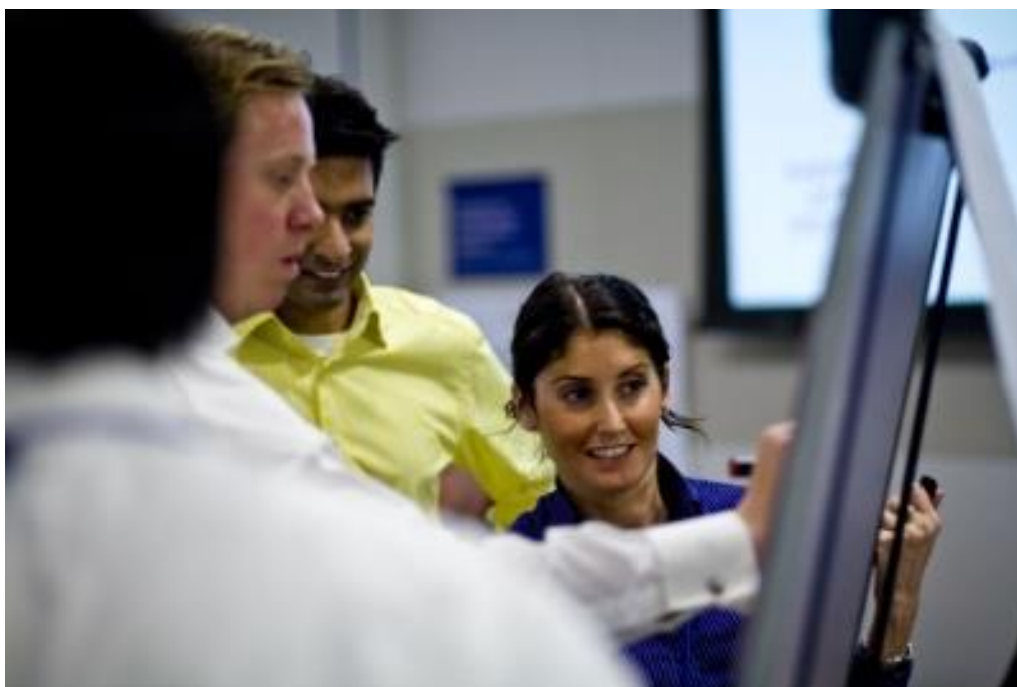


Law on Integral Regionalization of Social Development in the Nation



Decree No 1425 with Range, Value and Force of Law establishing the Law on Integral Regionalization of Social Development in the Nation was published in Official Extraordinary Gazette No 6151.

1. Objective

As stated in article 1, this Decree aims at regulating the establishment, operation and management of the different planning and development regional offices, within the framework of the National Regionalization System. For this purpose, three levels are established.

2. System organization

- a. Regional level: it will comprise Integral Development Regions and Strategic Development Areas. Both of them were created by the President of the Republic.

It is important to stand out that the income earned due to special activities carried out both in the regions and in the areas will be managed by the President of the Republic. The President is not only in charge of establishing special activities, but he will also be responsible for deciding how that income shall be spent.

- b. Sub regional level: it will comprise all Core Districts, Special Economic Areas and Production Knowledge Areas. All of them were created by the President of the Republic.
- c. Local level: it addresses to the specific policies for the general regulation on urban equipment and services, as well as the core office and special area development in the sector determined by the National Executive.

The organisms in charge of coordinating the levels involve the proper ministries and the coordinator designated by the President of the Republic.

3. Tax Regime in the Special Economic and Strategic Development Areas

For this item, it is established the following:

- The President of the Republic shall be able to approve special plans for fiscal and customs incentives.
- Customs shall be created by limiting its special divisions for the different aforementioned areas.
- The President of the Republic will be able to remove tariff and non-tariff restrictions which are applicable to merchandise, goods and services import in order to conduct constructions and the raw material required by the companies to work in the areas.
- Regarding the tax generated by importing the aforementioned goods, it will be put off until the company starts operating. The same will be applied for Income tax payment purposes.

The companies operating in the Strategic Development Areas as well as Special Economic Areas shall be able to withhold the complete amount of the Value-Added Tax (VAT). It will be returned in compliance with the amortization schedule established by the President of the Republic.

The suppliers will have the right to deduct the total amount of their withholdings, even if they did not inform about them.

Furthermore, **import duties and income tax** will be amortized from the moment the operations of the company start, in compliance with the schedule established by the President of the Republic.

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- Article 22 states that they shall only be able to freely export or sell directly to State Companies determined by the National Executive through

networks or establishments managed by either this Company or its central offices.

4. Derogated Law

By virtue of this decree, Decree No 1469 regarding the Special areas for the Sustainable Development, which had been published on November 13th, 2001 in Extraordinary Gazette No 5556, is derogated.

Effective Date

The current Decree will be effective from its publication date in Official Gazette of the Bolivarian Republic of Venezuela.

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