MANUFACTURING OF **AUTO PARTS**

invest in El Salvador

GOBIERNO DE EL SALVADOR

Auto parts manufacturing in El Salvador has positioned itself as a strategic industry, driven by several factors that make the country an attractive destination for international investment. Its strategic geographic location, various trade agreements with tariff advantages, skilled workforce, and competitive costs are factors that distinguish the country as an investment destination in a growing automotive sector.

0% TARIFF ON IMPORTS TO MEXICO FOR PRODUCTS IN THE SECTOR

3er SUPPLIER IN LATIN AMERICA AND 9TH IN THE WORLD OF IGNITION CABLE SETS FOR MEXICO.

INVESTMENT OPPORTUNITIES

Automotive harnesses

Vehicle seats

Car safety systems (airbags, seat belts) and car sensors

- Radiators
- Clutches and their parts
- Pumps for ignition engines
- Gaskets or seals
- Manufacturing, assembly and reconditioning

+$163M exports in the auto parts sector, 2025

25% growth of the auto parts sector, 2025 vrs 2024

+$158M exported in sets of spark plug wires, 2025

26% Growth in exports of spark plug wire sets, 2025 vs 2024

TAX INCENTIVES

Law on Industrial and Commercial Free Zones

Encouraged activities

Production, assembly or maquila, manufacturing, processing, transformation or marketing of industrial goods, included in Chapters 25 and above of the Harmonized System.

Tax benefits and access to the Free Trade Zone during operations:

- Machinery and equipment
- Raw materials and other supplies
- Lubricants, fuels and other substances necessary for productive activity during the period in which they carry out their operations.

- Profits or dividends distributed from the favored activity are exempt from income tax for the first 12 years.
- Exemption from income and municipal taxes at different percentages for up to 45 years.

LAW FOR THE PROMOTION OF INNOVATION AND MANUFACTURING OF TECHNOLOGIES

Activities that are encouraged

Among others, there are those that develop technologies based on the manufacture of parts, materials and equipment or facilities, assembly, including manufacturing plants for technological equipment or hardware, semiconductors, communications technology, robotics, nanotechnology, aircraft and unmanned vehicles.

Benefits

- Exemption from all types of income tax withholdings
- Full exemption from municipal taxes on the declared net assets
- Exemption from capital gains tax
- Total exemption from the payment of import duties and taxes on goods necessary for the activity

Considerations

- The tax exemptions will have a total duration of 15 years.
- The law does not require a minimum investment amount or number of jobs to apply for benefits.

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