



GOBIERNO DE
EL SALVADOR

RELEVANT ASPECTS OF THE LAW FOR THE PROMOTION
AND GRANTING OF TAX INCENTIVES **TO ENCOURAGE
THE DEVELOPMENT OF HIGH-RISE REAL
ESTATE PROJECTS**

OBJECT OF LAW

The law establishes provisions to promote investment and the development of economic activities in high-rise projects, through the granting of an income tax incentive.

High-rise real estate developments are understood to be new constructions or buildings of real estate that are built as of the entry into force of the law and that have thirty-five stories or levels of height or more, measured from the lowest point of the street level in front of such buildings.



BENEFICIARIES

Natural persons, legal entities and associations of persons, domiciled or not in the national territory, that are owners of new investments in the referred projects, and that carry out activities related to the same, related to the commercialization of the following items, will enjoy this benefit:



a) In the case of the first sale and purchase of high-rise real estate, either the total sale of the building or, in the case of sale or partial sales, the first sale of each of the previously determined areas, such as the sale of apartments or spaces for offices, establishments or businesses.



B) The rental of high-rise real estate for tourism, commercial or service purposes, provided that the owner of the real estate is the initial investor.



c) The rental of spaces and the rendering of hotel services, when the service provider is the same owner of the project.



d) The rendering of services for the construction of high-rise real estate.

The incentive regulated in this law shall also be applicable when the owners of high-rise real estate development projects, within the term for the enjoyment there of, submit them to processes of reconversion of their economic activity, such as in the case of an office condominium that will become a hotel or vice versa.

THE TAX INCENTIVE

WILL CONSIST OF



a) Exemption from the payment of Income Tax on the profits and income obtained by individuals, legal entities and associations of individuals who, as from the effective date of the law, are holders of such investments, when such products are obtained exclusively for such projects, coming from the activities mentioned in paragraph 3 of this document.



b) The exemption will be in effect for a period of fifteen years, counted from the tax year in which such profits and income begin to be earned.



c) Said income shall also not be subject to the application of Capital Gains, as stipulated in articles 14 and 42 of the Income Tax Law, nor to withholdings at source, nor to the payment or advance payment on account of said tax, for such items



d) In the case of legal entities and Unions of Persons, the exemption will be applied both to the entity that owns the project and to its partners, shareholders or members thereof individually considered, only with respect to the profits or dividends from the incentivized activities.



e) If the partners or shareholders are legal entities, this right shall be exclusive to them; consequently, this benefit may not be successively transferred to other partners or shareholders.

CONSIDERATIONS **IMPORTANT**

The incentive DOES NOT APPLY to those who purchase apartments, offices, establishments, businesses, or are engaged in the provision of services, nor to users who lease or sublease such spaces within high-rise real estate projects. It WILL NOT APPLY when the lessor of a property is not the original owner or the initial investor of the property.



PROCEDURE TO APPLY FOR THE BENEFIT:

- a)  Notify the General Directorate of Internal Taxes at least thirty days prior to the commencement of construction.
- b)  The document must include: the name of the project, its location, height specifications, the name, corporate name or legal denomination of the owners, the names of the partners, shareholders or members, the amount of the investment to be made or the services to be provided, and the expected completion date.
- c)  The General Directorate of Internal Taxes must issue a resolution within ten days.

When abuse of the incentive is determined, it shall be revoked following a procedure that includes a hearing and the presentation of evidence, as regulated in Article 260 of the Tax Code.

It should be noted that the Ministry of Finance, through the corresponding Directorates, may issue additional guidelines for the proper application of these provisions





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