

Value added tax exemption for sale operations made by tangible property and service providers for state enterprises exclusively for the public transport system



Decree Number 2448 of September 2, 2016, published in **Official Gazette N° 40980** on that same date, establishes the VAT exemption for sale operations made by movable tangible property and service providers for state agencies or enterprises exclusively engaged in activities such as management, design, construction, setup, control, maintenance, renovation, modernization and expansion of public transport systems of any kind, both above and below ground, including rail transportation, i.e. subway, trolleybus and railway systems.

Decree Number 2448 became effective on September 9, 2016 and will be valid for a period of 5 years.

The most relevant aspects of said Decree include:

- a) The following items will be exempted from VAT payment:
1. Movable tangible property to be sold or imported, classified as part of: a) civil works, b) rolling stock, c) railway roads, d) electrification, e) control and communication systems for vehicles and rail transport, f) passenger entry control and fare collection systems, g) equipment used for passenger movement within transport stations, h) general and localized ventilation systems, i) air conditioning systems for fixed facilities and rolling stock, j) pumping systems, k) auxiliary equipment, l) safety and protection equipment and m) other movable tangible property.
 2. Several types of services classified as follows: a) services, b) civil works services, c) rolling stock services, d) railway roads services, e) fixed and/or movable electronic and mechanical equipment installed within the transport system and f) equipment services for the public transport system.
 3. The customs regime determination rate for import operations made by State agencies or enterprises exclusively engaged in the maintenance or expansion of the Underground Public Transport System.

Said exemptions will apply even if goods are imported or purchased as assembled units or as components and pieces to be later assembled.

- b) These exemptions will only apply upon prior authorization from the People's Power Ministry for Transportation and Public Works, authorization which must be requested by each corresponding state agency or enterprise.

- c) National enterprises, service providers and responsible parties to whom said exemptions are granted must include the phrase "Exempted Operation" in invoices of such nature, as well as the number, issue date and specifications of Decree N° 2248, and the corresponding order to purchase goods or to contract services, as appropriate.

- d) Beneficiaries of this exemption will be subject to quarterly reviews in which they must deliver reports on all their exempted operations to the Internal Tax Regional Office of the National Customs and Tax Administration Service (SENIAT), at the risk of losing said benefit if they fail to fulfill review requirements and the obligations described in the Decree with Range, Value and Force of Law establishing VAT and other tax and customs regulations.

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