

Wealth Tax Statement and Payment Instructions Issued

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Another new Wealth Tax standard and milestone was set late last month when Venezuela's Tax Administration (SENIAT) issued an "Instruction Sheet to State and Pay the Wealth Tax," with the most relevant details summarized below.

As background, the National Constituent Assembly of Venezuela – an organization that does not have the constitutional powers to issue tax laws – on July 3, 2019, enacted the Wealth Tax Law to tax the assets and estates of special taxpayers (a special category created by the Tax Administration for those who produce a significantly higher income) whose assets exceed the equivalent of \$250,000 for legal entities and \$90,000 for natural persons.

A second milestone took place on Aug. 16, 2019, when the National Constituent Assembly reissued this Law by virtue of "material errors," unifying the value of the assets and estate that incur the obligation to state and pay such tax (the assets must now exceed \$326,000, and the tax is paid on the entire estate and not on the surplus).

The third milestone linked to the Law was verified on Aug. 19, 2019, when the SENIAT established through the Administrative Court that the regulations for the valuation of assets and the tax statements would be those set forth on the SENIAT website (violating the legal tax reserve principle that governs Venezuela).

The fourth and latest milestone took place on Sept. 29, 2019, when the SENIAT issued its "Instruction Sheet to State and Pay the Wealth Tax," with its fundamental aspects summarized below.

1. The net assets subject to encumbrance with regard to the Wealth Tax Law will result from attributing the liabilities of the taxpayers to the assets.
2. This new tax statement for assets and liabilities requires that taxpayers issue an individual description of each of the items in the balance sheet, making this process more cumbersome and complicated for taxpayers. For example, the statement is not limited to stating trade accounts receivable in an aggregate manner, but also imposes the obligation to indicate the name of the debtor, its taxpayer identification number, and the description of the document that asserts the financial claim. This implies in practical terms that the taxpayer would be obliged to reflect on the declaration of all the items that make up the accounting ledger. This obligation is also charged under particular conditions to other assets and liabilities. This obligation makes the Wealth Tax statement a difficult task, retarding the statement issuance, and affecting the principle of simplicity and user-friendliness that should actually guide the tax collection.



3. The statement does not have items or boxes in order to report exempt and exonerated assets, nor to reflect bank accounts abroad, which creates uncertainty for taxpayers with regard to how these items should be represented in the statement.

The statement and payment for the first fiscal year must be issued between Oct. 1 and Nov. 30, 2019.

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Information contained in this alert is for the general education and knowledge of our readers. It is not designed to be, and should not be used as, the sole source of information when analyzing and resolving a legal problem. Moreover, the laws of each jurisdiction are different and are constantly changing. If you have specific questions regarding a particular fact situation, we urge you to consult competent legal counsel.
