COMENTARIOS A LAS REFORMAS A LA LEY DE RÉGIMEN TRIBUTARIO INTERNO PLANTEADAS EN EL PROYECTO DE "LEY ORGÁNICA DE EFICIENCIA ECONÓMICA Y GENERACIÓN DE EMPLEO"

LINCE-SALTOS & ASOCIADOS SOLUCIONES LEGALES

Art. Affected	Current LRTI	Reform proposal	Comments observations
3.2	There is no numeral 3.2 in article 8	Article 3 In article 8, following section 3.1. include the following numeral: *"3.2. The profit received by companies and natural persons, tax residents in Ecuador, in the purchase and sale of virtual and/ or digital assets"*	These transactions would be incorporated as part of taxed income.
4.1, literals c) and d)	Art 4.1.- Tax residence of natural persons.- Natural persons who are in any of the following conditions will be considered tax residents of Ecuador, in reference to a tax year: (…) c) The main core of its activities or economic interests resides in Ecuador, directly or indirectly. A natural person will have the main core of their activities or economic interests in Ecuador, as long as they have obtained from it, in the last twelve months, directly or indirectly, the highest value of income with respect to any other country, valued at the rate average change of the period. Likewise, a natural person will be considered to have the main core of their economic interests in Ecuador when the greatest value of their assets is in Ecuador. It will be presumed that a natural person has the main core of its activities or economic interests in the country, when it is the owner, directly or indirectly, of assets located in Ecuador, including rights representing capital of resident companies or establishments. permanent assets in the country, for a value greater than one million United States dollars (USD 1 million), and said natural person, at any time prior to or during the relevant fiscal year, has: Yo. Been a tax resident of Ecuador;	Article 4.- Eliminate literals c) and d), of article 4.1 of the Internal Tax Regime Law, and in their place incorporate the following: *"c) The main core of its activities or economic interests resides in Ecuador, directly or indirectly, and it has not been proven that it maintains tax residence in a jurisdiction that is not classified as a tax haven, preferential regime, or lower tax jurisdiction. A natural person will have the main core of their activities or economic interests in Ecuador, as long as they have obtained from it, in the last twelve months, directly or indirectly, the highest value of income with respect to any other country, valued at the rate average change of the period.* *Likewise, a natural person will be considered to have the main core of their economic interests in Ecuador when the greatest value of their assets is in Ecuador. It will be presumed that a natural person has the main core of its activities or economic interests in the country, when it is the owner, directly or indirectly, of assets located in Ecuador, including rights representing capital of resident companies or permanent establishments in Ecuador. the country, for a value greater than one million dollars of the United States of America (USD 1 million), unless the taxpayer can prove tax residence in another country that is not a tax haven or lower tax jurisdiction."*	a.- The current law does not mention specific conditions related to tax havens or lower tax jurisdictions. With the project a condition is added when it is established that a natural person is not considered a tax resident in Ecuador if he maintains tax residence in a jurisdiction that is not classified as a tax haven, preferential regime or lower tax jurisdiction. b.- In the current law, the presumption of tax residence is based on the ownership of assets in Ecuador worth more than one million dollars, with the possibility of proof to the contrary. with the project The same presumption is maintained, but it adds that the taxpayer can prove tax residence in another country that is not a tax haven or lower tax jurisdiction to counteract said presumption. c.- The criterion of permanence of more than one hundred and eighty-three (183) calendar days, consecutive or not, in the tax year is eliminated.

	ii. Had Ecuadorian nationality or residence permanent in Ecuador, or iii. Acted as legal representative or attorney-in-fact of a company resident in Ecuador or of an establishment permanent in Ecuador, of a non-resident company; The presumption referred to in this section admits evidence to the contrary. Without prejudice to the foregoing, the natural person will be obliged to pay income tax in Ecuador for income from Ecuadorian sources obtained during a tax year, even when their tax residence is in another jurisdiction. The natural person may prove to the tax authority the payment of income tax in other jurisdictions in accordance with the agreements to avoid double taxation duly ratified by Ecuador. In the event that the tax paid by the natural person is lower than the rate that would have been payable in Ecuador in accordance with the table contained in this law, the natural person must pay the difference in Ecuador; d) Has not stayed in any other country or jurisdiction for more than one hundred eighty-three (183) calendar days, consecutive or not, in the tax year.		
Final part of Art. 4.1	There is no unnumbered article after Art. 4.1	Article 5.- Incorporate the following unnumbered article after article 4.1: *"Art. ...Temporary tax residence.- Non-tax residents who, as of this reform, decide to enter Ecuador, with any type of immigration regime, will be able to apply during the 120 days of their entry to the special regime called temporary tax residence, which will grant you a special tax residence, through which you will be obliged to pay all indirect taxes contained in the legal system, but will limit the payment of income tax to income that is exclusively generated from an Ecuadorian source, applying*	In the article corresponding to the tax residence criteria, the figure of "temporary tax residence" would be incorporated. It would allow non-tax residents who enter the country to limit their income tax only to income from Ecuadorian sources for five years. It requires a minimum investment of $150,000 or proven income of $2,500 per month and does not require you to declare assets or global income. Beneficiaries must pay all indirect taxes. The income tax is limited only to income generated from sources

		the deductible costs and expenses that may arise, being excluded from the payment of Income Tax in Ecuador, all income, assets or liabilities, coming from sources other than territorial ones. *The temporary tax residence will be valid for 5 years from the date of entry, and the only requirement will be that one of the following elements be met:* *• Make a minimum investment in real estate or productive activity of USS 150,000 and maintain it for at least five years after entering the country,* *• Have a proven income of 2,500 per month. on which you should not pay taxes in Ecuador and will be required to join social security.* *In specific cases defined by the regulations, temporary tax residence may be accessed by those who remain in Ecuador for more than 120 days during: a) the corresponding fiscal year, or, b) for twelve consecutive months, regardless of whether said months correspond to different fiscal years.* *The temporary tax resident will not have the obligation to make a property declaration, will not incur income tax in Ecuador for inheritances, except for those assets that are located in Ecuador, nor will he have the obligation to present his global income, nor in an informative manner. "*	Ecuadorians, applying the corresponding deductible costs and expenses. Income, assets or liabilities from foreign sources are excluded from income tax in Ecuador.
Final part of Art. 9	Art. 9.1 does not exist	Article 6.-After article 9, add the following article: *"Art. 9.1.- Taxpayers who are user operators or users of Free Zones qualified under the Organic Production Code. Commerce and Investments, and their respective Regulations, will enjoy a rate of 0 percent (0%) Income Tax for the first five (5) years of declaration from the first year. Subsequently, user operators and users will enjoy a fixed rate of fifteen percent (15%) for the payment of Income Tax for the remaining time of their declaration as user operator and user of the Free Zone.* *In the case of Ecuadorian companies, the benefits described in this article will only be applicable when*	Users of Free Zones in Ecuador, according to the Organic Production Code, would benefit of a 0% Income Tax exemption for the first five years, and then a flat rate of 15%. This benefit would apply only to new Ecuadorian companies, created specifically for investments in Free Zones.

		resources allocated to investments in Free Zones come from new companies, established for this purpose, after the issuance of this bill."	
Final part of Art. 9	Art. 9.2 does not exist	Article 7.- Following Article 9, incorporate it as article 9.2. the next: *"Art. 9.2. Exemption from income tax for new productive investments focused on transition and energy security, which will be the generation of non-conventional renewable energy and industrialization of natural and associated gases in Ecuador - New productive investments, in accordance with the definitions established in paragraphs a) and b) of article 13 of the Organic Code of Production, Commerce and Investment, which are carried out in projects focused on transition and energy security that will be the generation of non-conventional renewable energy and industrialization of natural and associated gases in Ecuador, will have the right to the exemption from income tax for 10 years, counting from the first year in which income is generated that is directly and solely attributable to the new investment.* *In all cases, the accumulated Income Tax exemption will not exceed in any case the total amount of the investment. The mere change of ownership of productive assets that are already in operation or operation does not imply new investment for the purposes of what is stated in this article.* *In the event that non-compliance with the necessary conditions for the application of the exemption provided for in this article is verified, the Tax Administration, in the exercise of its legally established powers, will determine and collect the corresponding income tax values, without prejudice to the sanctions that may apply. "No registrations, authorizations or requirements of any other nature will be required to enjoy this benefit."*	New investments in Ecuador focused on Non-conventional renewable energies and the industrialization of natural gases would enjoy exemption from income tax for 10 years. This exemption will not exceed the total invested. Failure to comply with the required conditions entails retroactive payment of the tax and possible penalties. No additional registrations are required to access this benefit.
	Art. 9.- Exemptions.- For the purposes of determining and liquidating income tax, exclusively the following income is exempt:	Article 8.- In section 15.1 of article 9, add the following after the third paragraph:	This article considers as exempt income the returns and benefits obtained by natural persons and companies, whether resident or not in the

	(...) 15.1.- The returns and benefits obtained by individuals and companies, resident or not in the country, from fixed-term deposits in national financial institutions, as well as from investments in fixed income securities that are traded through the stock exchanges. of the country or the Special Stock Registry, including the returns and benefits distributed by commercial investment trusts, managed funds or investment collectives and complementary funds originating from this type of investments. For the application of this exemption, fixed-term deposits and fixed income investments must be issued for a period of 180 calendar days or more, and remain in the possession of the holder who benefits from the exemption for at least 180 days continuously. In the case of commercial investment trusts, managed or collective investment funds and complementary funds, the minimum permanence period of the investments established in the constitutive contract or in their internal regulations must be 180 calendar days or more. and the owner of the units or quotas must maintain them at least for the same period indicated here, continuously. This exemption will not be applicable in the event that the recipient of the income is a direct or indirect debtor of the institutions in which the deposit or investment is maintained, or of any of its affiliates; as well as in operations between parties related by capital, administration, direction or control. Partial payments of the returns mentioned in this section, which are credited in maturities or gradual payments prior to the minimum holding period, are also exempt as long as the investment has been executed in compliance with the requirements set forth in this section.	*"For the purposes of applying this exemption, the recipient of the income will not be considered to be a debtor, directly or indirectly, if the debt corresponds to the use of credit cards, regardless of whether the type of consumption is current, deferred or if it is an advance. of cash, nor will the expiration of said obligations be taken into account."*	country, fixed-term deposits in national financial institutions and investments in fixed-income securities traded on the country's stock exchanges or in the Special Stock Registry. This also includes the returns distributed by commercial investment trusts, managed funds, investment collectives and complementary funds originating from these investments. With the application of the proposed reform, the debt caused by the use of credit cards does not disqualify the recipient of the income for exemption, regardless of the type of consumption or maturity of the obligations.

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<td>Art. 10</td>
<td>There is no numeral 9.2 in Art. 10</td>
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Article 9.- In article 10, make the following reforms:

I. After section 9.1, add the following text:

"9.2.- Percentage of additional deduction for the increase in new jobs with fixed-term or indefinite-term contracts, that is, the net addition of jobs as established in the regulations, intended for the hiring of young citizens between the ages of eighteen (18) and twenty-nine (29) years of age. This additional deduction applies to the expense of salaries and wages for which contributions have been made to social security in appropriate cases. Employment contracts must be registered with the Ministry of Labor. The additional deduction will be applied according to the following table:

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<tr><th>Plazas Nuevas</th><th>Porcentaje de deducción adicional</th></tr>
<tr><td>12</td><td>20%</td></tr>
<tr><td>25</td><td>30%</td></tr>
<tr><td>50</td><td>40%</td></tr>
<tr><td>100</td><td>50%</td></tr>
<tr><td>200</td><td>60%</td></tr>
<tr><td>300</td><td>70%</td></tr>
<tr><td>400</td><td>80%</td></tr>
<tr><td>500</td><td>90%</td></tr>
</table>

Only employers who have hired young people under a dependency relationship for a minimum period of one year ending at the end of the corresponding fiscal year may benefit from this deduction.
An additional percentage point will increase if at least one graduate from Ecuadorian public universities is hired within the group of new jobs.

In the event of termination of the employment relationship for any reason, this tax incentive could continue to be applied as long as the job position is filled by another worker in the same age range.
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Article 10 refers to the criteria required for for an expense to be considered deductible. With the proposed law, employers in Ecuador could access additional deductions that would range from 20% to 90%, for hiring young people between 18 and 29 years old, with fixed-term or indefinite-term contracts registered with the Ministry of Labor.
This deduction applies to salary and salary expenses with social security contributions. An employment relationship of at least one year is required and cannot be accumulated with other deductions for the same article.
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		The additional deduction provided for in this section will not be cumulative with the additional deductions referred to in section 9 of this article, and will not be applicable in the case of hiring citizens up to 29 years of age who have been dependent on the same employer. of relatives within the fourth degree of consanguinity and second degree of affinity of the employer, shareholders or legal representatives or of parties related to the employer in the three years prior to their hiring.	
Art. 10	There is no numeral 9.3 in Art. 10	*"9.3. An additional deduction of 50% of the remuneration and other social benefits generated by the hiring under a dependency relationship of people who have been sanctioned with custodial sentences in Ecuador whose duration would have been greater than one year or their spouses is granted. or couples in a de facto union.* *To benefit from this deduction, the employer must be up to date with its obligations with the Internal Revenue Service, the Ecuadorian Social Security Institute and the Ministry of Labor.* *Only employers who have hired under a dependency relationship for a minimum period of one year with a cut-off at the end of the fiscal year corresponding to citizens in conflict with criminal law who have been deprived of their liberty in the rehabilitation system may benefit from this deduction. social security for more than one year or to their spouses or partners in a de facto union.* *The deduction will be increased by an additional fifty percent (50%) if people who have been sentenced under a criminal authority are hired.* *judged.* *The additional deduction provided for in this section will not be cumulative with the additional deductions referred to in section 9.2. of this article, and will not be applicable in the case of hiring citizens who have been deprived of their liberty in the social rehabilitation system for more than one year and who have been dependent on the same employer, of relatives within the fourth degree of consanguinity. and second of affinity of the employer, shareholders or*	With this proposal, employers could deduct an additional 50% from salaries for hiring people previously deprived of liberty for more than one year or their spouses. They require being up to date with tax and social security obligations, and maintaining the employment relationship for at least one year. This deduction is not cumulative with others of the same article and has specific restrictions.

		legal representatives or parties related to the employer in the three years prior to their hiring."	
Art. 10	Art. 10.- Deductions.- In general, for the purpose of determining the tax base subject to this tax, expenses and investments made with the purpose of obtaining, maintaining and improving income from Ecuadorian sources that are not exempt will be deducted. . In particular, the following deductions will apply: (...) 14.- Expenses accrued and pending payment at the end of the year, exclusively identified with the normal course of business and that are duly supported by contracts, invoices or sales receipts and by mandatory legal provisions; and,	Article 9.- In article 10, make the following reforms: (...) 2. Replace numeral 14 with the following text: *"14. Those generated by a sale of real estate carried out within a period of five years by natural persons, provided that it is real estate intended for housing, including its accessory assets such as parking lots, warehouses and similar, and land. For the purposes of this Law, occasional disposal is considered to be that which does not correspond to the ordinary course of business or the usual activities of the taxpayer."*	**We consider that the text contained in this part of the analysis is an error.** As can be seen, article 10 refers to the criteria applicable to deductible expenses, in its current section 14, the parameters are established so that expenses in general can be valid as deductible. We presume that the text referred to in this part of the bill refers to a reform of section 14 but of Art. 9, which refers to exempt income. If this is the case, it refers to the income generated by the sale (disposal) of real estate, provided that the sale occurs within a period of five years. This exemption would apply only if the properties are intended for housing, including accessory assets such as parking spaces, warehouses and associated land.
Art. 10	There is no numeral 15.1 in Art. 10	Article 9.- In article 10, make the following reforms: (...) 3. Replace section 15.1 with the following text: *"The returns and benefits obtained by individuals and companies, resident or not in the country, from fixed-term deposits in national financial institutions, as well as from investments in fixed income securities that are traded through the country's stock exchanges. or the Special Stock Registry, including the returns and benefits distributed by commercial investment trusts, managed funds or investment collectives and complementary funds originating from this type of investments.* *For the application of this exemption, fixed-term deposits and fixed income investments must be issued for a period of 360 calendar days or more. and remain in the possession of the holder who benefits from the exemption for at least 360 days continuously. In the case of trusts*	Similar to our previous comment, we consider **that the text contained in this part of the analysis is an error.** As can be seen, article 10 refers to the criteria applicable to deductible expenses; there is no section 15.1 that can be replaced. We presume that the text referred to in this part of the bill refers to a reform of section 15.1 but of Art. 9, which refers to exempt income for profits obtained in financial investments. The main change lies in the investment period required to qualify for the exemption, with the bill this period would be extended to 360 days, currently that period is 180 days for certain investments.

		commercial investment funds, managed or collective investment funds and complementary funds, the minimum permanence period of the investments established in the constitutive contract or in the internal regulations of the same, must be 180 calendar days or more and the owner of the units or quotas must maintain them at least for the same period indicated here, continuously. *This exemption will not be applicable in the event that the recipient of the income is a direct or indirect debtor of the institutions in which the deposit or investment is maintained, or of any of its affiliates; as well as in operations between parties related by capital, administration, direction or control."*	
Art. 10	Art. 10.- Deductions.- In general, for the purpose of determining the tax base subject to this tax, expenses and investments made with the purpose of obtaining, maintaining and improving income from Ecuadorian sources that are not exempt will be deducted. . In particular, the following deductions will apply: (...) 18.- Expenses related to the acquisition, use or ownership of vehicles used in the exercise of the economic activity that generates income are deductible, such as: (...) 2) Costs or expenses derived from commercial lease or leasing contracts, in accordance with generally accepted accounting and financial standards and principles.	Article 9.- In article 10, make the following reforms: (...) 4. Replace number 2) of section 18 with the following text: *"2) Costs or expenses derived from commercial lease contracts, renting, leasing or any similar figure, in accordance with generally accepted accounting and financial standards and principles."*	The possibility of deduction for renting or any similar figure whose purpose is the rental of vehicles is extended.
Art. 10	19. The costs and expenses for promotion and advertising in accordance with the exceptions, limits, segmentation and conditions established in the Regulations. Taxpayers who market prepared foods with hyper-processed content may not be able to deduct the costs and expenses for promotion and advertising. The	5. Replace numeral 19 with the following text: *"19. The costs and expenses for promotion and advertising in accordance with the exceptions, limits, segmentation and conditions established in the Regulations.* *Taxpayers who market prepared foods with ultra-processed content, defined as such by the competent authority, will not be able to deduct the costs and expenses.*	The current law prohibits the deduction of advertising costs and expenses for taxpayers who market hyperprocessed foods. With the bill, similarly, it prohibits the deduction for ultra-processed foods, but adds that if the taxpayer also produces/markets other goods or services,

	definition criteria for this and other exceptions established in the Regulations, will consider the technical reports and definitions of the health authority when appropriate.	*for advertising If the taxpayer also produces and/ or markets goods or services other than those indicated in the previous section, he or she may proportionally deduct the advertising expense with respect to these goods or services. The conditions for determining proportionality will be incorporated in the Regulations to this law.*	You can deduct advertising expenses proportionally. The current law offers an additional 150% deduction in advertising, promotion and sponsorship in favor of athletes and sports programs, low-income students, and educational or non-profit entities focused on child nutrition and care of pregnant mothers. With the bill, this benefit is extended to basic and high school educational entities in rural and marginal areas, non-profit entities dedicated to people with disabilities, and entities focused on catastrophic diseases and orphans. or rare, and cancer.
	An additional one hundred and fifty percent (150%) will be deducted for the calculation of the tax base of income tax, advertising, promotion and sponsorship expenses, carried out in favor of athletes, and programs, projects or sporting events qualified by the governing entity competent in the matter. The regulations to this law will define the technical parameters and formal requirements to be met to access this additional deduction. The additional deduction provided for in this article will also be applied to the values that, directly or through educational institutions, are delivered for the granting of scholarships or aid to low-income students in dual training and third or fourth level educational institutions. Likewise, sponsorships made to basic and high school educational entities destined for scholarships, food, infrastructure, in public and public schools and colleges. The same benefit will be applied to sponsorships granted to non-profit entities whose activity focuses on the eradication of malnutrition. child care and care of pregnant mothers, previously qualified and coordinated by the governing entity competent in the matter. The programs and projects described in this section must be qualified by the governing entity competent in the matter.	*An additional one hundred and fifty percent (150%) will be deducted for the calculation of the income tax tax base, advertising, promotion, sponsorship and/ or sponsorship expenses, carried out in favor of:* *to Athletes, and sporting programs, projects or events qualified by the governing entity competent in the matter;* *b. Low-income students in dual training, third or fourth level, destined for scholarships or living expenses qualified by the Secretary of Higher Education. Science.* *Technology and Innovation, directly or through educational institutions, trusts exclusively created for this purpose, or non-profit legal entities with a total or partial purpose focused on education;* *c. Educational entities at the basic and high school level, public or fiscommissional, qualified by the Ministry of Education, intended for scholarships, food and infrastructure. It also applies to private educational entities at the basic and high school level that are located in rural and marginal urban areas;* *d. Non-profit entities whose activity focuses on the eradication of chronic childhood malnutrition and care for pregnant and lactating mothers, qualified by the governing entity in the matter;* *and. Non-profit entities whose activity focuses on caring for people with disabilities, qualified by the governing entity in the matter; and,* *F. Non-profit entities whose activity focuses on care for people with catastrophic, orphan or rare diseases, or comprehensive cancer care, qualified by the governing entity in the matter.* *The regulations to this law will define the parameters and requirements to be met to access this additional deduction.*	

	Taxpayers who, through the application of these benefits, intend to take the expense improperly, will pay a fine equivalent to 100% of the value of the expense from which they would have benefited, without prejudice to any criminal actions that may arise.	*Taxpayers who, through the application of these benefits, take the expense improperly, will pay a fine equivalent to 100% of the value of the expense from which they would have benefited, without prejudice to any criminal actions that may arise."*	
After Art. 15, article innumerable fifth	Art. ... (5).- Taxpayers who carry out operations with related parties will be exempt from the application of the transfer pricing regime when: - Have a tax liability greater than three percent of their taxable income; - Do not carry out operations with residents in tax havens or preferential tax regimes; and, - Do not maintain a contract signed with the State for the exploration and exploitation of non-renewable resources.	Article 10.- In article 15, eliminate the article numbered fifth and add the following text: *"Article (…).- Taxpayers who carry out operations with related parties will be exempt from the application of the transfer pricing regime when:* *• Have a tax liability greater than three percent of their taxable income;* *• Do not carry out operations with residents in tax havens or preferential tax regimes; and,* *• Do not maintain a contract signed with the State for the exploration and exploitation of non-renewable resources."*	**We consider this to be another error in the bill,** because no significant differences are observed in its content. Both texts establish the same conditions under which taxpayers are exempt from applying the transfer pricing regime in operations with related parties.
Art. 25	Art. 25.- Presumptive determination by coefficients.- When it is not possible to make the presumptive determination using the elements indicated in the preceding article, general presumptive estimation coefficients will be applied, by branches of economic activity, which will be set annually by the General Director of the Internal Revenue Service, through a Resolution that It must be issued in the first days of January of each year. These coefficients are They will be established based on the own and third-party capital used by taxable persons, the information obtained from taxable persons operating under similar conditions and other indicators that are deemed appropriate.	Article 11.- Article 25 be replaced with the following text: *"which must be issued in the first days of January of each year", by: "which must be issued until July 31 of each year and can be updated in the first days of January of the following year if necessary. "*	**We consider that there is a drafting error in the bill,** because it is read and understood that the entire content of Art. 25 is replaced, when it only refers to a part of it, in particular the period that the SRI has to publish annually the presumptive estimation coefficients. After the clarification that must be made, Art. 25 would read as follows: 25.- Presumptive determination by Art. coefficients.- When it is not possible to make the presumptive determination using the elements indicated in the preceding article, general presumptive estimation coefficients will be applied, by branches of economic activity, which will be set annually by the General Director of the Internal Revenue Service, through a Resolution that must be issued until July 31 of each year and may be updated in the first days of January of the following year if necessary. These coefficients will be set taking

			as a basis the own and third party capital used by taxable persons, the information obtained from taxable persons operating under similar conditions and other indicators deemed appropriate.
Article innumerable after Art. 37	This unnumbered article does not exist after Art. 37	Article 12.- Following article 37, add the following unnumbered article: *"Art. ... Tax Stability.- All taxpayers may benefit from the tax stability system, in accordance with the procedure established in the regulations, with respect to the general income tax regime for 5 years in exchange for the increase in the general rate that corresponds to the company in 2 percentage points for each year. To benefit from this benefit, the taxpayer must comply with at least the effective tax rate of the sector to which they belong established by the Internal Revenue Service through Regulations. Taxpayers who take advantage of this system may renounce it if they consider that a subsequent reform is more favorable to them, but they will not have the right to a refund of what they paid until the fiscal year in which they exercise said waiver.*	This article would offer taxpayers an option for stability in the income tax rate, a change from an increase in their rate. This can be a benefit for companies seeking fiscal certainty in the medium term, although it implies an additional cost to their tax burden. In addition, it provides flexibility to leave the system if more favorable conditions arise, although without the possibility of recovering additional payments already made.
Art. 45	The figure of self-withholding by large taxpayers does not exist in the current law.	Article 13.- At the end of article 45, add the following text: *"Companies considered as Large Taxpayers by the Tax Administration will not be subject to withholding at the source of income tax by any withholding agent, except:* *1. Contractors providing services for the exploration and exploitation of hydrocarbons in payments made by the Ecuadorian State.* *2. Income originating from contracts concluded between a large taxpayer with entities and organizations of the central government, its deconcentrated bodies and its public companies; and,* *3. Income from contracts made between a large taxpayer and the entities and organizations of the decentralized rural parish autonomous governments,*	not Large Taxpayer companies are generally subject to income tax withholdings at source by other withholding agents, except for the exceptions described in the proposed law. Large Taxpayer companies must make a monthly self-withholding of Income Tax on the total of their taxed income obtained in those months. The percentage of this self-withholding will be established by resolution and may not exceed 3%. This amount will constitute a tax credit when paying your annual income tax. If the Large Taxpayer cannot differentiate taxed income from exempt income, self-withholding

		cantonal, metropolitan and provincial bodies, including their decentralized bodies and public companies. *4. Income from contracts made between a large taxpayer and social security entities.* *Large Taxpayer companies must self-withhold Income Tax on a monthly basis on the total of their taxed income obtained within said month, the percentage of which will be established via a general resolution. The value may not exceed 3% and will constitute a tax credit at the time of settling your income tax.* *In the event that the Large Taxpayer cannot differentiate between taxed and exempt income, this self-withholding will be calculated on the entire income received monthly.* *This advance will be settled and paid in the form provided by the Internal Revenue Service for the declaration of withholdings at source.* *Companies that: in accordance with this Law, are in charge of another advance payment regime or are subject to a special regime for the settlement of income tax.* *Those Large Taxpayers who have economic activity of marketing or distribution of goods or services under the modality of commissions and similar, will consider the value of the commission as income; "If you have economic activities other than the marketing or distribution of goods or services, self-withholding must be made on the total taxable income."*	It will be calculated on the entire monthly income received. Companies that are under another advance payment regime or subject to a special regime for the settlement of income tax are exempt from self-withholding.
Art. 72	The proposed unnumbered article does not exist.	Article 14.- After article 72, add the unnumbered article, with the following text: *"Art (...) VAT paid on real estate projects.- Individuals and companies that have paid VAT on local acquisitions or imports of goods and services for the construction of real estate projects, have the right to have this tax refunded, without interest, in a period of no more than 90 days, through the issuance of the respective credit note, provided that its tax rate*	**Beneficiary Subjects:** The article applies to both individuals and companies that have incurred VAT expenses for the acquisition of local or imported goods and services used in the construction of real estate projects. **Right to VAT Refund:** These subjects have the right to receive a refund of the VAT they have paid in relation to said projects. This means that they can recover the cost of VAT that they have paid in the construction process.

		effective (TIE) is framed within the regulations that are established in the regulations of this law."	**Deadline for Refund:** The refund must be made within a period of no more than 90 days. This implies that the Tax Administration has the obligation to return the VAT in said period, which provides temporary financial relief to the taxpayers involved. **Refund Method:** Refund will be made by issuing a credit note. This means that the amount of VAT paid will be credited in favor of the taxpayer, possibly to be used in future tax payments or otherwise. nature as established by law. **Effective Tax Rate (TIE) Condition:** To qualify for this refund, the taxpayer's effective tax rate (TIE) must be within the limits established in the regulations of the law. This implies that only taxpayers who meet certain effective tax rate criteria, which will be detailed in the regulations, will be eligible for the refund. **Additional Regulation in the Regulation:** The regulation of the law will provide additional details and specific conditions for the application of this provision.
Art. 55	There is no numeral 9 of article 55	Article 15.- In paragraph 9 of article 55, add literal e), with the following text: *"e) Taxpayers qualified as user operators or users of Free Zones, provided that they comply with the provisions of the Organic Code of Production, Commerce and Investment, and its respective Regulations."*	Art. 55 numeral 9 refers to transfers and imports with zero VAT rate for goods that are introduced into the country. With this reform, operators or users of Free Zones for the purposes of raw materials and goods in general that they bring into the country for their operational processes will be taxed as VAT rate 0%.
First article innumerable added below from the article 97	Art. (...).- Withholding on the marketing of minerals and other regulated exploitation goods by the taxpayer himself.- The marketing of mineral substances that require obtaining marketing licenses is subject to a withholding on the source of income tax of up to a maximum of 10% of the gross amount of each transaction, in accordance with the	Article 16.- Add after the first unnumbered article added after article 97, the following second unnumbered article: *"Article Withholding in the production and/ or marketing of minerals and other goods of regulated exploitation by the taxpayer himself. - The marketing of substances*	**We consider that this is another drafting error in the bill,** because it is said that a text is added after article 97, which turns out to be very similar to the current one, except for the difference described in the bill regarding the maximum retention percentage. at the source of income tax at the rate of 5% of the amount

	conditions, forms, reference prices and minimum contents that, based on technical parameters and by resolution, establish the Internal Revenue Service. These withholdings will be made, declared and paid by the seller and will constitute a tax credit for their income tax. This provision may be extended by regulation to the marketing of other regulated exploitation goods that require special permits, such as licenses, guides, titles or other similar administrative authorizations. The withholding and payment receipt will constitute an accompanying document in foreign trade operations.	*minerals that require obtaining marketing licenses, as well as the production and marketing of mineral substances that come from a mining concession are subject to income tax withholding at source of up to a maximum of 5% of the gross amount. of each transaction, in accordance with the conditions, forms, reference prices and minimum contents established by the Internal Revenue Service based on technical parameters and by resolution. These withholdings will be made, declared and paid by the seller and will constitute a tax credit for their income tax. This provision may be extended by regulation to the production and/ or marketing of other regulated exploitation goods that require special permits, such as licenses, guides, titles or other similar administrative authorizations."*	gross of each transaction. In current law, this maximum percentage is 10%.
Art. 97.10	Art. 97.10.- Withholdings at source.- Payments made to taxpayers categorized as popular businesses will not be subject to withholding at source of Income Tax. Payments made to taxpayers categorized as entrepreneurs will be subject to withholding at source of income tax and value added tax in the percentages established by resolution by the Internal Revenue Service. No withholding of Income Tax or Value Added Tax will be made to taxpayers categorized as entrepreneurs when payments are made through credit cards, debit cards, collection or debit agreements, or other electronic means of payment.	Article 17.- Eliminate the third paragraph of article 97.10	**Withholdings at Source for Popular Businesses:** With the elimination of the article, payments made to popular businesses could be subject to Income Tax withholding at source. Previously, these payments were exempt from said withholding, which represented a tax benefit for these businesses. **Withholdings for Entrepreneurs:** The elimination would also affect entrepreneurs. Previously, payments to entrepreneurs were subject to withholding at source of Income Tax and Value Added Tax (VAT), except in cases where payments were made through credit cards, debit cards or other electronic means. provision, entrepreneurs could face withholdings on all transactions, regardless of the payment method used. Without this **Increase in Administrative and Financial Burden:** This could increase the administrative and financial burden on both popular businesses and entrepreneurs, as they would have to handle additional withholdings and possibly

			face a decrease in liquidity due to withholding taxes at the point of sale. **Effect on Cash Flow:** Withholding at source can affect the cash flow of small businesses and entrepreneurs, since a part of their income would be withheld and would only be recovered after filing and paying taxes. **Impact on Formalization and Growth:** For entrepreneurs and popular businesses, the exemption from withholdings can be an incentive for formalization and growth. Its elimination could discourage some businesses from participating in the formal system or expanding. **Possible Increase in Tax Collection:** On the other hand, the elimination of these exemptions could increase tax collection for the state, since more transactions would be subject to withholding.
Art. 103	Art. 103, (4th inc.): (...) So that the cost or expense for each case understood to exceed one thousand dollars of the United States of America (USD $ 1,000.00) is deductible for the calculation of Income Tax and the tax credit for Value Added Tax is applicable , the use of any of the aforementioned payment methods is required, with proof of which and the sales receipt corresponding to the acquisition the deduction or tax credit will be justified.	Article 18.- Replace the fourth paragraph of article 103, with the following text: *"So that the cost or expense for each case understood to exceed one hundred dollars of the United States of America (USD S 100.00) is deductible for the calculation of the Income Tax and the tax credit for the Value Added Tax is applicable, the use of any of the aforementioned means of payment is required, with the proof of which and the sales receipt corresponding to the acquisition the deduction or tax credit will be justified. When VAT and ICE taxpayers issue sales receipts "They must necessarily enter the accounting of the taxable persons and will contain all the specifications indicated in the regulations."*	The main change lies in the mandatory minimum amount for banking payments that are made for costs or expenses deductible for income tax and VAT tax credit. Now all transactions over $100 must be banked.
Art. 105	Art. (...).- Penalty for concealment of assets.- Taxpayers who do not declare to the Internal Revenue Service, in accordance with the conditions indicated in current regulations, the information on their assets abroad and/or its value , hiding it in whole or in part, from	Article 19.- Replace the numbered article that appears after article 105, with the following text: *"Art. (...).- Penalty for concealment of assets.- Taxpayers who do not declare to the Internal Revenue Service,*	With the bill, the fine imposed for asset concealment would be raised to 2% of the total assets and/or undeclared income, with its limit being 10% of said total assets and/or income.

	directly or indirectly, they will be sanctioned with a fine equivalent to one percent (1%) of the total value of their assets or one percent (1%) of their income for the fiscal year prior to the commission of the infraction, which is greater, for each month or fraction of a month of delay in the presentation of the same, without this being able to exceed five percent (5%) of the value of the assets or the amount of their income, as applicable.	*In accordance with the conditions indicated in current regulations, the information on your assets abroad and/ or its value, hiding it in whole or in part, directly or indirectly, will be sanctioned with a fine equivalent to two percent (2%) of the total value of your undeclared assets and/ or income, for each month of delay in the presentation of the same, without this being able to exceed ten percent (10%) of the value of the assets and/ or income or of the amount of your income, as applicable."*	
Art. 106	Art. 106.- Sanctions for taxable persons.- Natural or legal persons, national or foreign domiciled in the country, who do not provide the information required by the Internal Revenue Service, within the period granted for this purpose, will be sanctioned with a fine of 1 to 6 unified basic salaries of the worker in general, which will be regulated taking into account the taxpayer's income and capital, as determined by the regulations. For the information required by the Tax Administration there will be no reserve or secrecy that can be enforced and it will be delivered directly, without requiring prior processing or intermediation, whatever it may be, before any authority. Financial institutions subject to the control of the Superintendency of Banks and Insurance and organizations of the popular and solidarity financial sector, subject to the control of the Superintendency of Popular and Solidarity Economy that do not fully and timely comply with the delivery of the required information by any means by the Internal Revenue Service, will be sanctioned with a fine of 100 to 250 unified basic remunerations of the worker in general for each requirement. The Tax Administration will allow at least 10 business days for the delivery of the requested information. The misuse, improper or unauthorized use of the information delivered to the Internal Revenue Service by its	Article 20.- Replace article 106 with the following text: *"Art. 106.-Sanctions for taxable persons.- Natural or legal persons, national or foreign domiciled in the country, who do not provide the information required by the Internal Revenue Service, within the period granted for this purpose, will be sanctioned. with a fine of up to 10 unified basic salaries of the worker in general, which will be regulated taking into account the taxpayer's income and capital, as determined by the regulations.* *For the information required by the Tax Administration there will be no reserve or secrecy that can be enforced and it will be delivered directly, without requiring prior processing or intermediation, whatever it may be, before any authority.* *Financial institutions subject to the control of the Superintendency of Banks and Insurance and organizations of the popular and solidarity financial sector, subject to the control of the Superintendency of Popular and Solidarity Economy that do not fully and timely comply with the delivery of the required information by any means by the Internal Revenue Service, will be sanctioned with a fine of 100 to 500 unified basic remunerations of the worker in general for each requirement. The Tax Administration will allow at least 10 business days for the delivery of the requested information."*	With the proposed law, possible changes must be considered in terms of sanctions for taxpayers who do not comply with providing information requested by the SRI within the established deadlines. These changes are: a.- Fines for individuals and companies could now be up to 10 RBU b.- Fines for banks and savings and credit cooperatives could be set at up to 500 RBU. c.- The proposal does not say anything about the misuse, improper or unauthorized use of the information delivered to SRI. Nor is anything mentioned about the confidentiality of banking information. of the taxable person to whom the SRI could access.

	officials will be sanctioned in accordance with current regulations. The banking information submitted to secrecy or subject to reservation, obtained by the Internal Revenue Service under this procedure, will have the character of reserved in accordance with the provisions of the final paragraph of article 101 of the Internal Tax Regime Law only and in a manner exclusive right may be used in the exercise of its legal powers. The Internal Revenue Service will adopt the necessary internal organizational measures to guarantee its reserve and control its proper use. Improper use of information will be punished civilly, criminally or administratively, as the case may be.		