

## Legal update

### Venezuelan income tax exemption for resident individuals

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**January 2017**

#### **Tax**

On January 18, 2017, the president of the republic issued Decree No. 2,680 (the Decree) that grants an income tax exemption on net income of Venezuelan source obtained by resident individuals up to an amount equivalent to 6,000 tax units (TU)<sup>1</sup>. The Decree was published in Official Gazette No. 41,077, dated January 18, 2017.

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#### **Scope of application**

The exemption will apply to fiscal year 2016. Therefore, net income, such as salaries, wages and similar remuneration, obtained in Venezuela by resident individuals up to 6,000 TUs (VEF 1,062,000 for fiscal year 2016) will not be subject to income tax. Territorial income exceeding 6,000 TUs and extra-territorial income is subject to income tax.

Decree No. 2,680 provides that only taxpayers who file their income tax returns within the legal term (i.e., before March 31, 2016) may benefit from the exemption.

#### **Excess withholdings and payments**

Taxpayers who were subject to income tax withholdings in excess of their 2016 income tax liability, as well as taxpayers who filed their 2016 income tax return before the Decree was published, will be entitled to a tax credit that can be offset against other tax liabilities or assigned to third parties.

#### **Effective date**

The Decree went into effect after its publication in the Official Gazette, i.e., on January 18, 2016.

The Decree does not reference Decree No. 2,266, issued by the president of the republic in March 2016, which granted an income tax exemption of 3,000 TU on territorial revenue derived by resident individuals in fiscal year 2016. Therefore, from a legal standpoint it is not clear whether the 3,000 TU income tax exemption granted on March 2016 is still in force.

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## Footnote

<sup>1</sup> The current value of the TU is VEF 177.00.

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