



## LEGAL COOPERATIVE FRAMEWORK ANALYSIS

### Within the ICA-EU Alliance

#### KEY HIGHLIGHTS FOR EL SALVADOR

This one-pager aims to provide a brief overview of the most notable features of El Salvador's national cooperative legal framework, based on the work of the national legal expert.

In El Salvador, the Constitution of the Republic decreed in 1986, determines in Article 114 that: "The State will protect and promote Cooperative Associations, enabling its organization, expansion and financing". Hence its foundation for the secondary legislation currently regulating Cooperative Associations called "General Law on Cooperative Associations", promulgated by Legislative Decree number three hundred and thirty-nine, dated May 6<sup>th</sup>, 1986, which came to replace the Law on Cooperatives of 1969.

**Cooperative Friendliness:** The tax aspects for cooperatives in El Salvador do not differ in terms of the nature of the subjects required to pay tax, and as explained above, cooperatives are exempt only from Income and Municipal taxes.

**Key Recommendations for Improvement:** That the cooperative act be recognized procedurally, in order to have special jurisdiction; to compile all decrees and laws concerning the regulation of the activity of cooperatives, which are currently scattered; and that the legal nature of cooperatives be respected in laws, norms and any other document, so that they are not considered and treated as financial entities for profit.

**Conclusions:** The General Law on Cooperative Associations, despite being in effect for the past thirty-three years, meets the needs for the development of cooperatives, meaning that to date there has been no overriding need for their reform or for the approval of a new law. However, at some point it will be necessary to adapt the law to current times, in order to apply new technologies in their processes whether administrative or judicial in nature.

