

INPATRIATES

Ecuador

Tax facts for International Assignees



INCOME TAX: WHO IS LIABLE/RESIDENCY

For tax purposes, any tax residents in Ecuador are liable for personal income tax. Tax residents of Ecuador, are individuals who fall within any of the following categories:

- The individual's stay in the country amounts to one hundred eighty three (183) calendar days or more, consecutive or not, within any given fiscal period;
- The individual's stay in the country amounts to one hundred eighty three (183) calendar days or more, consecutive or not, within a period of twelve months within two fiscal periods.
- The core of the individual's activities or economic interests lies in Ecuador, either directly or indirectly.
- The individual has not remained in another country or jurisdiction for over one hundred eighty three (183) calendar days, consecutive or not, within any given fiscal year and the individual's close family ties are in Ecuador.

In the event of termination of activities before the end of a fiscal year, taxpayers must file an anticipated income tax return of his/her taxes. Once this return is filed, the corresponding procedure to cancel his/her registration in Ecuadorian tax identification (Single Register of Taxpayers) will follow.

REGISTRATION/FORMALITIES

a) Working under a dependency relationship to an employer

Employment contracts are protected by the Ecuadorian Labour Code. Affiliation of every employee to the Ecuadorian social security is mandatory. The issuance of a payroll is necessary for social security reporting purposes. Individual income tax return must be filed, as required by law except for specific cases.

VAT filing is not necessary.

b) Work under no dependency relationship to an employer

Work contracts between individuals are covered by the Ecuadorian Civil Code (e.g., Individuals who are legal representatives of a given company). For legal representatives, their affiliation to the Ecuadorian social security is required. For expatriates, assignment letters do not constitute an employment contract in Ecuador. A work contract is needed.

Taxpayers must obtain an individual ID from the Ecuadorian Unique Taxpayer Register, they must issue invoices for services rendered and they must file a monthly VAT return plus an Annual Income Tax return.

Registered taxpayers must provide information on their personal expenses (living, education, art, culture, food, clothing and health) when these expenses exceed US\$5,657.50 (for fiscal year 2020).

Payroll issuance is not required by the Ecuadorian law for/from these taxpayers.

In the event of termination of income generating activities before the end of a fiscal year, taxpayers must file an anticipated return of his/her income tax. Once this return is filed the corresponding procedure to cancel his/her registration in the ID (Ecuadorian Single Register of Taxpayers) will follow.

Personal expenses, as well as costs/expenses incurred in the taxpayers' income generation can also be used as deductible expenses as long as they comply with current tax regulations; e.g., fuel, attention to clients, supplies and materials, etc. Depreciation and amortization values within the limits established by current tax legislation are included.

INCOME TAX RATES AND SOCIAL SECURITY CONTRIBUTIONS

2022 - In US Dollars			
Base fraction	Excess up to	Tax on Base Fraction	Tax on Excess Fraction
0	11.310	0	0%
11.310	14.410	0	5%
14.410	18.010	155	10%
18.010	21.630	515	12%
21.630	31.630	949,4	15%
31.630	41.630	2.449	20%
41.630	51.630	4.449	25%
51.630	61.630	6.949	30%
61.630	100.000	9.949	35%
100.000	Onwards	23.378	37%

SOCIAL TAX RATES

	Tax rate
Employee	9.45%
Employer	12.15%
Legal representatives	17.60%

For further information and to register for future updates contact expat@bdo.global

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