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Taxand News

Income Tax Payment Exemption Applicable To Profits From Agricultural Activities

Through Decree No. 3,920, published in the Official Gazette No. 41.678 on July 19, 2019, the Venezuelan Government extended for five years to exempt payment of Income Tax on net profits from primary exploitation of agricultural activities, particularly in the areas of plants, livestock, forestry, fisheries and aquaculture.

This exemption had already been granted for the fiscal years 2016, 2017 and 2018, according to Decree No. 2.287 published in the Official Gazette No. 40.873 dated March 28, 2016.

To benefit from the exemption contained in the Decree, the taxpayer must allocate to direct investments in research and development, scientific or technological, improvement of productivity indices, or capital goods, one hundred percent (100%) of the amount of the tax that would have been due to pay. These investments must be made in the year following that corresponding to the exempted tax year.

Likewise, producers must submit an affidavit to the Ministries of Productive Agriculture and Land, Urban Agriculture or Fisheries and Aquaculture, as well as to the Statistical Office and Economic, Customs and Tax Studies of the SENIAT (by its acronym in Spanish), indicating the amount and destination of investments made and the amount of tax exempted and the investment plan for the following year.

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Taxpayers must register as beneficiaries of this exemption in front of the Office of Statistics and Economic and Customs and Tax Studies of the National Integrated Service of Customs and Tax Administration (SENIAT).

These are the most important features of the Exemption Decree:

- ❖ The **main harvest activity** is the object of exoneration and is defined as the simple production of fruits, products or goods that are obtained from nature, provided that they are not subjected to any process of transformation or industrialization.
- ❖ The **harvest** will be considered as the main activity only when comply with the following parameters:
 - In the case of vegetables, livestock, forestry, fisheries and aquaculture.
 - *Perform the operations subject to this tax benefit directly and also own the production unit; or any other authorized by the owner, in writing, to control and perform the harvest activities, with no profits for the owner granting the authorization; or to be beneficiaries of a regularization on it, in accordance with the Land and Agrarian Development Law. The exemption will not apply in case of outsourcing for the owner of the right of ownership or regularization.*
- ❖ The fishing activity will only qualify for the tax benefit in the case of vessels, ships or vessels registered in Venezuela.
- ❖ Agricultural activities that qualify for exemption are the processes of harvesting, threshing, drying, conservation and storage.
- ❖ Everything related to the forestry activities, focused in the processes of lying down, barking, sawing, drying and storage is included under this union.
- ❖ For livestock activities, slaughter or benefit, conservation and storage processes will be taken into account. The processes of processing by-products, depressant, slicing and cutting of animals will not benefit from the exemption.
- ❖ The exemption may also be obtained if the processes for the storage of primary products are carried out by cooperatives to which a tax exemption beneficiary belongs in accordance with the previous items. For forestry processes, there are no limitations as long as this is consistent with the previous precepts.
- ❖ It is mandatory to update the Tax ID (RIF).

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- ❖ In case of loss due to the exempted activity, those losses can not be compensated with taxable profits generated by other activities.
- ❖ The Exemption Decree also establishes a period of 30 days from its publication in the Official Gazette for letting producers comply with the registration and submission of the applicable sworn tax return in front of SENIAT.
- ❖ The tax exemption referred will take effect from January 1, 2019, until December 31, 2023.

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