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ABOGADOS ECUADOR

FLASH LEGAL # 001207

0% VAT and Foreign Currency Outflow Tax (ISD) Rates for Goods Destined for the Electricity Sector

Dear Clients and Friends,

On November 10, 2026, the President of the Republic of Ecuador issued Executive Decree No. 530, amending the Regulations for the Application of the Internal Tax Regime Law (*Reglamento para la Aplicación de la Ley de Régimen Tributario Interno*). The amendment broadens the scope of goods destined for the electricity sector eligible for the 0% Value Added Tax (VAT) rate and extends the application of the 0% Foreign Currency Outflow Tax (ISD) rate to the importation of such goods.

The Decree was published in the Fifth Supplement to Official Gazette No. 407 on November 11, 2026. On the same date, Ministerial Agreement No. MAE-MAE-2026-0118-AM, issued by the Ministry of Environment and Energy, was published in the Seventh Supplement to the Official Gazette, establishing the tariff subheadings applicable to the products eligible for the 0% VAT rate.

Scope of the Amendment:

The amended regulations cover equipment, turbines, inverters, generators, machinery, materials, supplies, components, systems and facilities, including all related parts, components and accessories, intended for the development and operation of electricity infrastructure. These goods may be used in connection with any stage of the installation, expansion, rehabilitation, capacity enhancement, operation or maintenance of infrastructure associated with the generation, transmission, distribution, storage and commercialization of electric power.

The amendment also expands the range of eligible energy sources to include thermal, wind, hydroelectric, solar photovoltaic, geothermal, tidal, wave, biomass, biogas, green hydrogen and nuclear energy, as well as other energy sources used in the energy transition. It also expressly encompasses electric energy storage systems, together with their respective parts, components and accessories.

Furthermore, the amendment extends these provisions to infrastructure belonging to Autonomous Energy Districts (*Distritos Autónomos Energéticos* – DAE), whether connected to the National Interconnected System (*Sistema Nacional Interconectado*) or operating independently, provided that such infrastructure complies with the requirements set forth in the corresponding operating permits (*títulos habilitantes*).

The application of the 0% tax rate will be subject to the tariff subheadings and lists of locally produced goods established by the Ministry of Environment and Energy (MAE).

VAT Treatment of Amounts Paid During 2026:

VAT paid on the domestic acquisition or importation of goods covered by the amendment between January 1, 2026, and November 11, 2026, may be treated as a deductible expense for purposes of calculating Income Tax for fiscal year 2026, provided that such VAT has neither been claimed as a tax credit nor offset against VAT charged on sales. Any amounts treated as deductible expenses under this provision will not subsequently be eligible for a refund or tax offset.

What Should Companies Consider?

This amendment creates new opportunities for companies planning investments in electricity generation and energy storage infrastructure, as well as in other activities across the electricity sector, particularly those considering the development of self-generation facilities to meet their own energy requirements.
Companies operating in the mining and industrial sectors should also assess their planned investments in privately owned electricity infrastructure and determine whether the goods required for its development and implementation fall within the scope of the amended regulations and qualify for the applicable tax benefits.

We trust that this information, which is provided for general informational purposes only and does not constitute legal or tax advice, will be of interest and assistance to you. Should you have any questions regarding a specific matter, we would be pleased to assist you.

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