Galapagos
- ▶ Airline operators
- ▶ Tourism-related businesses, including tourist accommodations and/or meals
- ▶ Taxpayers in the agricultural sector
- ▶ Regular exporters of goods
- ▶ Taxpayers that earn that 50% of their income from exporting goods
- ▶ Taxpayers in the aquaculture sector

## **Due dates for estimated income tax payments**

Taxpayers have two options for making estimated income tax payments: they can pay the entire estimated income tax on 14 August 2020, or they can pay in three installments. The deadlines for installment payments are as follows:

- ▶ 14 August 2020, for the first installment
- ▶ 14 September 2020, for the second installment
- ▶ 14 October 2020, for the third installment

Payments made beyond those dates will be subject to interest.

## **Voluntary estimated payments**

Taxpayers may voluntarily pay estimated income taxes and have the same payment options as those required to make estimated payments. Taxpayers may also pay more estimated income tax than they owe. Taxpayers paying estimated income taxes voluntarily will be entitled to interest on their estimated payments, with interest running from the date the voluntary payment was made to the due date of the income tax payment.

The Internal Revenue Services will publish on its website the details of the amounts paid voluntarily and the names of those taxpayers.

For additional information with respect to this Alert, please contact the following:

**EY Addvalue Asesores Cia. Ltda., Quito**

- ▶ Javier Salazar [javier.salazar@ec.ey.com](mailto:javier.salazar@ec.ey.com)

**EY Addvalue Asesores Cia. Ltda., Guayaquil**

- ▶ Carlos Cazar [carlos.cazar@ec.ey.com](mailto:carlos.cazar@ec.ey.com)
- ▶ Eduardo Góngora [eduardo.gongora@ec.ey.com](mailto:eduardo.gongora@ec.ey.com)

**Ernst & Young LLP (United States), Latin American Business Center, New York**

- ▶ Ana Mingramm [ana.mingramm@ey.com](mailto:ana.mingramm@ey.com)
- ▶ Enrique Perez Grovas [enrique.perezgrovas@ey.com](mailto:enrique.perezgrovas@ey.com)
- ▶ Pablo Wejcman [pablo.wejcman@ey.com](mailto:pablo.wejcman@ey.com)

**Ernst & Young Abogados, Latin America Business Center, Madrid**

- ▶ Jaime Vargas [jaime.vargas.c@es.ey.com](mailto:jaime.vargas.c@es.ey.com)

**Ernst & Young LLP (United Kingdom), Latin American Business Center, London**

- ▶ Lourdes Libreros [lourdes.libreros@uk.ey.com](mailto:lourdes.libreros@uk.ey.com)

**Ernst & Young Tax Co., Latin American Business Center, Japan & Asia Pacific**

- ▶ Raul Moreno, *Tokyo* [raul.moreno@jp.ey.com](mailto:raul.moreno@jp.ey.com)
- ▶ Luis Coronado, *Singapore* [luis.coronado@sg.ey.com](mailto:luis.coronado@sg.ey.com)

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