



Ecuador

In Ecuador, the Value Added Tax (Impuesto al Valor Agregado – IVA) is applied to both local sales of goods or the provision of services and the importation of goods or services from international sources.

VAT rates

In 2024 VAT rates are as follows:

Standard rate: 12%

The standard VAT rate is applicable to all transactions involving goods or services unless a specific provision stipulates a reduced rate, zero rate or exemption.

Reduced rate: 8%

Tourism activities limited to specific dates not exceeding 12 days in a calendar year, often corresponding to public holidays or weekends.

Zero rate: 0%

Unprocessed food;

Dairy products;

Agricultural machinery (e.g., tractors);

Agricultural goods (e.g., certified seeds, plants, and roots) and related equipment;

Drugs and veterinary products;

Paper, newspapers, magazines, books, and publishing services;

Exported goods and services;

Transport of persons and materials, including air cargo transport;

Education;
Health services;
Public supply of electricity, drinking water, and sewerage services;
Residential rent;
Financial securities exchanges;
Electric kitchens with induction systems for domestic use;
Solar panels and wastewater treatment plants;
LED lamps;
Electric vehicle chargers;
Provision of webpage domains, servers (hosting), and cloud computing.

“Exempt supplies” are transactions that fall outside the scope of Value Added Tax (VAT) and do not allow input tax deduction. Instances of exempt supplies encompass activities such as selling a business, corporate changes like mergers and spin-offs, donations to charities, transfers involving stocks and shares, and paying for real estate rentals along with associated maintenance costs.

Thresholds

There is no specific VAT registration threshold in Ecuador.

Registration procedure

Private entities are required to submit the following documents to the tax authority:

Form RUC-01-A, signed by the legal representative;
Public deed of the company’s constitution, duly registered in the Commercial Registry;
Registered appointment of the legal representative in the Commercial Registry;
General data sheet provided by the Superintendence of Companies;
Legal representative’s ID or passport.

For VAT registration, businesses need to obtain a tax ID directly at the tax authority’s offices. All documents must be original and submitted as notarized copies.

Tax representatives

Foreign companies have to designate a resident individual or legal entity to act as a representative for the taxable person in dealings with the tax authorities.

VAT filing and payment date

VAT returns must be submitted electronically in accordance with the specified schedule, utilizing the software offered by the tax authority. This software is available for download on the tax authority's website.

Typically, VAT returns need to be filed on a monthly basis, with both the submission and payment falling within the period from the 10th to the 28th day of the month succeeding the conclusion of the return period.

Penalties

Late registration in Ecuador incurs a designated penalty, varying from USD30 to USD125, contingent on the taxpayer's classification.

For delayed payments and filings, penalties related to noncompliance with VAT obligations may result in fines of up to five times the amount lost by tax authorities, potential business closure, and imprisonment.



