

Legal update

Income tax exemption for Venezuelan residents

March 2016

Tax

On March 8, 2016, the President of the Republic issued Decree N° 2,266, which grants an income tax exemption to residents on net income earned in Venezuela up to an amount equivalent to 3,000 Tax Units (TU). The exemption decree was published in Official Gazette Number 40,846.

The exemption will apply to fiscal years 2015 and 2016. Therefore, net income obtained in the country by resident individuals (such as salaries, wages and similar compensation) up to 3,000 TUs (450,000 Bs. for fiscal year 2015 and 531,000 Bs. for fiscal year 2016) will not be subject to income tax. This entails a retroactive application of the exemption in respect of fiscal year 2015, since Decree N° 2,266 went into effect after the fiscal year closing.

Income exceeding 3,000 TUs and extra-territorial income will be subject to income tax. However, there might be different interpretations as to how to apply the sliding rate schedule corresponding to natural persons (Schedule N° 1) on income levels above 3,000 TUs, since Decree N° 2,266 is silent on this particular matter.

Taxpayers who were subject to income tax withholdings in excess of their 2015 tax liability will be entitled to a tax credit that can be offset against other tax liabilities or assigned to third parties.

Decree N° 2,266 provides that only taxpayers who file their income tax return by the tax filing deadline, i.e., within the first three months of each year, may benefit from the exemption.

For further information, please contact one of the following lawyers:

> Luis de Freitas	Caracas	+58.212.276.0031	luis.defreitas@nortonrosefulbright.com
> Leopoldo Escobar	Caracas	+58.212.276.0029	leopoldo.escobar@nortonrosefulbright.com
> Fernando Fernández B.	Caracas	+58.212.276.0048	fernando.fernandez@nortonrosefulbright.com
> Carlos Fernández S.	Caracas	+58.212.276.0006	carlos.fernandez@nortonrosefulbright.com

Norton Rose Fulbright Canada LLP, Norton Rose Fulbright LLP, Norton Rose Fulbright Australia, Norton Rose Fulbright South Africa Inc and Norton Rose Fulbright US LLP are separate legal entities and all of them are members of Norton Rose Fulbright Verein, a Swiss Verein. Norton Rose Fulbright Verein helps coordinate the activities of the members but does not itself provide legal services to clients.

References to "Norton Rose Fulbright", "the law firm", and "legal practice" are to one or more of the Norton Rose Fulbright members or to one of their respective affiliates (together "Norton Rose Fulbright entity/entities"). No individual who is a member, partner, shareholder, director, employee or consultant of, in or to any Norton Rose Fulbright entity (whether or not such individual is described as a "partner") accepts or assumes responsibility, or has any liability, to any person in respect of this communication. Any reference to a partner or director is to a member, employee or consultant with equivalent standing and qualifications of the relevant Norton Rose Fulbright entity.

The purpose of this communication is to provide general information of a legal nature. It does not contain a full analysis of the law nor does it constitute an opinion of any Norton Rose Fulbright entity on the points of law discussed. You must take specific legal advice on any particular matter which concerns you. If you require any advice or further information, please speak to your usual contact at Norton Rose Fulbright.