Invest in El Salvador

STEPS FOR A FOREIGNER TO PURCHASE PROPERTY IN EL SALVADOR

1 Foreigners Must first obtain a Salvadoran Tax Identification Number (NIT)

Process for Obtaining NIT for Foreigners:

To get a NIT, foreigners need to visit a branch of the Ministry of Finance in El Salvador and present the following:t

Original passport or Resident Card in El Salvador, along with a copy.

If acting through an agent, copy of a Power of Attorney with authorization to perform tax-related procedures on behalf of the foreigner before government offices. If the Power of Attorney was issued in English, it must be translated into Spanish and either certified or apostilled as appropriate. If issued at a Salvadoran consulate, the consul's signature must be authenticated by the Ministry of Foreign Affairs in El Salvador.

Complete the forms provided by a Ministry of Finance officer (if applying in person or through an agent, an automated form will be prepared).

If acting through an authorized person, they must present:

- A certified copy of the foreigner's passport.
- A letter of authorization issued by the foreigner, including their name and passport/resident card number, and the name and ID of the person completing the procedure at the Ministry of Finance
- Form F-210V4 completed and signed by the authorized person.

The cost for obtaining a NIT for the first time is **$2.00**.

The process at the Ministry of Finance typically takes around 30 minutes once all required documentation has been presented, and the foreigner will receive their NIT immediately.

3 Verification of the Legal Status of the Property

The second step is to ensure the property of interest to the foreigner is free from encumbrances

mortgages

liens

attachments, or restrictions that might affect the transaction

It is also essential to verify that the seller is the legitimate owner of the property.

This can be done by requesting an extracted certification of the property from the Property and Mortgages Registry (hereinafter "the Property Registry") at El Salvador's National Registration Center (CNR), or alternatively, a copy of the title deed properly registered in the Property Registry.

3 Negotiation of the Purchase Terms

The buyer and seller negotiate the price and terms o the purchase.

4 Preparation of the Property Sale Deed

Once the terms are agreed upon, the parties must select a Salvadoran Notary to prepare the property sale deed. The Notary is responsible for verifying the parties' identities and the transaction's legality.

The property sale deed must include:

- tIdentification of the parties:

For foreigners:
Passport or Resident Card in El Salvador and Tax Identification Number (NIT).

If acting through an agent, a certified copy of the Power of Attorney is required.

- Property description: location, area, and boundaries.
- Sale price and payment method.
- Declaration of the property's free encumbrance status.

5 Signing by Both Parties

Once the deed is signed, the authorizing Notary must provide the buyer with the deed's official transcript, which is a notarized copy issued by said Notary.

6 Payment of Property Transfer Tax and Registration Fees

The property transfer tax applies to the transaction's value. According to the Property Transfer Tax Law, a **3%** tax is levied on the amount exceeding **USD $28,571.43.**

The tax can be paid online at the Ministry of Finance's website:

https://www.mh.gob.sv/servicios-en-linea/

As for registration fees, according to the Law on Rates and Other Administrative Provisions of the Property Registry, USD $0.63 is charged for every $100 or fraction thereof on the sale price.

Registration fees can be paid online through the National Registration Center (CNR) website:

https://www.e.cnr.gob.sv/ServiciosOL/portada/pagos-online.htm

7 Registration at the Property Registry

The next step is to register the property purchase with the Property Registry. This process ensures the legality and publicity of the property purchase and formalizes the change of ownership. The buyer must submit to the Registry:

- The official transcript of the real estate sale deed
- Proof of registration fee payment
- If the property price exceeds USD $28,571.43, a duplicate of the real estate transfer tax payment receipt
- If the property price exceeds USD $30,000.00, a tax clearance certificate for both parties from the Ministry of Finance or a non-taxpayer certificate as applicable
- Municipal property clearance from the local City Hall.

The process concludes once the property is registered in the buyer's name.

Relevant Legislation:

Civil Code of El Salvador: Governs the general aspects of the sale (Articles 1324 onwards). For real estate sales, compliance with formal requirements, such as public deed execution, is essential.

Law on Rates and Other Administrative Provisions of the Property and Mortgages Registry: Regulates tariffs and administrative procedures to be followed in the Property Registry.

Property Transfer Tax Law: Establishes tax obligations for all real estate sales transactions.

STEPS FOR A FOREIGNER TO LEASE PROPERTY IN EL SALVADOR

1 Verification of Property Ownership

The first step is to ensure that the landlord is the legitimate owner of the property.

This is done by requesting an extracted certification of the property from the Property Registry (hereinafter "the Property Registry") at **El Salvador's National Registration Center (CNR)** or a copy of the title deed properly registered in the Property Registry.

2 Negotiation and Agreement of Lease Terms

The landlord (property owner) and tenant (property occupant) must agree on the basic lease terms, such as

- Monthly rent amount
- Lease term (duration of the lease)
- Property use (residential, commercial, etc.)
- Obligations of the parties (such as municipal tax payments, maintenance fees, etc.)
- Deposits and guarantees, if applicable.

3 Drafting of the Property Lease Agreement

Once terms are agreed upon, the parties must select a Salvadoran Notary to draft the lease agreement. The Notary is responsible for verifying the identities of the parties and the transaction's legality.

The lease agreement must include:

- Identification of the parties:

For Salvadorans: Homologated Unique Identity Document (DUI).	For foreigners: Passport or Resident Card in El Salvador and Tax Identification Number (NIT).	If acting through an agent, a certified copy of the Power of Attorney.

- Property description: location, characteristics, and authorized use.
- Lease payment terms: specify the monthly rent, payment frequency (monthly, quarterly, etc.), and payment method.
- Contract term: define the lease duration (typically between 6 months to 1 year) and the possibility of an automatic extension for the same or a different period.
- Obligations of the parties: maintenance, payment of utilities, repairs, and compliance with property use regulations.
- Early termination clauses: circumstances under which the contract may be terminated early (default, non-payment, etc.).

4 Signing by Both Parties

Once signed, the Notary should provide each party with an authenticated private document of the lease agreement, which is a notarized copy issued by the professional.

5 Security Deposit

A security deposit, usually equivalent to one month's rent, is often required. This deposit serves as a guarantee for any damage to the property or tenant's defaults.

6 Property Handover

The landlord must deliver the property in the agreed-upon condition, and the tenant should conduct a preliminary inspection to verify its state, ensuring no prior damages or unmentioned conditions are present.

7 Fulfillment of Obligations

During the contract term, both landlord and tenant must fulfill the agreed obligations, such as timely rent payment, proper property maintenance, and adherence to the agreed-upon property use.

8 Contract Termination

The contract may end upon expiration of the stipulated term or by mutual agreement between the parties. Early termination requires compliance with the contract's notice conditions and any stipulated penalties or payments for non-compliance.

Relevant Legislation:

Civil Code of El Salvador: Regulates leases in Articles 1930 to 1952, establishing general rules for real estate leases, including both parties' rights and obligations.

Law on Urban and Suburban Leases (Legislative Decree n°. 28, 1992): Governs lease agreements for urban and suburban properties, covering rental price setting, contract terms, termination conditions, and tenants' and landlords' rights.

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