

Legal update

Venezuela reduces VAT rate on electronic payments

December 2016 **Tax**

On December 14, 2016, under the framework of the National Economic Emergency Decree, the president of the republic passed Decree No. 2,602 by which a Value Added Tax (VAT) rate of 10% was set for transactions paid through electronic means, as published in Official Gazette No. 41,052.

The VAT rate reduction shall apply to transactions that meet the following conditions:

- The transactions must involve a sale of movable goods or the provision of services to individuals who are end consumers;
- The transactions must involve amounts lower than VEF 200,000.00;
- The transactions must be paid through electronic means.

This decree implements the 2% VAT rate reduction recently announced by the Executive Branch with the purpose of fostering electronic payments in order to deal with the current crisis of legal tender. The VAT law grants the Executive Branch the power to modify the tax rate within a certain range.

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 transaction involves the purchase of precious metals and gems.

Even though the language of the provision is not clear, it seems like 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 10 calendar days after the publication of Decree No. 2,602 in the Official Gazette (namely, after December 24, 2016) and will remain in force for 90 days (namely, until March 24, 2017).

Invoices

In addition, in Official Gazette No. 41,052 dated December 14, 2016, the National Tax Administration (SENIAT) issued Administrative Regulation No. SNAT/2016/0122 on invoice and VAT declaration formalities applicable to transactions subject to the 10% VAT rate.

According to said administrative regulation, taxpayers who sell or render services to end consumers that meet the conditions for applying the 10% VAT rate must comply with all standard requirements set forth in the administrative regulation containing the General Invoicing Regime and, in addition, must indicate that the VAT rate applicable to the transaction is 10%.

Taxpayers may continue using the invoicing mechanism that they had previously adopted or are obliged to use, as long as such mechanism can be adapted to this requirement. In case it is not possible to adapt the taxpayer's fiscal printers, taxpayers must use the forms made by authorized printing houses indicating a 10% VAT rate.

VAT payment and declaration

Taxpayers obliged to apply the 10% VAT rate must file the VAT returns and make the relevant payments according to the technical specifications indicated on the SENIAT website.

Suppliers and manufacturers of fiscal printers

Suppliers and manufacturers of fiscal printers must adapt the machines authorized by the SENIAT in order to include the tax rate reduction within the next 10 calendar days following the publication of Administrative Regulation No. SNAT/2016/0122 (namely, until December 24, 2016). Also, taxpayers must request the suppliers or manufacturers of fiscal printers to adapt their printers within the prescribed term.

The suppliers or manufacturers of fiscal printers that do not have the technical capacity to adapt the printers must notify the SENIAT audit division in writing of such issue within the next 2 calendar days following the publication of Administrative Regulation No. SNAT/2016/0122 (namely, until December 16, 2016).

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