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# Global Tax Alert

News from EY Americas Tax

## Ecuador requires certain taxpayers to pay all estimated income taxes for tax year 2020 by 11 September 2020

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In another decree (Executive Decree 1137), Ecuador's President has required certain taxpayers to pay all their estimated income taxes for tax year 2020 on or before 11 September 2020.

### Background

In July 2020, the President issued Decree 1109, which required certain taxpayers to pay all estimated income taxes for tax year 2020 on 14 August 2020 or in three installments with the first installment due on that date. See EY Global Tax Alert, [Ecuador requires certain taxpayers to pay estimated income taxes for fiscal-year 2020](#), dated 30 July 2020.

In August 2020, the Constitutional Court of Ecuador declared the order unconstitutional, finding that there was no link between the emergency the country was facing and the advanced collection of estimated income tax. Additionally, it was unclear whether the income that the Government would receive from this measure would be applied exclusively to cover the expenses related to the pandemic. See EY Global Tax Alert, [Ecuadorian Constitutional Court declares unconstitutional executive decree requiring estimated income tax payments for fiscal year 2020](#), dated 17 August 2020.

Considering the observations and findings of the Constitutional Court, the President issued another decree requiring certain taxpayers to pay all estimated taxes for tax year 2020 on or before 11 September 2020, instead of in April 2021. Unlike the previous decree, the new decree provides an explanation

and detailed description of the amount of income required to cover the expenses resulting from the pandemic. It also explains that this measure will be exclusively used to cover the expenses related to the health and sanitary needs of the COVID-19 pandemic.

### **Estimated income taxes**

Through Executive Decree 1137, the Ecuadorian President ordered individuals and companies, including permanent establishments of foreign companies, to pay estimated income taxes for tax year 2020 if they:

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

### **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 tax year 2020
- ▶ Taxpayers domiciled in the Galapagos
- ▶ Airline operators

- ▶ Tourism-related businesses, including tourist accommodations or restaurants
- ▶ Taxpayers in the agricultural sector
- ▶ Regular exporters of goods
- ▶ Taxpayers that earn 50% of their income from exporting goods
- ▶ Taxpayers in the aquaculture sector

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

Taxpayers should make the estimated income tax payment on or before 11 September 2020. Payments made beyond that date will be subject to interest. Taxpayers may not request an installment payment agreement for the estimated tax payment.

### **Voluntary estimated payments**

Taxpayers may voluntarily pay estimated income taxes on or before 11 September 2020. Taxpayers may also pay more estimated income tax than they owe. Taxpayers voluntarily paying estimated income taxes 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 Service will publish on its website the details of the amounts paid voluntarily and the names of those taxpayers.

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