

## Legal update

### Venezuelan tax unit increase

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#### February 2016

#### Tax

Administrative Ruling N° SNAT/2016/0001 was published in Official Gazette of the Bolivarian Republic of Venezuela N° 40,846 dated February 11, 2016, through which the National Tax Authorities (SENIAT) adjusted the value of the tax unit (TU) from 150 Bs. (bolivars) to 177 Bs. The increase was not approved by the Finance Commission of the National Assembly.

Among the most relevant tax implications of the increase in the TU's value is the change in the minimum amount required for individuals to qualify as payers of income tax, as well as the minimum amount of wages, salaries and other contributions subject to the withholding of such tax.

The TU increase will have an impact on the determination of special taxpayers, who must act as Income Tax and Value Added Tax withholding agents, and are subject to the Tax on Large Financial Transactions. In this respect, the SENIAT could appoint as special taxpayers companies that declared a gross income higher than 5,310,000 Bs. (30,000 TU) in their income tax returns or that realized sales of more than 442,000 Bs. (2,500 TU) according to their latest VAT returns.

In the case of taxes collected annually (such as income tax), the applicable TU will be the one that has been in effect for at least 183 days during the relevant fiscal year. In practical terms, this means the TU change will not apply to 2015 income tax returns filed or to be filed in 2016 by individuals or corporate taxpayers. In the case of other taxes that are not levied annually, the applicable TU will be the one effective at the beginning of the taxable period.

The increase in the TU's value also affects the taxable base for those obligated to make contributions to the Sports Fund, since such contributions will now be payable by all companies or other public or private organizations that perform economic activities within the country and earn annual net profits of more than Bs. 3,540,000 (20,000 TU).

Furthermore, those required to make contributions to the Science & Technology Fund must note that the increase in the TU's value means that the taxable base for public and private businesses with income above 100,000 TU will now be Bs. 17,700,000.

#### Labour matters

Regarding labour matters, all employers from both the private and public sector are obliged to grant meal allowances to their employees. Hence, they must take into account the impact of the increase in the value of the TU for purposes of the Law on Socialist Food Tickets for the Workers<sup>1</sup>. According to that law, when the benefit is granted through coupons, tickets, electronic cards, cash, or their equivalent, there is a fixed daily value for the benefit equivalent to 1.50 TU, 30 days per month, up to 45 TU per month (currently Bs. 265,50 per day and Bs. 7.965,00 per month).

## Other implications

The increase in the value of the TU will affect the calculation of levies, sanctions, penalties, contributions, guarantees and procedural benefits, among other items that are based on the TU's value. In this regard, it is worth noting the law that establishes the Calculation Factor of Contributions, Penalties, Procedural and other Benefits in Currently Existing Laws<sup>2</sup> replaced the minimum wage with a value in bolivars equivalent to 3 TU in all existing laws, with the exception of labour and social security legislation, as the basis for calculating contributions, guarantees, penalties, procedural and other benefits.

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## Footnotes

<sup>1</sup> Published in Official Gazette N° 40,773 on October 23, 2015.

<sup>2</sup> Published in Official Gazette N° 36.362 on December 26, 1997.

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