



Crowe

Doing Business Venezuela

Audit / Tax / Advisory

Smart decisions. Lasting value.

Welcome

to Doing Business in Venezuela

Welcome to the Crowe Global “Doing Business in Latin America: 2020 Venezuela guide. This guide forms a part of the “Doing Business in Latin America 2020” series and provides a quick reference for those interested in investing in Venezuela. While it is not exhaustive, this guide aims to answer some of the key questions that may arise. When specific issues arise in practice, it will often be necessary to consider the relevant laws and regulations and to obtain appropriate professional advice.

This guide covers the following:

- General Information
- Population
- Government and the Economy
- Tax Structure
- Foreign Investment



Márquez, Perdomo & Asociados

In Crowe Venezuela, an independent member of Crowe Global International, we are committed to construct lasting relationships with our customers, and to do this we do not hesitate to understand their points of view, their needs and objectives. As such, our Firm count on experienced specialists in the areas of each industry we give professional advice.

To strengthen the commercial relationships with our customers, we deliver innovative solutions which are designed from the needs of each customer, for which we take into account, in a specific way, their economic activity, implications of the commercial treaties, the market behavior and the company's exposure to risk.

General Information

Venezuela, is officially denominated Bolivarian Republic of Venezuela located at the North of South America, it has a continental part and a great number of small island and rocky isles, which capital and major urban sprawl is the city of Caracas.

Its territorial extension is of 916.445 sq. Km. The continental territory limits with the Caribbean Sea and the Atlantic Ocean at the North, with Colombia to the West, Brazil to the South and Guyana at the East.

Venezuela maintains a reclamation on the Esequiba Guyana on an area of 159.542 sq. Km.

Venezuela exercises its sovereignty on its maritime spaces on 71.295 sq. Km of territorial sea; 22.224 sq. Km. in its adjacent zone; 471.507 sq Km of the Caribbean Sea and the Atlantic Ocean under the concept of exclusive economic area, and 99.889 sq Km of continental shelf.

Venezuela's official language is Spanish. However, English is used in business environment.



Capitalize on a team of experts
ready to assist you in turning goals
into achievements.



Of Interest

The National Electric System is one of the few existing networks in the world capable of operating at an extra high voltage level: three 765 kilovolt lines, which run about 2,300 kilometers.



Venezuela has a population of 28,870,195 inhabitants and has a moderate population density of 32 inhabitants per km².

The Central Bank of Venezuela will publish on its WEB page the weighted average exchange rate of the transactions traded in the Exchange Market System, which will be the market reference exchange rate for all purposes.



Venezuela has an oil reserve that exceeds 300 million barrels.

65,9% of the transactions in Venezuela during the month of November and December 2020 were carried out in foreign currency. Font: Ecoanalítica

Tax Structure

Name	Rate	Description
VAT		
	0%	Applicable tax rate for: <ul style="list-style-type: none"> ° Export sales of movable property and exports of services. ° Hydrocarbon sales natural carried out by joint ventures, regulated in the Organic Law of Hydrocarbons, to Petróleos de Venezuela, S.A. or to any of its subsidiararies.
	8%	Applicable tax rate for: <ul style="list-style-type: none"> ° Imports and sales of food and products for human consumption mentiones in Article 64; numeral 1, literals from "A" to "D" of the Value Added Tax Law (L.I.V.A.) ° Imports and sales of minerals and liquid foods or concentrates for animals or species referred to in the literal "a" and "b" of article 64 of the L.I.V.A as well as the matters raw materials used exclusively in its production. ° The provision of services to the Public Power; in the exercise of professions that do not involve the performance of acts of commerce and involve predominantly intellectual work or performance. ° The national air transport of passengers.
	16%	General tax rate applicable to taxable operations.
INCOME TAX FOR INDIVIDUALS		
R-NP, T1	6%	Applicable on the net enrichment obtained by people natural residents in the country taken to Tax Units (U.T) when this is equal to or less than 1000,00 U.T.
	9%	Applicable on the net enrichment obtained by people natural residents in the country taken to Tax Units (U.T) that exceeds 1000,00 U.T until 1500,00 U.T.
	12%	Applicable on the net enrichment obtained by people natural residents in the country taken to Tax Units (U.T) that exceeds 1500,00 U.T until 2000,00 U.T.
	16%	Applicable on the net enrichment obtained by people natural residents in the country taken to Tax Units (U.T) that exceeds 2000,00 U.T until 2500,00 U.T.
	20%	Applicable on the net enrichment obtained by people natural residents in the country taken to Tax Units (U.T) that exceeds 2500,00 U.T until 3000,00 U.T.
	24%	Applicable on the net enrichment obtained by people natural residents in the country taken to Tax Units (U.T) that exceeds 3000,00 U.T until 4000,00 U.T.
	29%	Applicable on the net enrichment obtained by people natural residents in the country taken to Tax Units (U.T) that exceeds 4000,00 U.T until 6000,00 U.T.
	34%	Applicable on the net enrichment obtained by people natural residents in the country taken to Tax Units (U.T) that exceeds 6000,00 U.T.
NR-NP	34%	Applicable on the net enrichments obtained by people natural non-residents in the country expressed in Tax Units (U.T)
INCOME TAX FOR COMPANIES		
T2	15%	Applicable on the net enrichment obtained by people legal entities taken to Tax Units (U.T) when this is the same or less than 2000,00 U.T.
	22%	Applicable on the net enrichment obtained by people legal entities taken to Tax Units (U.T) when this is the same until 3000,00 U.T.
	34%	Applicable on the net enrichment obtained by people legal entities taken to Tax Units (U.T) that exceeds 3000,00 U.T
T3	60%	Applicable on the net enrichments obtained by people natural and assimilated taxpayers of these, acquired by the royalties and other similar interests from exploitation of mines and the enrichments derived from the transfer of such royalties and shares.
	50%	Applicable on the net enrichments obtained by the taxpayers other than natural persons and their assimilated, acquired by the exploitation of hydrocarbons and related activities.
EQUITY TAX		
	0,25% - 1,50% At present 0,25%	The tax base of the tax created in this Constitutional Law will be the result of adding the total value of the goods and rights, determined in accordance with the rules established in the law, excluding liabilities and the value of the charges and encumbrances that fall on the goods, as well as, the goods and rights exempted or exonerated.
TAX FOR SEND MONEY ABROAD (ISD)	N/A	N/A
T1 Refers to Tariff 1 of the Law T2 Refers to Tariff 2 of the Law T3 Refers to Tariff 3 of the Law		

Tax Structure

Currently, the income tax withholdings is regulated by Partial Regulation No. 1.808, in force since 1997. The main technical elements of the Regulation are:

Concept	Resident (%)		Non-Resident (%)	
	Corporation	Individual	Corporation	Individual
Comissions (1)	5	3	5	34
Dividend (3)	34	34	34	34
Royalties (2)	5	3	T2 on 90	34 on 90
Interest of foreign financial institutions	N/A	N/A	4,95	N/A
Other Interest	5	3	T2 on 95	34 on 95
Professional fees	5	3	T2 on 90	34 on 90
Technical assistance fees	5	3	T2 on 30	34 on 30
Technological service fees	5	3	T2 on 50	34 on 50
Real state rentals	5	3	5	34
Tangible personal property rentals	5	3	5	34
Contractor and subcontractor services	2	1	T2	34
Film and television exhibition rights	5	3	T2 on 25	34 on 25
Insurance and reinsurance premiums	N/A	N/A	10 on 30	N/A
Payments to international media organizations	5	3	T2 on 15	N/A
Acquisition of Venezuela Commercial funds	5	3	5	34
Payments to non-domiciliated international transportation companies (2).	N/A	N/A	T2 on 5	N/A

(1) Includes comissions earned in instances other than through a dependent relationship. Comissions are subject to withholdings in the same maneer as salaries and wages.

(2) Excludes payments exempted under international shipping agreements.

(3) Whitholding applicable only on the excess on profits taxed at the corporate level.

THE PERCENTAGE MAY BE 50% OR 60% IF THE PAYER THE DIVIDEND IS AN ENTITY DEDICATED TO THE EXPLOITATION OF HYDROCARBON AND RELATED ACTIVITIES OR, WHEN THE PAYER RECEIVES MINING ROYALTIES.

Government

The Venezuelan State is divided into 5 powers: Legislative, Executive, Judicial, Citizen and Electoral. The national authorities of the State reside in Caracas, Capital District of the country.



Economic

1. Exchange controls

On September 7, 2018, exchange agreement No. 1 was published, with the purpose of generating favorable conditions for the stability required for the development of economic activity and investment, the free convertibility of the currency is restored throughout the national territory, therefore the restrictions for exchange operations ceased.

The exchange rate for the purchase and sale of foreign currency in the Exchange Market System will fluctuate freely according to supply and demand.

The BCV will publish on its WEB page the weighted average exchange rate of the transactions traded in the Exchange Market System, which will be the market reference exchange rate for all purposes.

2. Constitutional law of productive foreign investment

In extraordinary official gazette No. 41,310 dated December 29, 2017, the Constitutional Law of Productive Foreign Investment was published, which aims to establish the principles, policies and procedures that regulate the investor and productive foreign investments in goods and services.

They are subjects of the law:

1. Foreign companies and their subsidiaries.
2. Great National Companies.
3. National private, public and mixed companies and their affiliates, subsidiaries or related.
4. Natural persons, national and foreign, domiciled abroad, who make foreign investments in the national territory.
5. Natural persons, national and foreign, domiciled in the country, who make foreign investments

Economic data of Venezuela

2017	Inflation 2.616 % GDP fell 15,7 %
2018	Inflation 130.060,24 %
2019	Inflation 9.585,49 %
2020	Inflation 844,05% until september



Opportunities

1. Venezuela export overview

Venezuela is the sixth largest country in Latin America by size and economy. It has a population of almost 30 million people.

Venezuela imports 30% of its needs, making it an attractive market for international companies.

Benefits for international businesses exporting to Venezuela include:

- Low import tariffs
- High potential returns due to high margins
- The international companies has a reputation for high quality goods in Venezuela
- Member of the World Trade Organization (WTO) and Mercosur

2. Education and training

Many Venezuelan private and public sectors are looking to partner with quality education institutions.

The majority of opportunities for international companies are for training courses in:

- English language.
- Financial and banking sector.
- Oil and gas sector.

5. Life Sciences

Venezuela is one of the top 5 markets for pharmaceutical products in Latin America. Public sector demand has grown consistently in recent years with the introduction of new public health schemes.

There are opportunities for international companies including:

- Medical equipment and consumables.
- Diagnosis and treatment equipment.
- Dental equipment.

- Intensive care and surgery equipment.
- Anti-neoplastic drugs.

6. Defence and security

In recent years, Venezuela has experienced steady growth in the demand for security products and services from overseas suppliers.

There are opportunities for international companies including:

- Consultancy and training (public and private security).
- Commercial and residential security equipment, such as CCTV, alarms and armoured vehicles.
- New technologies to counteract different types of crime (kidnapping, transport of valuables, banking security).

7. Food and drink

Scotch whisky has been a very popular drink among Venezuelan consumers for decades. Although mainly a market for blended whiskies, single malts have started to gain recognition among local consumers.

There are also opportunities for international companies for alcoholic beverages and specialist food products.

8. Start-up considerations

There are several ways to approach the Venezuelan market. The most common are:

- Appointment of an agent/representative.
- Establish a branch office.
- Joint venture with a local company.
- Importing distributor/retailer.
- Direct sales to customers (end users).

It is advisable to appoint a distributor, agent or representative.



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About Crowe Venezuela

Member Firm is committed to impeccable quality service, highly integrated service delivery processes and a common set of core values that guide our decisions daily.

Our firm is well-established as a leader in its national business community and is staffed by nationals, thereby providing a knowledge of local laws and tax regulations which is important to clients undertaking new ventures or expanding into other countries.

Crowe Global is known for its impeccable professional service to privately and publicly held businesses in all sectors and has built a local and international reputation in the areas of Audit, Tax, Advisory and Risk.

Our Global Reach

In addition to our local and regional services, as a member of Crowe Global, we can draw on a worldwide network of independent professionals and their know-how. The Crowe Global network consists of more than 200 independent accounting and advisory services firms in over 140 countries around the world.

As a member firm of Crowe Global we offer comprehensive, international expertise in a broad range of business consulting practices, including assurance, benefit plan services, corporate finance, risk consulting, forensic services, performance services, tax consulting, and technology.

This unique combination of our local and regional talent coupled with the global reach of our network provides us with the local expertise and global worldwide capabilities our clients expect and deserve.

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