

## Legal update

### Venezuela reduces VAT rate on electronic payments

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**September 2017**

#### Tax

On September 19, 2017, under the framework of the National Economic Emergency Decree, the President of the Republic passed Decree No. 3,085 published in Official Gazette No. 41,239 by which value added tax (VAT) rate reductions of 3% and 5% were established for the following sales of movable goods and services rendered to individuals and legal entities, when paid through electronic means:

- For transactions of up to Bs. 2,000,000.00 a 9% VAT rate will apply, given that a 3% tax rate reduction applies.
- For transactions above Bs. 2,000,000.00 a 7% VAT rate will apply, given that a 5% tax rate reduction applies.

This decree implements the VAT rate reduction recently announced by the Executive Branch with the purpose of encouraging electronic payments in order to deal with the current crisis of legal tender.

#### Exclusions

The VAT rate reduction will not be applicable in the following cases:

- When the electronic payment is made in conjunction with another payment method;
- Final imports of movable goods;
- When the transactions involve the purchase of precious metals and gems.

Even though the language of the provision is not clear, it appears the decree also excludes transactions involving a VAT collection agent from applying the reduced VAT rate.

#### Effective date

The VAT rate reduction will become effective 5 calendar days after the publication of Decree No. 3,085 in the Official Gazette (namely, after September 27, 2017) and will remain in force until December 31, 2017.

#### Issues arising from the decree

Taxpayers will have to determine the applicable requirements for invoices and other relevant documents, as well as when filing VAT returns and paying the corresponding tax liability.

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