

FLASH LEGAL # 001194

MECHANISM FOR THE DECLARATION AND PAYMENT OF THE ADVANCE PAYMENT ON UNDISTRIBUTED PROFITS

Dear Clients and Friends:

In the Fifth Supplement to Official Register No. 326, dated July 15, 2026, Resolution NAC-DGERCGC26-00000026, issued by the Director General of the Ecuadorian Internal Revenue Service (*Servicio de Rentas Internas – SRI*) on July 14, 2026, was published, establishing the mechanism for the declaration and payment of the advance payment on undistributed profits.

The Organic Law of Social Transparency, published in the Third Supplement to Official Register No. 112 of August 28, 2025, amended the Internal Tax Regime Law, incorporating after Article 39.2 the figure of the "advance payment on undistributed profits," which establishes the obligation to pay a percentage of the balance of accumulated undistributed profits from prior fiscal years, as well as the possibility of offsetting that amount against the obligation to pay withholding taxes at source in the distribution of dividends, or against income tax obligations beginning in the fiscal year in which the distribution of dividends or the capitalization of profits occurs, under the conditions provided in the regulations; and, in the same proportion in which the profits are distributed and/or capitalized.

Consequently, companies that, as of July 31 of this year, have not distributed the accumulated profits from prior fiscal years must make the aforementioned payment in the manner and within the deadlines provided in the resolution issued by the SRI.

In the Resolution under discussion, the mechanisms for the filing of the declaration and payment of the advance on undistributed profits are established. Among the most relevant aspects of this resolution, the following are highlighted:

- If the payment is made in a single installment, that is, in the month of August, the code "1077 PAGO A CUENTA SOBRE UTILIDADES NO DISTRIBUIDAS" (*Advance Payment on Undistributed Profits*) must be used.

- If the payment is made in three installments, that is, in the months of August, September, and October, a declaration and payment must be filed for each installment, using the code "1078 – PAGO A CUENTA SOBRE UTILIDADES NO DISTRIBUIDAS CUOTAS" (*Advance Payment on Undistributed Profits Installments*).
- Once the form of declaration and payment is selected, it may not be modified with a substitute declaration.
- The tax obligation is considered fulfilled for taxpayers who have made the payment of the advance on undistributed profits for the year 2025, using Form 106 "múltiple de pagos" (*multiple payment form*) in the periods of November and/or December 2025.

We hope that you find this general information helpful. Please note that it is not intended to constitute legal advice. Should you have any specific inquiries, we would be pleased to provide further assistance

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