

## Legal update

### Venezuelan tax unit increase

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**March 2017**

#### **Tax**

Administrative Ruling N° SNAT/2017/0003 (the Ruling) was published in the Special Edition of the Official Gazette of the Bolivarian Republic of Venezuela N° 6,287 dated February 24, 2017, through which the national tax authorities (SENIAT) adjusted the value of the tax unit (TU) from Bs. 177.00 (bolivars) to Bs. 300.00.

Among the most relevant tax implications of the increase in the TU's value is the change in the minimum amount required for individuals to qualify as payers of income tax, as well as the minimum amount of wages, salaries and other contributions subject to the withholding of such tax (namely, Bs. 300,000.00 or 1,000.00 TU).

The TU increase will have an impact on the determination of special taxpayers, who can act as income tax or Value Added Tax (VAT) withholding agents, and are subject to the Tax on Large Financial Transactions. In this regard, the SENIAT will be entitled to appoint companies that declared a gross income higher than Bs. 9,000,000.00 (30,000 TU) in their latest income tax return or that realized sales of more than Bs. 750,000.00 (2,500 TU) according to their latest VAT returns.

In the case of taxes collected annually (such as income tax), the applicable TU will be the one that has been in effect for at least 183 days during the relevant fiscal year. In practical terms, this means the TU change will not apply to 2016 income tax returns filed or to be filed in 2017 by individuals or corporate taxpayers. In the case of other taxes that are not levied annually, the applicable TU will be the one effective at the beginning of the taxable period.

The increase in the TU's value also affects the taxable base for those who are obligated to make contributions to the Sports Fund, since such contribution will now be payable by all companies or other public or private organizations that carry out economic activities within the country and earn annual net profits of more than Bs. 6,000,000.00 (20,000 TU).

Furthermore, those required to make contributions to the Science & Technology Fund must note that the increase in the TU's value means that the taxable base for public and private businesses with income above 100,000.00 TU will now be Bs. 30,000,000.00.

#### **Labour matters**

Regarding labour matters, all employers from both the private and public sector are obliged to grant the legal meal allowance to their employees. Hence, in order to comply with the Law on Socialist Food Tickets for the Workers<sup>1</sup> and Presidential Decree N° 2,505, dated October 27, 2016,<sup>2</sup> the legal meal allowance will have a fixed daily value equivalent to 12 TU, 30 days per month, up to a maximum of 360 TU per month (currently Bs. 3,600.00 per day and Bs. 108,000.00 per month).

## Other implications

The increase in the value of the TU will affect the calculation of levies, sanctions, penalties, contributions, guarantees and procedural benefits, among other items that are based on the TU's value. In this regard, it is worth noting the law that establishes the Calculation Factor of Contributions, Penalties, Procedural and other Benefits in Currently Existing Laws<sup>3</sup> replaced the minimum wage with a value in bolivars equivalent to 3 TU in all existing laws, with the exception of labour and social security legislation, as the basis for calculating contributions, guarantees, penalties and procedural and other benefits.

## Effective date

The Ruling became effective after its publication in the Official Gazette of the Bolivarian Republic of Venezuela; namely, on February 24, 2017.

## Footnotes

- <sup>1</sup> Published in Official Gazette N° 40,773 on October 23, 2015.
- <sup>2</sup> Published in Special Edition of Official Gazette N° 6.269 dated October 28, 2016.
- <sup>3</sup> Published in Official Gazette N° 36.362 on December 26, 1997.

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