

El Salvador

1. Government requirements

Registration requirements

Social security

Any person who performs a job or professional service of any nature for another person (whether legal, public, private or mixed), irrespective of the type of relationship linking them, the economic nature of the activity or the form of payment or compensation provided, is subject to the mandatory social security scheme.

The companies must be registered at the Salvadoran Social Security Institute (ISSS) as well as the Tax Authorities: Ministerio de Hacienda "Dirección General de Impuestos Internos", and the Pension Fund Administrator Company.

Salvadoran Social Security Institute (ISSS)

The employer must register within five days from the date the first worker is hired, as stated in Article 7 of the Regulations for the Application of the ISSS Regime.

For the registration of employers, the documentation must be filed both in original and a legible hard copy. If the original documents are not filed, the hard copies must be authenticated by a notary public.

General requirements:

1. Complete the Employer Registration Notice Form from numbers 2 to 12, and the Signature Registration Form.
2. If the employer has a stamp, it must be placed on the Signature Registration Form and Registration Notice.
3. Employer Identity Document of the individual (as an employer) or the legal representative or empowered person if the employer is a legal entity. The document may be the Unique Identification Number or "Documento Único de Identidad" (DUI) if the employer's nationality is Salvadoran, or the Resident Card or passport for foreigners.
4. Tax Identification Number or "Número de Identificación Tributaria" (NIT) of the employer (legal representative, empowered person or individual), sketch of location and payroll of employees, with which operations initiate.

The employer must also pay the corresponding social contributions as an Independent Worker, except for those independent employers who are pensioners, who must be included in the payroll without salary and mark code 3 in the observation box.

Note: For employer registration, it is necessary that at least one employee is working.

Tax Administration

Every individual or legal entity is obliged to register in the Unique Tax Registry when starting any lucrative activity or business (sale of goods or provision of services), subject to a tax under the administration of the Tax Authorities or "Ministerio de Hacienda".

General requirements:

1. Complete Company Form
2. Tax Identification Number card of the legal representative
3. Testimony of incorporation deed
4. Proof of payment of branch or agency
5. Proof of tuition payment
6. Proof of payment of Tax Identification Number card or "NIT"
7. Initial balance
8. Signature Registry
9. Unique Identification Document (DUI) of the legal representative for Salvadorans or passport (or resident's card) for foreigners
10. Receipt of electric power

Ongoing compliance requirements

Regarding El Salvador's monthly social security contributions to the ISSS, if the contribution sheets are submitted after the fifth business day of the month following the month to which they refer, the company will incur a fine of 25% of the number of contributions.

If contributions are not paid by the indicated date, employers will be sanctioned with a surcharge of 5% for late payment of up to 15 days, or 10% for late payment of more than 15 days. The percentages are calculated on the amount of the monthly contributions owed, and Article 49 of the Regulations for the Application of the Social Security Regime applies.

Monthly filing of the income tax withholdings and corresponding payment is to be made within the first 10 business days of each add period after month

Annual filing of the income tax withholdings is done using form F-910.

The pension funds contribution (e.g., AFP Confía and AFP Crecer) must be paid within the first 10 business days of each month.

2. Pension requirements**For Pension Fund Administrator Company**

AFP CONFÍA:

Employer registration

1. Application for registration as an employer (original) signed and stamped by the legal representative
2. Company Tax Identification Number card or "NIT" (Single copy)

3. Unique Identification Document (DUI) of the legal representative (simple copy) for Salvadorans, or passport (or resident's card) for foreigners (simple copy).
4. Legal representative's Tax Identification Number card or "NIT" (simple copy)
5. Company VAT Registration number card (simple copy)
6. Social Security or "ISSS" employer card (simple copy)

User registration

1. SEPP user application form (original) stamped and signed by legal representative
2. Tax Identification number card or "NIT" of the payroll administrator (simple copy)
3. Tax Identification number card or "NIT" of the payroll manager (simple copy)
4. Unique Identity Document (DUI) of the payroll administrator (simple copy) for Salvadorans; for foreigners' passport (or resident's card).
5. Unique Identity Document (DUI) of the payroll manager (simple copy) for Salvadorans; for foreigners' passport (or resident's card).

Pension Funds Law, Article 19-paragraph 5 °

AFP CRECER

1. Application for registration as an employer (original) signed and stamped by the legal representative
2. Company Tax Identification Number card or "NIT" (Single copy)
3. Unique Identification Document (DUI) of the legal representative (simple copy) for Salvadorans, or passport (or resident's card) for foreigners (simple copy).
4. Legal representative's Tax Identification Number card or "NIT" (simple copy)
5. Company VAT Registration number card (simple copy)
6. Social Security or "ISSS" employer card (simple copy)

Law of the Pension Savings System Article 19

Ongoing compliance requirements

The Pension Funds contribution (e.g., AFP Confía and AFPCrecre) must be paid within the first 10 business days of each month.

3. Employment obligations

General employer obligations

El Salvador		
Employer Contribution	Percentage	Maximum cap to Rate \$
ISSS	7.50%	1,000.00
AFP	7.75%	7,028.29
INSAFORP	1.00%	1,000.00

Christmas bonus accrual	8.33%	n/A
Vacation accrual (Base salary + 30% vacation bonus)	5.42%	n/A
Severance	8.33%	n/A

The Christmas bonus is a constitutional right of public and private sector workers. They shall be required to pay in full when the worker has worked for a year or more. However, the Ministry of Labor and Social Security (MTPS) also states, "If, on 12 December, the worker does not have a year of working with the same employer, he is entitled to receive the portion proportional to the time worked that would have corresponded to him if he had completed one year of service on the date indicated".

The bonus is calculated on the basis of Article 198 of the Labor Code. It is important to mention that this article was modified through Legislative Decree 399, published in the Official Gazette 125 Book 400 of 9 July 2013, leaving the calculation table as follows:

1. From 1 year to less than 3 years of service, the bonus is calculated as the equivalent of 15 days' salary.
2. From 3 years to less than 10 years of service, the bonus is calculated as the equivalent of 19 days' salary.
3. For 10 or more years of service, the bonus is calculated as the equivalent of 21 days' salary

The annual vacation pay is 15 salary days plus 30% of the 15-day salary, and it must be paid to the worker before the start of the leave. To qualify for annual leave, a worker must have worked for at least 200 days in a year.

4. Payroll requirements

Statutory payroll requirements

Employees must receive either monthly or biweekly payments.

Monthly filing of the income tax withholdings and corresponding payment is to be made within the first 10 business days of each month.

Monthly social security reports: The filing is to be made within the first five working days and the payment is made including the last working day of each month. If the contribution sheets are submitted after the fifth business day of the following month to which they refer, a penalty of 25% of the number of contributions may be imposed to the employer. If contributions are not paid by the indicated date, employers will be sanctioned with a surcharge of 5% for late payment of up to 15 days, or 10% for late payment of more than 15 days. The percentages are calculated on the amount of the monthly contributions owed, and Article 49 of the Regulations for the Application of the Social Security Regime applies.

The pension funds contribution (e.g., AFP Confía and AFP Crecer) must be paid within the first 10 business days of each month.

5. Banking requirements related to payroll

This information is not available.