



MINISTERIO DE HACIENDA

Secretaría de Estado

Asesoría Técnica y Dirección de Política Económica y Fiscal



El Salvador: consumption taxation and inequality

December 7, 2011

Tax structure in El Salvador

- Income tax
 - Individuals: Marginal rates of 10-30%, with maximum effective rate of 25%.
 - Corporate: flat rate of 25%.
- VAT
 - General rate of 13% (exemption for health, education and public transportation)
 - 0% for exports
- Tariffs
- Excise taxes

Excise taxes in El Salvador

Product	Ad Valorem	Specific
Alcoholic beverages	8%	\$0.0325 to \$0.16
Beer	8%	\$0.0900
Cigarettes	39%	\$0.0225
Energizing beverages	10%	\$0.2000
Isotonic beverages	5%	---
Guns/ammunition	30%	---

Tax system in El Salvador

1. Impuesto sobre la Renta (ISR)

Personas Jurídicas 25%

Personas Naturales: de 10% a 30%*

DESDE	HASTA	% A APLICAR	SOBRE LA BASE DE:	MAS CUOTA FIJA
-	2,514.29		EXENTOS	
2,514.30	9,142.86	10.0%	2,514.29	57.14
9,142.87	22,857.14	20.0%	9,142.86	720.00
22,857.15		30.0%	22,857.14	3,462.86

* Límite máximo: 25%

2. Impuesto al Valor Agregado (IVA)

Tasa General 13%

(incluye importaciones y producción interna)

Pocas Exenciones (salud, educación y transporte público)

Exportaciones 0%

3. Transferencia de Bienes Raíces

TBR 3% Si el valor del inmueble excede \$28,571.43

4. Impuestos Selectivos al consumo

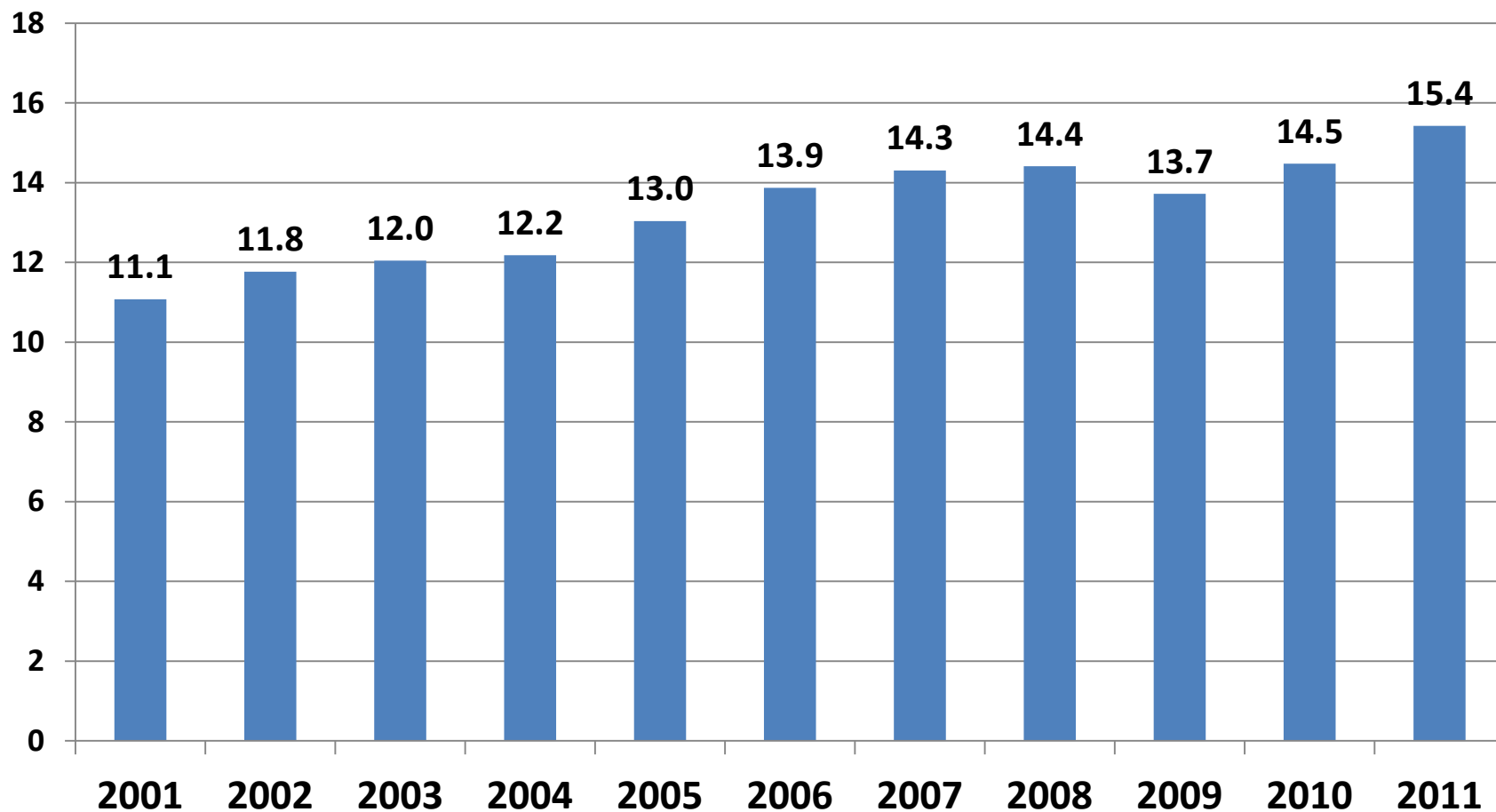
Productos	Ad valorem	Específicos
Bebidas Alcohólicas	8%	desde \$0.0325 hasta \$0.16
Cerveza	8%	\$0.0900
Cigarrillos	39%	\$0.0225
Bebidas energizantes	10%	\$0.2000
Bebidas Isotonicas	5%	----
Armas y Municiones	30%	----

5. Contribuciones especiales

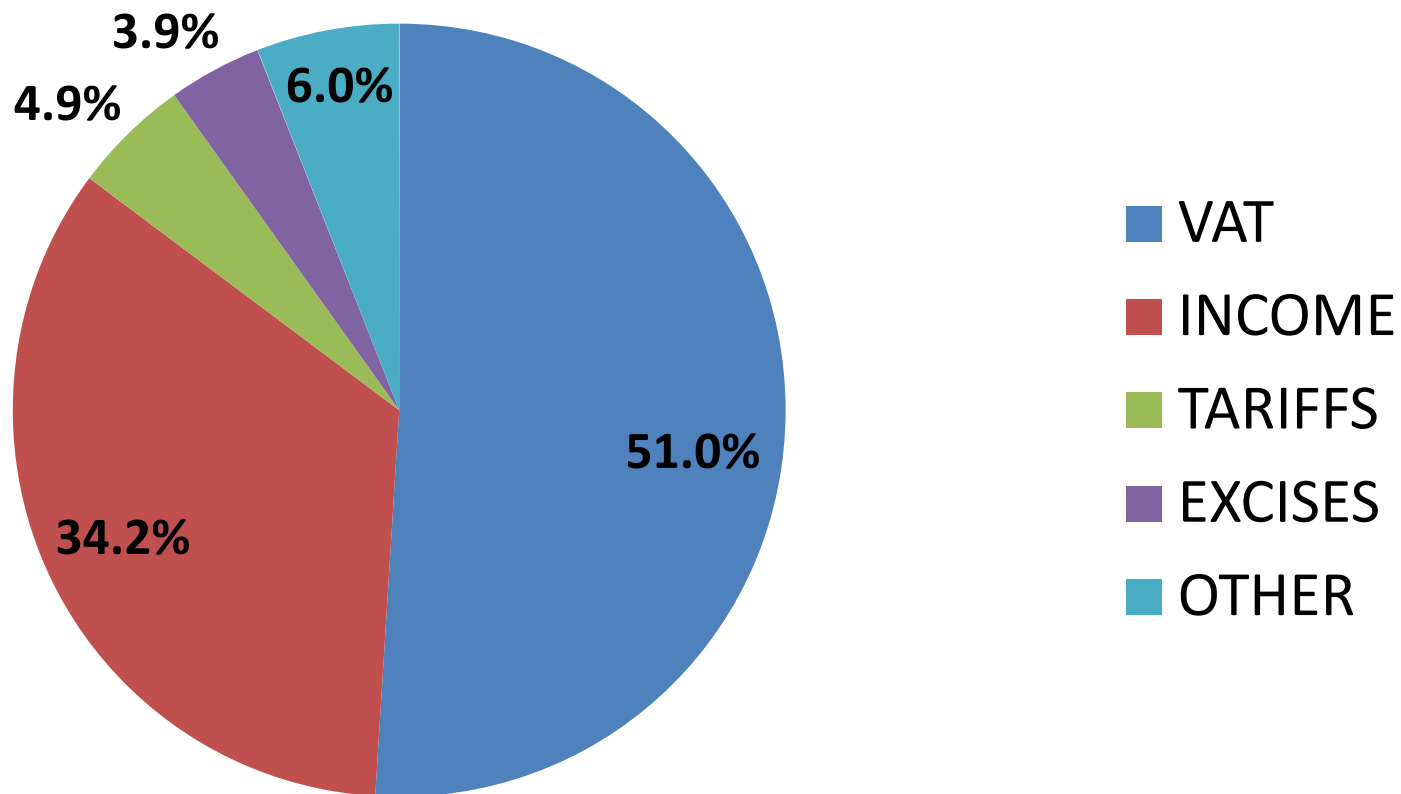
Contribución		
FOVIAL	\$0.20	Sobre cada galón de combustible consumido.
CONTRANS	\$0.10	Sobre cada galón de combustible consumido.
FEFE	\$0.16	Sobre cada galón de gasolina especial y regular consumido.
TURISMO	5.0%	Sobre el precio diario de alojamiento.
	\$7.0	Por salida del territorio nacional.
LLAMADAS	\$0.04	Por minuto de llamada recibida desde el exterior.

Tax Revenue, 2001-2011

(% of GDP)

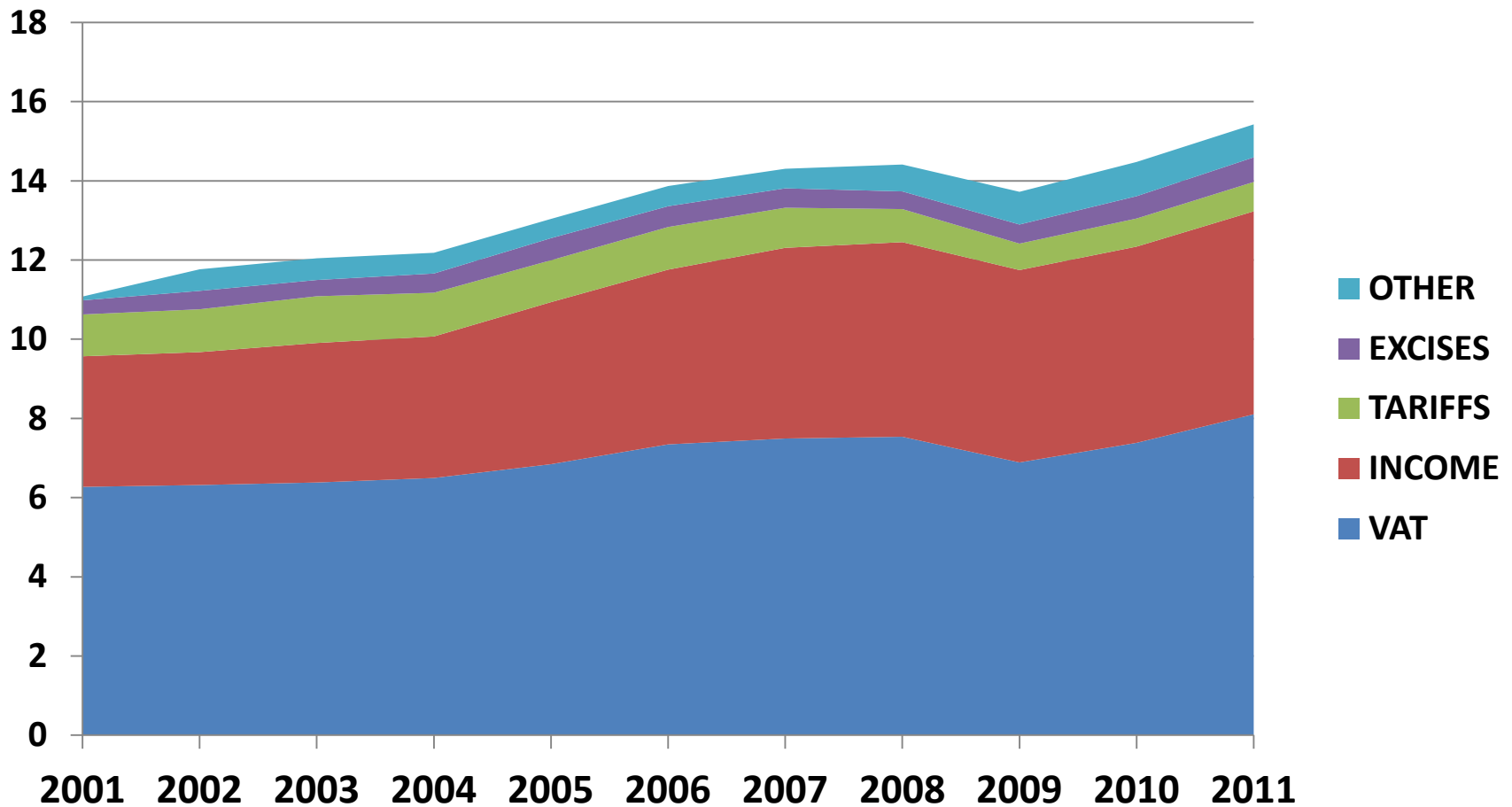


Tax revenue composition (2010)

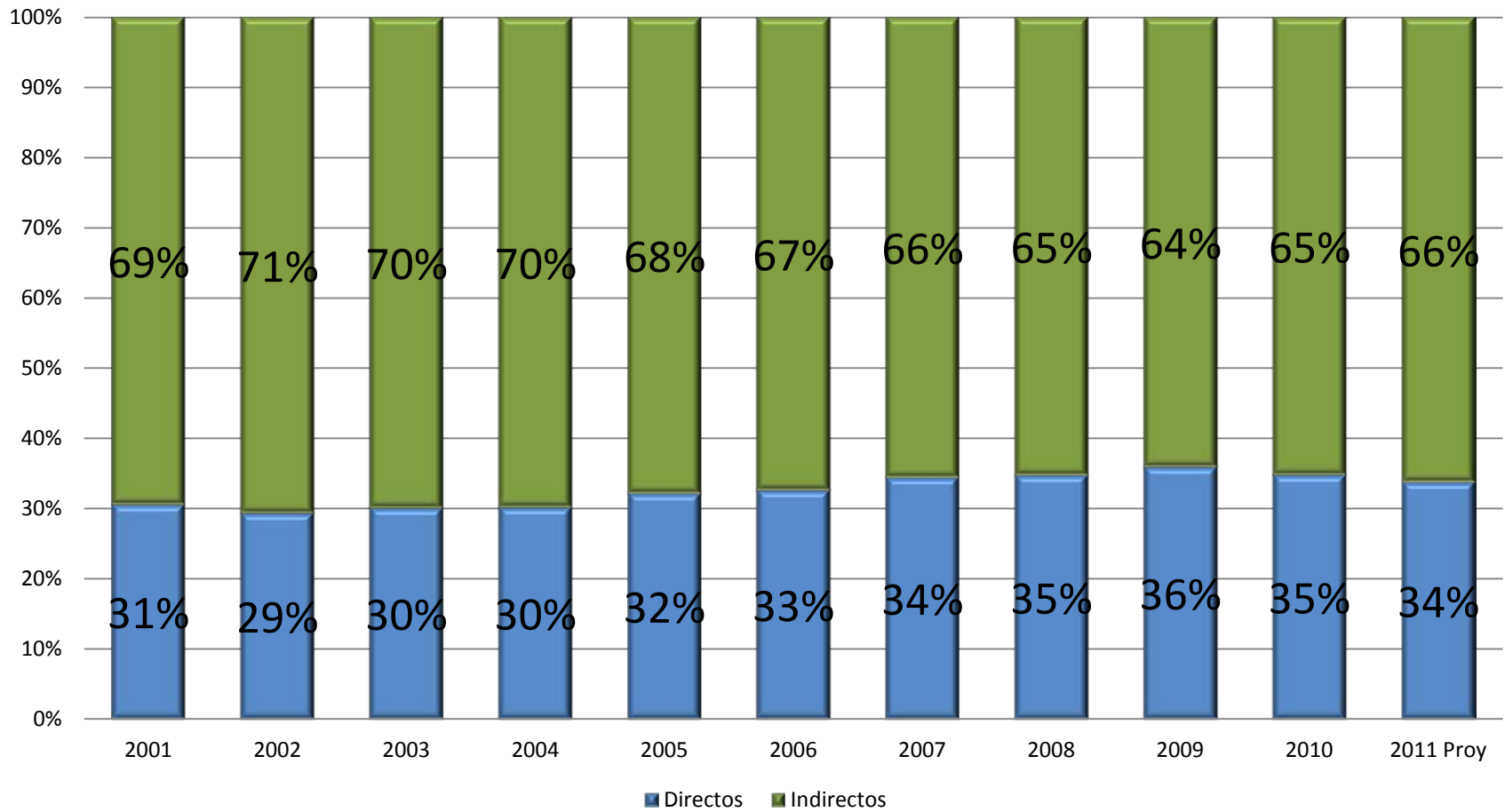


Evolution of Tax Revenue, 2001-2011

(% of GDP)



Composition: Direct vs. Indirect Taxes



Concentration indexes

	Gpre	Gimp	Kakwani	Gpost
Income Tax	50.19	59.67	9.48	50.01
VAT	50.19	26.62	-23.57	51.54
Excise taxes	50.19	38.61	-11.58	50.25
Alcoholic b.	50.19	34.76	-15.43	50.21
Non Alcoholic b.	50.19	30.51	-19.68	50.21
Cigarettes	50.19	19.35	-30.84	50.21
Tariffs	50.19	33.46	-16.73	50.35
Tax Revenue total	50.19	33.3	-16.89	51.68

Conclusions

- Most taxes are regressive, with the exception of Income Tax.
- The system as a whole is also regressive.
- Currently, there is a reform proposal to adjust income tax rates to make them more progressive.
- Strong opposition to increase VAT rate (even though this is among the lowest).
- Excise taxes do not yield a big revenue.