

## International Tax Venezuela Highlights 2021

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### Recent developments

For the latest tax developments relating to Venezuela, see [Deloitte tax@hand](mailto:Deloitte_tax@hand).

### Investment basics

**Currency:** Venezuelan Sovereign Bolivar (VES)

**Foreign exchange control:** Parties wishing to purchase or sell foreign currency must meet the guidelines and legal requirements established by the national government. There are three legal mechanisms to buy and sell foreign currency in Venezuela, namely, (i) the purchase and sale of foreign currency through financial institutions authorized by the Venezuelan Central Bank (BCV), (ii) retail exchange transactions up to the equivalent of EUR 8,500 through licensed exchange houses and banks, and (iii) the trading of foreign currency-denominated securities issued by the private sector. The BCV publishes an official exchange rate daily to be used as a reference for foreign currency-denominated transactions.

Exchange activity-related operations recently have been decriminalized.

The foreign exchange rules apply only to foreign currency transactions within Venezuelan territory; the government has no jurisdiction to regulate transactions carried out abroad involving Venezuelan residents.

**Accounting principles/financial statements:** Companies listed on the Venezuelan stock exchange are subject to the accounting principles set by the Venezuelan Securities and Exchange Superintendence. Financial institutions such as banks and insurance entities are required to comply with accounting principles set by the National Superintendence of Banks and the National Superintendence of Insurance Activities, respectively. Other private companies generally must apply accepted accounting principles (VEN-NIF) issued by the Venezuelan Federation of Public Accountants, which are based on IFRS.

**Principal business entities:** These are the corporation, limited liability company, limited partnership, and branch of a foreign corporation.

## Corporate taxation

Rates		
Corporate income tax rate	Taxable income (in tax units (TUs))	Rate
	Up to 2,000 TUs	15%
	2,001 to 3,000 TUs	22%
	Over 3,000 TUs	34%
<b>Industry specific rates</b>	34%/40%/60%	
<b>Branch tax rate</b>	Applicable corporate income tax rate, plus 34% branch profits tax (which may be deferred)	
<b>Capital gains tax rate</b>	Varies	

**Residence:** A company is resident in Venezuela for tax purposes if it is incorporated or domiciled in Venezuela.

**Basis:** Resident companies are subject to tax on their worldwide taxable income; nonresidents are taxed only on Venezuela-source income. Foreign enterprises that conduct business in Venezuela through a permanent establishment (PE) are subject to income tax on foreign and Venezuela-source income attributable to the PE. Branches are taxed in the same way as subsidiaries.

**Taxable income:** Taxable income is defined as income from worldwide sources and is calculated by deducting from gross receipts all “normal and necessary” expenses incurred in earning income. Business profits and capital gains are included in taxable income.

Tax accounting rules require certain taxpayers to make adjustments for inflation. Banks, financial institutions, insurance and reinsurance companies, and “special taxpayers” designated as such by the tax authorities are excluded from the inflation adjustments system and the tax authorities have the power to enact rules governing the accounting statements of such entities.

**Rate:** Rates are progressive at 15%, 22%, and 34%, depending on the company’s taxable income in TUs. The TU is a measure of value used by the tax authorities. As from 13 March 2020, the value of 1 TU increased from VES 50 to VES 1,500. For purposes of taxes that are settled for annual periods, including the corporate income tax, the Organic Tax Code (which carries the highest authority for tax purposes) provides that the applicable value of the TU is the value in effect at the end of the relevant annual period (for non-annual taxes, the applicable value of the TU is the value in effect at the beginning of the tax period).

Oil companies pay a 50% tax rate on net income, except for specific projects considered by the government to be of national interest, which are taxed at the normal corporate rate.

A 34% rate applies to companies engaged in oil refining, or the exploration, exploitation, processing, transport, distribution, storage, marketing, and export of natural gas. Oil companies also are charged a 30% tax or royalty on the amount of crude oil produced. The Ministry of Energy and Oil can reduce the royalty rate to 20% for heavy-oil projects or marginal fields, in special circumstances.

A 40% rate applies to financial institutions, including banks, insurance companies, and reinsurance companies.

A 60% rate applies to royalties and other similar participation interests resulting from the exploitation of mines and income derived from the assignment of such royalties and interests.

**Surtax:** There is no surtax applicable in Venezuela.

**Alternative minimum tax:** There is no alternative minimum tax.

**Taxation of dividends:** Dividends paid out of profits that have been subject to tax are not subject to withholding tax and are exempt from tax in the hands of a Venezuelan resident recipient company. Dividends paid in excess of the payer company's taxable income are subject to a 34% final withholding tax.

Foreign dividend income received by resident companies is subject to tax at a rate of 34%.

**Capital gains:** Capital gains generally are taxed as part of the taxpayer's ordinary income. However, capital gains derived from the sale of shares registered on the Venezuelan stock exchange are subject to a 1% tax on the gross proceeds. Losses on sales of shares registered on the Venezuelan stock exchange may not be deducted from other income.

**Losses:** Net operating losses may be deducted in computing taxable income. Losses may be carried forward for up to three years, except for losses arising from inflation adjustments, which cannot be carried forward. Losses carried forward may not offset more than 25% of the taxable income for any year. Foreign-source losses may be offset only against foreign-source profits. Losses may not be carried back.

**Foreign tax relief:** A tax credit is granted for foreign taxes paid, up to the amount of Venezuelan tax payable on the income.

**Participation exemption:** There is no participation exemption.

**Holding company regime:** There is no holding company regime.

**Incentives:** Foreign investors are entitled to a range of investment incentives, including tax exemptions, special credit financing, export incentives, and debt-to-equity swaps. The government provides tax incentives for investment in "strategic" sectors. Regional incentives include an exemption from income tax for companies operating in certain areas in five undeveloped states and 36 industrial parks. Venezuela also has several industrial, commercial, and services free zones.

## Compliance for corporations

**Tax year:** The fiscal year generally is the calendar year, but taxpayers may choose their own fiscal year. Once approved, the fiscal year may not be changed without the approval of the tax authorities. A corporation's first fiscal year may be less than 12 months.

**Consolidated returns:** Consolidated returns are not permitted; each company must file a separate return.

**Filing and payment:** Companies generally must file the corporate tax return within the first three months following the end of their fiscal year; for special taxpayers, the due dates are issued by the tax authorities (as described below).

All companies (except mining and oil companies) that earned more than 1,500 TUs of taxable income during the preceding fiscal year must file an estimated tax return by the end of the sixth month of the fiscal year. The amount of tax declared in the return must be calculated based on at least 80% of the preceding year's taxable income, unless the company can justify a lower estimate. The amount of estimated investments eligible for tax credits may not exceed 80% of the investments declared for the same purpose in the previous year's final tax return. All corporate taxpayers (except those involved in mining or oil activities) must make advance tax payments in six equal installments. For companies in the hydrocarbons industry, advance payments must be made in 12 equal monthly installments.

Mining and hydrocarbons companies must file estimated tax returns within the first 45 days of each year, and advance payments of 96% of the tax resulting from the estimate must be paid at that time.

Final income tax returns must be filed within three months of the close of the company's fiscal year and payment of the tax liability must be made at that time. Special taxpayers must submit returns and pay the tax due in line with the dates on the special taxpayer calendar issued annually by the tax authorities.

Special taxpayers must make fortnightly income tax advance payments. For financial institutions and insurance and reinsurance companies, the rate for calculating the advance payment is 2% of the gross income of the previous week for VAT purposes. The rate is 1% for other taxpayers.

**Penalties:** Penalties for late filing of returns are 100%-300% of the amount due, plus flat fines and temporary closure of the establishment in certain cases. The monthly interest rate on outstanding payments is equal to the maximum commercial bank rate plus 20%.

**Rulings:** Taxpayers may request a ruling on the tax consequences of particular transactions.

## Individual taxation

Rates		
Individual income tax rate	Taxable income	Rate
	Up to 1,000 TUs	6%
	1,001–1,500 TUs	9%
	1,501–2,000 TUs	12%
	2,001–2,500 TUs	16%
	2,501–3,000 TUs	20%
	3,001–4,000 TUs	24%
	4,001–6,000 TUs	29%
	Over 6,000 TUs	34%
<b>Capital gains tax rate</b>		1% (quoted shares); otherwise, taxed at income tax rates

**Residence:** A resident is defined as an individual who is present in Venezuela for more than 183 days during the relevant calendar year or during the immediately preceding calendar year. Individuals may be deemed to be tax resident in Venezuela if they have a habitual abode in the country unless the individual, in the same calendar year, spends more than 183 days in another country and can prove that tax residence status has been obtained in that country.

**Basis:** Residents are taxed on a worldwide basis. Resident expatriates are subject to tax on all income from Venezuelan and foreign sources, at the same rates applicable to Venezuelans. A tax credit is available for tax paid on foreign-source income, up to the amount of Venezuelan tax payable on such income. Nonresidents are taxed in Venezuela on Venezuela-source income only.

**Taxable income:** Venezuelan residents are subject to income tax on income derived from all sources, whether in cash or in kind.

**Rates:** Progressive rates based on TUs apply, ranging from 6% to 34%.

**Capital gains:** Capital gains are included in ordinary income and taxed at the normal rates, except for capital gains derived from the sale of shares listed on the stock market, which are subject to a 1% tax on the gross proceeds.

**Deductions and allowances:** Individuals are entitled to certain itemized deductions in computing taxable income, including school tuition and costs for dependents younger than age 25; health insurance premiums; medical, dental, and

hospitalization costs; interest of up to 1,000 TUs on loans for the purchase or extension of a residence; and payments of up to 800 TUs per year for housing/mortgage costs. Otherwise, a standard deduction of 774 TUs may be taken. A taxpayer also may deduct 10 TUs for each family member younger than age 25, and an additional 10 TUs overall.

**Foreign tax relief:** A tax credit is granted for foreign taxes paid, up to the amount of Venezuelan tax payable on the income.

## Compliance for individuals

**Tax year:** The tax year is the calendar year.

**Filing status:** Married couples may file a joint return.

**Filing and payment:** A tax return must be filed if an individual's annual net income exceeds 1,000 TUs or gross income from self-employment exceeds 1,500 TUs. The return must be filed within three months following the end of the fiscal year.

**Penalties:** Penalties apply for late filing and failure to file. Also, certain offenses, such as fraud, can lead to imprisonment.

**Rulings:** Taxpayers may request a ruling on the tax consequences of particular transactions.

## Withholding tax

Type of payment	Residents		Nonresidents	
	Company	Individual	Company	Individual
<b>Dividends</b>	0%/34%	0%/34%	0%/34%	0%/34%
<b>Interest</b>	34%	0%	4.95%/14.25%/20.9%/32.3%	34%
<b>Royalties</b>	0%	0%	30.6%	30.6%
<b>Fees for technical services</b>	0%	0%	10.2%	10.2%

**Dividends:** Dividends paid to resident and nonresident individuals and legal entities generally are exempt from withholding tax. However, if dividend distributions exceed the payer company's net taxed income, a 34% withholding tax applies.

**Interest:** Interest paid to a resident company is subject to a 34% withholding tax. Interest paid to a resident individual generally is exempt from withholding tax.

Interest paid to a nonresident legal entity is taxed at the standard corporate income tax rates (i.e., 15%, 22%, and 34%) applied to 95% of the gross payment, resulting in effective rates of 14.25%, 20.9%, and 32.3%, provided certain requirements are met. Interest paid to nonresident banks or financial institutions is subject to a 4.95% withholding tax. Interest paid to a nonresident individual is subject to a 34% withholding tax.

**Royalties:** Royalties paid to a resident company or individual generally are exempt from withholding tax.

Royalties paid to a nonresident company or a nonresident individual are subject to withholding tax at a maximum rate of 34% applied to 90% of the gross payment, resulting in an effective maximum rate of 30.6%.

**Fees for technical services:** Technical assistance fees paid to a resident company or individual generally are exempt from withholding tax.

Technical assistance fees paid to a nonresident company or a nonresident individual are subject to withholding tax at a maximum rate of 34% applied to 30% of the gross payment, resulting in an effective maximum rate of 10.2%.

**Branch remittance tax:** A branch profits tax is levied on PEs of foreign enterprises at a rate of 34%. However, the tax will be deferred if amounts are reinvested in Venezuela for at least five years.

## Anti-avoidance rules

**Transfer pricing:** Venezuela's transfer pricing rules generally follow the OECD guidelines, requiring income and expenses in respect of transactions between related parties to be on arm's length terms. The transfer pricing rules define related parties and specify the permitted methodologies. Taxpayers are required to verify the existence of arm's length pricing by filing an information return (Form PT-99) and conducting a transfer pricing study, and the tax authorities may adjust non-arm's length prices.

The references to BEPS action 13 (transfer pricing documentation and country-by-country reporting) in the OECD transfer pricing guidelines have not been formally incorporated into Venezuelan legislation (no official announcement relating to this has been released by the tax authorities). However, the Income Tax Law (article 113) provides that, for any transfer pricing issues not taken into account in the law, Venezuela will apply the OECD guidelines. Therefore, the recommendations under BEPS action 13 are expected to be implemented into Venezuela's transfer pricing legislation.

**Interest deduction limitations:** The thin capitalization rules provide for a debt-to-equity ratio of 1:1.

**Controlled foreign companies:** Venezuela does not have CFC rules, but the Income Tax Law contains fiscal transparency rules.

Under the fiscal transparency rules, taxpayers that invest directly or indirectly through another person (i.e., an agent or intermediary) in entities or funds located in a low-tax jurisdiction must report the income of the low-tax jurisdiction entity/fund, regardless of whether the income is distributed. Such income is considered foreign-source gross income for purposes of Venezuelan income tax. To be subject to the fiscal transparency rules, however, the Venezuelan taxpayer must have the power to influence the distribution of the profits or dividends of the low-tax jurisdiction entity, or control, directly or indirectly, the administration of the entity.

A low-tax jurisdiction is one in which income is taxed at rates lower than 20%. The fiscal transparency rules generally do not apply if the Venezuelan taxpayer's income is derived from business activities and more than 50% of the total assets of the investment are used to carry on the business activities in the low-tax jurisdiction. However, if more than 20% of the total income derived from the investment in the low-tax jurisdiction comes from dividends, interest, royalties, or income from the sale of movable or immovable property, the exception will not apply.

The investment in the low-tax jurisdiction entity must be reported in an additional return filed with the final income tax return for the corresponding taxable year.

**Hybrids:** Venezuela is expected to follow the OECD guidelines under BEPS action 2 (neutralizing the effects of hybrid mismatch arrangements), but there has been no formal announcement on the matter from the Venezuelan tax authorities.

**Economic substance requirements:** Venezuela is expected to follow the OECD guidelines under BEPS action 5 (countering harmful tax practices more effectively, taking into account transparency and substance) to prevent business activities from being relocated to jurisdictions with no or only nominal tax to avoid the substantial activities requirement that

applies to preferential regimes for geographically mobile income. However, the tax authorities have not yet established an official rule or position about the applicability of the guidelines.

**Disclosure requirements:** There are no disclosure requirements, except the disclosure required under the fiscal transparency rules (see “Controlled foreign companies,” above).

**Exit tax:** Exit tax is not applicable.

**General anti-avoidance rule:** No general anti-avoidance rule is applicable in Venezuela.

## Value added tax

Rates	
Standard rate	16%
Increased rate	31%
Reduced rate	0%/8%

**Taxable transactions:** VAT is based on the invoiced price for domestic and imported goods and the provision of services.

**Rates:** The standard VAT rate is 16%. A higher rate of 31% applies to certain goods and services considered luxuries. A reduced rate of 8% applies to national passenger transport, services rendered to the government, and the import and sale of certain goods for human consumption. Exports are zero-rated and various exemptions exist for exporters and importers, specific industries, certain staple goods, and some imports.

An “additional rate” to be set by the national government (which may range between 5% and 25% and will become effective 30 days following the official publication of the presidential decree setting forth the rate) will be imposed in addition to the regular VAT rate on payments made in foreign currency or in cryptocurrency or cryptoassets other than those issued and guaranteed by the Venezuelan government. The relevant decree has not yet been published.

**Registration:** Taxpayers must obtain a tax number from the Tax Registry and update their information every three years. Nonresident enterprises carrying out a business or activities in Venezuela without a PE must obtain a tax identification number.

**Filing and payment:** VAT returns must be filed (even if no tax is due for the period) and any VAT due must be paid within 15 calendar days following the end of the tax period.

Special taxpayers are required to file returns and make advance payments of VAT on a fortnightly basis. They also must withhold and submit on a weekly basis 75% or 100% of the VAT charged on all their purchases of goods and services from Venezuelan suppliers.

## Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply to both companies and individuals and are imposed at the national level.

**Social security contributions:** Social security contributions must be made by both the employer and the employee, at amounts based on the employee's monthly salary. Contributions are withheld by the employer and remitted to the relevant authorities on a monthly basis. The employer’s contribution may be 10%, 11%, or 12% of gross salary; the employee’s contribution is 4% of gross salary up to a maximum of five minimum wages per month.

Contributions to the employment system also are required. The employer and employee contributions are 2% and 0.5%, respectively, of the employee's regular monthly gross salary (capped at 10 minimum wages per month).

Under the housing and habitat payment system, the employer withholds 1% of the employee's monthly salary and also pays a 2% employer share of the employee's total monthly salary.

Under the National Institute of Socialist Training and Education contribution system, the employer pays 2% of the company's total annual payroll, and employees must contribute an amount equal to 0.5% of any profit-sharing amount they receive.

**Payroll tax:** A company that has more than five employees must contribute 2% of the company's total annual payroll to the National Institute of Socialist Training and Education contribution system.

**Capital duty:** Capital duty at 1% to 5% is levied on the incorporation of a company and on additional contributions to capital.

**Real property tax:** Real property tax is levied by the municipalities; the rates and bases of assessment vary according to the location and use of the property. Some municipalities offer exemptions from real property taxes to manufacturing enterprises.

**Transfer tax:** There is no transfer tax, but where a document is issued for the transfer of goods or shares, the competent office or public notary will levy stamp tax for registration of the document at rates that vary by location and by transaction.

**Stamp duty:** Stamp duty of 0.01 TUs per VES or fraction of a VES is levied when the initial capital of a company is registered or increased.

Stamp duty also is levied on the registration of a branch in Venezuela. Companies in the Capital District must include stamp duty of 1 TU plus 0.5 TUs per page with an incorporation request or on modification of the incorporation documents.

Each state is entitled to regulate stamp duty within its jurisdiction. If no law is issued by the state, the national Stamp Duty Law applies until a corresponding state law is issued.

**Net wealth/worth tax:** Special taxpayers (designated as such by the tax authorities) whose net equity (for companies) or wealth (for individuals) exceeds 150 million TUs are subject to a wealth tax at 0.25% of total equity or total wealth, respectively. The deadline for payment of the 2021 tax is specified by the special taxpayer calendar issued annually by the tax authorities. The wealth tax cannot be deducted or credited against corporate or individual income tax.

**Inheritance/estate tax:** Inheritance tax is imposed on individuals at progressive rates up to 55%.

**Other:** Individuals that provide services to the national government regarding proprietary software must contribute 1.5% of the current year's net income from such services to the National Committee of Information Technology.

A 2% tax on financial transactions applies to special taxpayers (other than individuals) designated as such by the tax authorities.

Companies are subject to an annual tax on economic activities levied by the municipalities that is based on gross receipts or sales and varies from 0.5% to 10%, depending on the district and type of business.

All enterprises that carry on economic activities in Venezuela and earn more than 100,000 TUs annually must make an annual contribution for science and technology. The contribution is 0.5%, 1%, or 2% of gross income, depending on the

activities of the company. The 0.5% rate applies to enterprises that conduct economic activities in Venezuela and to state-owned enterprises that conduct oil and mining activities in Venezuela. The 1% rate applies to other enterprises that carry out oil and mining activities in Venezuela, and the 2% rate applies to enterprises that conduct activities related to alcohol and cigarettes, among others.

Public and private enterprises employing at least 50 employees must contribute 1% of “operating profits” to the National Antidrug Fund. The payment and related filing must be made within 60 calendar days after the fiscal year end.

Enterprises that carry on economic activities in Venezuela and whose annual accounting profits or net tax profits exceed 20,000 TUs must contribute 1% of accounting profits to the National Fund for the Development of Sports, Physical Activity, and Physical Education.

**Tax treaties:** Venezuela has 28 tax treaties.

**Tax authorities:** *Servicio Nacional Integrado de Administración Aduanera y Tributaria* (SENIAT)

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