



## Ecuador

General	Types of indirect taxes (VAT/GST and other indirect taxes).	<p><b>VAT or impuesto al valor agregado (IVA)</b> IVA is applied to imports and transfers of goods and services.</p>
	Are there other indirect taxes?	<p><b>Special consumption tax (ICE)</b> <i>Impuesto a los Consumos Especiales</i> (ICE) is applied to consumption of certain goods and services considered as sumptuous.</p> <p><b>Capital outflow tax or Impuesto a la Salida de Divisas (ISD)</b> ISD applies to remittances abroad in cash or by check, transfers or withdrawals of any kind made with or without the intermediation of financial entities and, in general, any other mechanism for extinguishing obligations when these operations are carried outwards.</p>
	What are the standard or other rates (i.e. reduced rate) for VAT/GST and other indirect taxes?	<p>IVA: 0% and 14%. From 1 June 2017 the VAT rate will be 12%.</p> <p>Supplies of goods subject to 0%: all transfers and imports of goods such as unprocessed food, medicines, raw material to produce medicine, books, electricity, airplanes and helicopters for commercial purposes, cargo and services and hybrid vehicles, among others.</p> <p>Supplies of services subject to 0%: national land transport, transport of crude oil and natural gas pipelines, healthcare-related services, financial and stock market-related services and exported services, among others.</p> <p>ICE: between 5% and 300% (article 82 <i>Ley de Régimen Tributario Interno</i> (LRTI))</p> <p>ISD: 5%.</p>
	Who is required to register for VAT/GST and other indirect taxes?	<p>There is no special registry in Ecuador for VAT and other indirect taxes. However, there is an obligation for all individuals and entities undertaking business activities in Ecuador to register at the Ecuadorian Internal Revenue Services (EIRS) and to obtain their taxpayer identification numbers (<i>Registro Único de Contribuyentes</i>) (RUC). The aforementioned registration involves VAT, income tax, special consumption tax, capital outflow tax and all taxes administered by the Ecuadorian Internal Revenue Services.</p>

<b>VAT/GST registration</b>	Is voluntary registration for VAT/GST and other indirect taxes possible for an overseas company (e.g. if the annual turnover is below the relevant VAT/GST and other indirect taxes registration threshold)?	No, there is no special registry in Ecuador for VAT or other indirect taxes. If the foreign entity does not have a permanent establishment in Ecuador, it would not be required to register for tax purposes in Ecuador.  Foreign entities that have established a permanent establishment have the obligation to register before the EIRS. Consequently, they are compelled to keep accounting records to file the monthly VAT and withholding tax returns, to file income tax returns and to comply with all Ecuadorian tax obligations.
	Does an overseas company need to appoint a fiscal representative?	Not applicable.
	Which forms and supporting documentation does an overseas company need to submit for VAT/GST and other indirect tax registrations?	Not applicable.
	Is grouping* for VAT/GST and other indirect taxes possible?	No.
<b>VAT/GST compliance</b>	How frequently are VAT/GST and other indirect tax returns submitted?	VAT and ICE: monthly.  ISD: on each transfer or sending of money abroad and, in general, any other mechanism for extinguishing obligations when these operations are carried outwards.
	What are the exchange rate rules in your country?	If a business receives an invoice in foreign currency, the exchange rate to be used for VAT reporting purposes is the exchange rate in effect at the date of conversion.
<b>VAT/GST recovery</b>	Can an overseas company recover VAT/GST and other indirect taxes if it is not registered for VAT/GST and other indirect taxes locally?	No.
	Are there any exemptions with the right to recover or deduct input VAT?	According to Ecuadorian law, the VAT paid on purchases can be offset directly against the sales tax. This applies to those taxpayers whose sales are taxed at 12% and 0% rates. In this second case, the VAT paid on purchases can be offset proportionally with the sales tax or as a tax credit. For those taxpayers whose sales are taxed at 0%, the VAT rate paid on purchases is charged directly to expenses.  Additionally, tax authorities refund only the retention of VAT that cannot be used as a tax credit.

\* By 'grouping' we mean: either a consolidation mechanism between taxpayers belonging to the same group (payment and refund are compensated but taxpayers remain distinct) or a fiscal unity for VAT/GST purposes (several taxpayers are regarded as a single taxpayer).

<b>VAT/GST registration (continued)</b>	<b>Are there any exemptions with the right to recover or deduct input VAT? (continued)</b>	<p><b>Special cases of refund of VAT</b></p> <p>Exportation is taxed at 0% for VAT. Exporters paying VAT on local or imported purchases, such as raw materials, supplies, services and assets used for manufacturing and sales of export goods, are entitled to a VAT refund.</p> <p>Likewise, inbound tour operators who bill inbound tour packages within or outside the country to individuals or non-resident companies in Ecuador are entitled to a tax credit for VAT paid and held in local procurements as well as VAT paid on imported products such as goods, fixed assets, raw materials, supplies or services that integrate inbound tourism.</p> <p>If for any circumstance the resulting tax credit cannot be offset with VAT on sales, inbound tour operators may request a refund of the tax credit accrued by local purchases or imports of the above mentioned products.</p> <p>Taxpayers using international freights for their business, and having paid VAT to acquire fuel, are entitled to a tax credit for said payment exclusively.</p> <p>Operators and administrators of Special Economic Development Zones, <i>Zona Especial de Desarrollo Económico</i> (ZEDE), have the right to a tax credit for VAT paid in purchases of raw materials, supplies and services from national territory to be incorporated in the production process of the ZEDE operators and administrators.</p>
	<b>Are there any restrictions to the deduction of input VAT?</b>	<p>There are certain items that you cannot recover VAT on, such as:</p> <ul style="list-style-type: none"> <li>— when taxpayers additionally provide other services or sell goods that, in part, are taxed at a 12% rate and partly at a 0% rate. In this case, they should make use of the tax credit or the tax will be refunded by applying the proportionality factor. Also, for the import or local purchase of fixed assets for inbound tourism packages, it would be refunded by applying the proportionality factor</li> <li>— the VAT paid in acquisition of goods and services cannot be recovered when sales are taxed at a 0% rate with no right to recover.</li> </ul>
<b>Invoices</b>	<b>Is a business required to issue tax invoices?</b>	Yes.
	<b>Is it possible/mandatory to issue invoices electronically?</b>	Yes.
	<b>Is it possible for the vendor to issue an invoice, i.e. is self-billing possible?</b>	Yes, it is possible, and at the moment it is required for companies that are appointed as special taxpayers.

<b>Audits</b>	Do tax audits take place on a regular basis?	No, however, the tax authority has a period of 3 years to audit taxpayers. The Ecuadorian tax authority usually audits areas such as the amount of input VAT or the computation of taxable turnover.
	Are audits done electronically in your country (e-audit)? If so, what system is in use?	No.
	What penalties can arise from non-compliance?	The late submission of tax returns can trigger penalties of an equivalent of 3% for each month or part of the month. This fine is calculated on the tax amount paid by the respective declaration. When taxes have not been paid on time, interest can be levied and the applied interest rate corresponds to a rate published quarterly by the Internal Revenue Service ( <i>Servicio de Rentas Internas</i> ). This fine applies to any tax administrated by the Internal Revenue Service.
<b>Special indirect tax rules</b>	Are there any special rules for the sale of a company by one taxpayer to another where VAT is not due on the sale?	The Ecuadorian Tax Law establishes (article 54) that the sales of businesses in which the assets and liabilities are transferred are exempt from VAT. In addition, the cession of shares, corporate participations and remaining securities, are not VAT taxed.
	Are there unique, specific indirect tax rules that you would not expect to find in 'standard' VAT jurisdictions?	No.
	Does a reverse charge mechanism apply for goods or services?	Not applicable.
	Are there indirect tax incentives available (e.g. reduced rates, tax holidays)?	ISD exemption on payments abroad for imports of goods and services related to the authorized activity for those operators and administrators of ZEDE.
<b>Rulings</b>	Are rulings and decisions issued by the tax authorities publicly available?	No, however, in the case of resolutions about taxes rates changes, they are publicly available.