

Legal Update

Venezuela changes value added tax payment period, introduces advanced income and value added tax payments

September 2018 Tax

On August 17, 2018, the National Constituent Assembly issued a Constituent Decree setting out a Temporary Regime for Advanced Payment of the Value Added Tax and of the Income Tax for Passive Subjects Qualified as Special (the Decree), which was published in the Official Gazette of the Bolivarian Republic of Venezuela, Special Issue N° 6.396, dated August 21, 2018.

Purpose

The purpose of this Decree is to create a temporary regime to change the frequency of value added tax (VAT) payments and implement advanced income tax and VAT payments applicable to passive subjects qualifying as special taxpayers performing activities other than mining and hydrocarbons exploitation and related activities, and who do not receive royalties from such activities.

VAT payment frequency and advanced payments

- Levy terms for the VAT were changed to weekly payment periods;
- Advanced payments are determined based on the VAT declared for the previous week. The payment shall be made based on the weekly tax return, divided between the working days in such week;
- However, the rule is not clear – we understand that the Decree shall be applicable from the levy term (first week of September) following the current term (August 2018). For the first levy term (first week in September), the calculation of the advance shall be based on the tax received during the preceding week, that is, the last week in August.

Advanced income tax payments

Advanced income tax payments shall be calculated based on gross revenues obtained during the preceding term in the national territory, and for financial institutions, advances shall be calculated based on gross revenues during the immediately preceding day, times the relevant percentage. The advance can be between a minimum limit of 0.5% and a maximum limit of 2% of the gross income for the relevant term, and the National Executive Government can set it within such limits. For such purpose, the percentages for advanced payments are as follows:

- 2% for financial institutions, the banking sector, insurance and re-insurance companies;
- 1% for other taxpayers.

Common provisions

- Advanced payments are deductible from tax obligations determined in the final tax returns.
- Individuals who work in a relationship of dependence, and qualified as special passive subjects are exempted from advances.
- Advanced payments must be declared and paid in the place, in the manner and under the conditions fixed by the Tax Administration. At this time, the only rules issued are those included in the calendar of special taxpayers published in the Official Gazette issue N° 41.468 dated August 27, 2018.
- The regime for advances set forth in the Regulations of the Income Tax Law, and in Article 32 of the VAT Law is suspended until the National Executive Government revokes the temporary regime included in this Decree.

Effective date

The Decree entered into force on September 1, 2018.

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