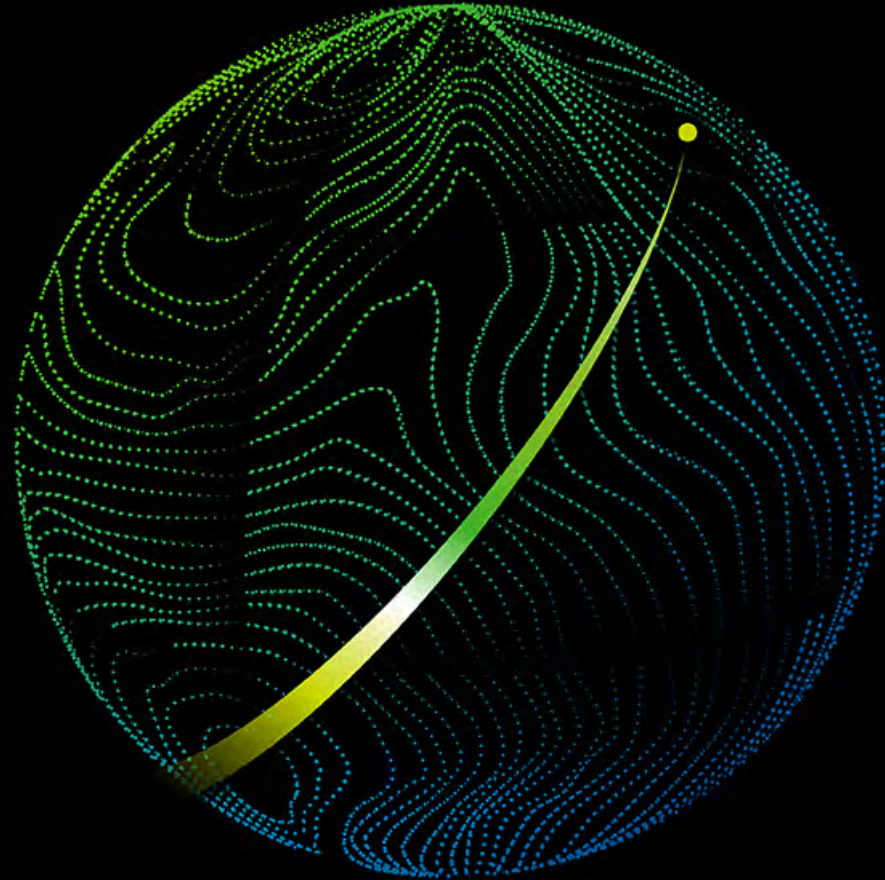


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Organic Law on Coordination and Harmonization

The Organic Law on Coordination and Harmonization of Tax Powers of States and Municipalities was published in Extraordinary Official Gazette No. 6.755, dated August 10, 2023.

Relevant aspects

- This law is aimed at guaranteeing the coordination and harmonization of tax powers of states and municipalities. It provides for principles, parameters, limitations, and applicable tax rates and aliquots in conformity with provisions established in the National Constitution.
- Its purposes are:
 1. Promoting the national economy's harmonious development in order to improve the population's life quality, generate sources of employment, create a high national added value and strengthen the economic sovereignty.
 2. Favoring the optimization and efficiency of state and municipal tax processes and reducing tax avoidance and evasion.
 3. Seeking fair distribution of public burdens according to the economic capacity of taxpayers.
 4. Generating legal certainty and security about tax procedures and burdens applicable nationwide.
- The Organic Tax Code's provisions shall be supplementarily applicable to state and municipal taxes.
- The law's provisions are a matter of public order concern.
- States and municipalities can only create, organize, control and collect taxes assigned by the Constitution and the national legislation.

Tax & Legal Newsletter

Edition 31 | August 23, 2023

- States and municipalities shall refrain from levying goods from other states or municipalities differently from they way applicable to goods produced in their jurisdictions.
- As from the effective date of the law, states and municipalities shall identify and provide for the suppression of requirements and permits limiting, hindering or impeding the exercising and normal development of economic activities and production initiatives.

Limits on tax power exercising

States and municipalities cannot set taxes directly or indirectly affecting imports, exports or transit of local or foreign goods.

Payment of taxes and account unit

- Any state and municipal taxes, as well as their ancillary items and sanctions, shall be paid in bolivars.

- The only dynamic unit of account to be used to calculate taxes, ancillary items and sanctions shall be the highest value currency exchange rate, as published by the Central Bank of Venezuela.

Prohibitions and limitations

- States and municipalities cannot collect taxes, fees or contributions that are not set forth in state laws or ordinances.
- The nature of state and municipal taxes cannot be confiscatory or allow for multiple interjurisdictional imposition nor can these taxes become an obstacle for the harmonious development of national economy.
- State and municipal authorities cannot demand the submission of certificates of solvency regarding payment of tax obligations for execution of procedures carried out in their own dependencies, if these are to be issued by the same body.

- Provisions contained in state laws and ordinances contravening provisions set forth in this law are null and shall be declared constitutionally null before the Constitutional Courtroom of the High Court of Justice.



Tax & Legal Newsletter

Edition 31 | August 23, 2023

Coordination and Harmonization Measures

- States and municipalities shall use the Tax ID number (RIF) of the national tax authority as identifier of taxpayers.
- Implementation of an information technology system for filing and payment of taxes in coordination with the National Treasury.
- Simplification and promptness of administrative procedures.

Superior Tax Harmonization Council

- An authority allowing for participation and consultations for development of policies aimed at coordinating and harmonizing the exercising of tax powers of states and municipalities.
- It shall be made up of the minister of Finance, the SENIAT's superintendent, three governors and three mayors.

Tax on Economic Activities - Harmonization and Limits

- The aliquot of the municipal tax on economic activities of industries, trade, services or similar activities shall not be above 3 % of gross revenue obtained.
- The minimum annual taxable amount for this tax shall not be above the equivalent amount in bolivars of 240 times the highest value currency exchange rate published by the Central Bank of Venezuela.
- Exceptionally, the aliquot will be of up to 6.5 % for exploitation of mines and quarries; oil industry services and construction; advertising services; retailing and/or whole selling of alcoholic beverages; sale of food, beverages and entertainment; commercial banks, financial institutions, insurance, administration companies and similar activities; sale of jewelry, watches and precious stones and manufacturing of liquors, tobaccos, cigarettes and derivatives.

Licenses

Licenses or authorizations for exercising of economic, industrial, commercial, service and similar activities will be effective for three calendar years, as a minimum, as from the date of their issuance by the corresponding authority.

Taxes on Economic Activities - Exemptions and Rebates

- General exemptions are established for certain economic activities.
- Tax rebates of at least 30 %, for certain economic activities.

Tax & Legal Newsletter

Edition 31 | August 23, 2023

Harmonization of other State and Municipal Taxes

- Cadastral appraisals are established as parameters to determine the value of land and buildings for tax purposes.
- The municipal tax on vehicles shall be paid by the owner of the relevant vehicle, with an obligation to comply with this tax exclusively in the jurisdiction of the municipality where his/her domicile, residence or permanent establishment is located.
- The sum of all municipal taxes applicable to undertakings shall not exceed 1 % of annual gross revenue obtained by the taxpayer.

Tax on Loan Instruments

- The state tax on granting of loans in favor of individuals or companies by banks and other financial institutions, whose branches or agencies are located in the jurisdiction of

each state and of the Capital District, shall not exceed Bs 1 per each 1000 bolivars.

Tax on Forms of Payments

- The state tax for issuance of payment orders, checks, transfers and any other form of payment by entities or bodies from public, national, state, district and municipal sectors, located in the jurisdiction of each state and the Capital District, made as advances, partial payments or total payments in favor of contractors derived from work contracts, service rendering or acquisition of goods and services, shall not exceed Bs 1 per each 1000 bolivars.

Harmonization of Rates, Stamp-impressed Paper and Stamps

- The categories of rates that states and municipalities can set and the limits on aliquots are expressly established.
- States shall implement the use of electronic tax stamp.
- The limit on the amount to be charged for tax stamps and stamp-impressed paper is established.



Tax & Legal Newsletter

Edition 31 | August 23, 2023

Transitory Provision

- States and municipalities shall adjust current legal instruments on tax matters to provisions contained in this law within the 90 continuous days after its publication in Official Gazette.

Repealing Provision

- The effectiveness of this law repeals the provisions contained in state laws and ordinances setting forth tax rates other than those established in the National Constitution and the law.
- Any provision contravening this law is repealed.

Effective date

The law will be effective 90 continuous days after its publication in Official Gazette, dated August 10, 2023.



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