



# Investment in Venezuela

Tax & Legal Guide 2026



# Preface

This is intended for prospective investors in Venezuela.

The document covers a wide array of topics relating to company law, corporate taxation, employment, some economic sectors and business opportunities, foreign investment and other relevant legal aspects for the development of different economic activities.

Our hope is that this information will be enlightening, however, professional and in-depth advice must be sought prior to engaging in any decision making.

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# 01 Overview

The Bolivarian Republic of Venezuela is located in the northern part of South America and the Caribbean. Caracas is the capital and its main cities are Maracaibo, Valencia, Barquisimeto, Lechería – Barcelona, and Ciudad Guayana. According to the National Institute of Statistics, the estimated population of the country for 2024 was of 34,090,650 inhabitants.

For a better understanding of Venezuela's economy, it may be divided in the oil and non-oil sectors. The oil sector encompasses the global processes of exploration, extraction, refining, transportation and trade of petroleum products and, the non-oil sector includes a variety such as agricultural, financial services, commerce and services, telecommunications and manufacturing, amongst other.

The growth estimate of the Gross Domestic Product (GDP) for 2025 is 3.1% based on the data released by the Economic Commission for Latin America and the Caribbean (ECLA) (source: ECLA, Preliminary assessment on Latin American and Caribbean economies – December 2024).

# 02 Company incorporation or acquisition: business entities

## a. General aspects

The Code of Commerce is the basic law applicable to companies incorporated in Venezuela. In overall, the purpose of companies or business associations is to actively engage in one or more commercial activities.

However, the Venezuelan legislation will always attribute a commercial or business purpose to corporations and limited liability partnerships, unless these are exclusively engaged in agricultural or cattle farming activities.

Even though companies or business associations are governed by the provisions contained in the articles of incorporation bylaws, their taxation and legal characteristics are established by the Code of Commerce, the Civil Code and other special laws enacted for particular business areas.

The nature of companies is deemed to be either civil or commercial. Civil companies are partnerships formed by individuals that provide their abilities, capacities or knowledge in engaging in a common economic end, whilst commercial companies are those formed by individuals or legal entities bound to be engaged

in a specific trade or business activity listed in the Code of Commerce. Commercial companies are organized in accordance with our company law and, they are regulated by the provisions contained in the Code of Commerce.cio.

Commercial companies are classified in four primary categories:

- General partnerships or Sociedades en Nombre Colectivo, featuring unlimited and joint liability of all the partners.
- Limited partnerships or Sociedades en Comandita Simple, featuring unlimited and joint liability of one or more partners who are often called general or active partners and whose liability is limited for one or more partners often called silent partners.
- Corporations or Sociedades Anónimas, where liability is limited on the basis of the amount of contributed capital.
- Limited liability companies or Sociedades de Responsabilidad Limitada, where the entity's obligations are guaranteed by a specific amount of capital, divided into quotas, which cannot be represented by shares or other negotiable instruments.

- These company categories are legal entities that are separate from their participants as management or leading bodies members.

## b. Company incorporation process

Corporations or Sociedades Anónimas are the most customarily used form of business incorporation. Similarly, foreign companies may consider them at the time of incorporating an entity in the country to act as a subsidiary or branch.

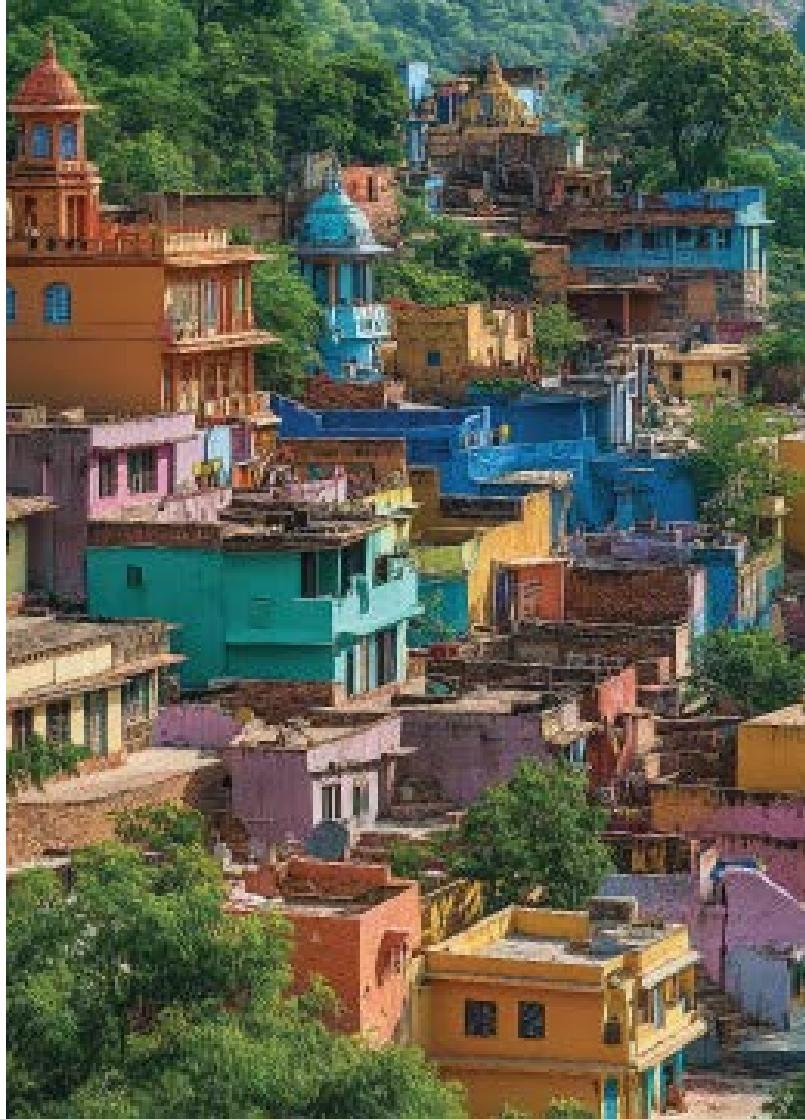
In principle, there are no limitations when a business is incorporated in the country, nevertheless, corporations in Venezuela require at least two initial partners.

Additional and specific requirements must be considered whenever the nature of the business falls into the category of a supervised sector. This entails that special authorizations and subsequent formalities must be complied with prior to the entity's incorporation.

**The articles of incorporation by-laws of a corporation must include the following specifications:**

- Company name and domicile of its establishments and representatives.
- Business nature.
- The amount of subscribed and paid-up capital.
- Identification of the partners by establishing their names and domicile, the number of shares held and par value of the shares expressly indicating whether they are nominative or bearer shares and if the shares can be converted from one to another, the date and amount of contributions made by the partners.
- The value of any loans and other assets contributed to the company.

- The accounting principles involved in the preparation of the balance sheet and distribution of earnings.
- Any special rights of promoters.
- Number of individuals that will be on the board, the rights and obligations of the board members and a specific determination of who will remain duly authorized to sign any documentation in the company's name.
- Appointment of the statutory auditors.
- Powers vested upon the stockholders' meeting, any conditions necessary for a valid decision making and voting rights.
- Actual date when the company will begin operations and company duration.



## The most relevant aspects of corporations follow:



### Stockholders

Must be established with at least two initial stockholders. Afterwards, it may continue to exist with a single stockholder.



### Obligations

Guaranteed by the capital stock. Stockholders' liability is limited to the amount of capital.



### Capital share

Divided into shares of equal value and granting equal rights to their holders, unless otherwise specified in the by-laws.



### Administration

It may be entrusted to one or more administrators or partners, on a temporary and revocable basis, or otherwise. The administration is held liable for performing its duties and for the obligations imposed by the law.



### Company name and registered address

The name may refer to an object, it can be formed by an individual's name or it may be an imaginary name. The words Compañía Anónima in Spanish or their abbreviation (C.A.) or Sociedad Anónima (S.A.) must be added to the desired company name.

The Mercantile Registry Office provides assistance in the creation of the company name as a database verification is conducted in order to prevent future issues that could later on affect the company once it becomes operational.

The registered address will be established in the articles of incorporation and, if not specified therein, the location of its principal place of business will be considered as registered address.



The appointment of the company's administrators and of the statutory auditor is required at the time of incorporation.

The administrators may be Venezuelan nationals or foreign citizens, in the latter case, all relevant immigration rules must be complied with to attain the corresponding work visa. The statutory auditor is an individual to be entrusted with the oversight and subsequent reporting on the annual financial statements prepared by the company's management.

The annual financial statements and the statutory auditor's report thereon must be presented at the annual stockholders' meeting to be deemed as valid and approved.

**The statutory auditor must undertake the following tasks:**

- Reviewing the balance sheet and issuing its own report on any findings.
- Attending the stockholders' meetings.
- Performing the other functions vested upon him or her by the law or by the company's by-laws and in general, the statutory auditor must ensure a sound performance of all duties imposed by the law and the company's by-laws upon the company's management.

In the case of foreign companies establishing subsidiaries or branches in Venezuela, the articles of incorporation by-laws of such entities are subject to the limitations and requirements contained in the current legislation on foreign investment.

There are also publicity-related formalities to be fulfilled that involve the articles of incorporation by-laws as well as their provisions must be published in a local mercantile newspaper And, any transcripts and entries must be made in the legally required books (i.e., the book of shareholders).

Such company books must be properly stamped by Mercantile Registry officials.

### **c. Acquisition of a duly incorporated business company**

An alternative approach to doing business in Venezuela may be in the form of the acquisition of a duly incorporated business company. This kind of acquisition usually takes place in Venezuela through the purchase of shares of a company already incorporated and operational.

Some potential options involving this approach are:

- A local holding company.
- A foreign parent company.
- A non-resident intermediate holding company.

Prospective acquirers typically conduct a due diligence to obtain a first hand and complete business overview of the entity to be acquired and its regulatory framework. The aim is to envision the strategies and steps to be followed in connection with the final transaction structuring.

### **d. Other forms of association**

Additionally, business can also be carried out through other legal and independent vehicles. Foreign companies may consider participating through a joint venture or through participation accounts.

#### Joint ventures

A consortium or a joint venture is a form of strategic association whereby two or more companies act together under a single direction and common rule, conserving each however its own nature and legal independence. All members generally share a joint liability. The terms of a joint venture may vary depending on the private agreements reached and the objectives set by the associating entities.

#### Participation accounts

An associating company or a corporation may enter into a contract referred to as a shared profit agreement or a participation accounts agreement, where the parties have rights according to their statements of income (profits and losses) involving one or more business operations.



# 03 Tax environment

## 2.1 General aspects

In Venezuela, the taxing power is distributed by the Constitution, to each of the political territorial entities that make up the Venezuelan State, that is, the Republic, the States and Municipalities. This allows them to create and collect their own taxes, in accordance with the limits imposed on them by the Constitution.

The Republic holds the broadest taxing power since it is responsible for the creation, organization, collection, administration and control of taxes on income, wealth, inheritance, donations, capital, production, added value, hydrocarbons and mines, the import and export of goods and services, taxes on liquor, alcohol and other alcoholic species, cigarettes and other tobacco products. Similarly, it holds residual power regarding all other taxes that are not expressly attributed to the States or Municipalities.

On the other hand, the States hold the taxing power to create, organize, collect, control, and administer, among others: stamp taxes and the regime and use of non-metallic minerals not exclusively reserved for the Republic.

As for Municipalities, their taxing power relate to economic activities, real estate, and property such as vehicles, public shows, commercial advertising, among others.

### 2.1.1 Fiscal Information Sole Registry

Any company and individual engaging in economic activity in Venezuela must make a onetime registration with the Fiscal Information Sole Registry (RIF), within the first 30 business days of doing business in Venezuela.

Afterwards, a Tax ID certificate will be issued with a validity of 3 years as of the date of issuance and its renewal must be carried out within a period not exceeding from 30 business days after expiration. Any change in the name, address, business activity, shareholders, among other aspects, must be formally informed to the Tax Administration and the Tax ID certificate must be updated within the aforementioned term, essentially, within 30 business days following the occurrence of the specific information change. This is a single Tax ID certificate for all domestic taxes (both direct and indirect).

## 2.1.2 Special taxpayers

The National Integrated Service for Customs and Tax Administration (SENIAT, for its Spanish acronym) can designate certain taxpayers as Tax environment special taxpayers, and this categorization is based on their annual income.

There are additional duties and penalties, and different terms for filing tax returns and making tax payments established for this taxpayer category (special taxpayers). The Tax Administration publishes an annual calendar setting the due dates for compliance with tax filings and payments by special taxpayers, and this is arranged according to each Tax ID (RIF).

## 2.2 Income Tax

Under the Venezuelan Income Tax Law, each individual or legal entity, whether resident or domiciled in Venezuela, will pay taxes on income regardless of the origin, i.e., it will pay taxes on income obtained within or outside the country.

Those individuals or legal entities that are non-resident or non-domiciled in the country are subject to this tax solely on the income that is caused or obtained in Venezuela, even though these individuals or entities do not have a permanent establishment or a fixed base in the country. In the case of individuals or entities resident or domiciled abroad with a permanent establishment or a fixed base in Venezuela, they will pay taxes solely on income caused within or outside the country, attributed to such permanent establishment or fixed base.

The Venezuelan Income Tax Law taxes annual, net, and available income, whether in cash or in kind, where income is defined as any capital increase resulting from subtracting the costs and deductions from gross income as permitted by the Law.

The Income Tax Law contemplates an inflation adjustment system that is applicable at the time of determining the net income from territorial source; however, those taxpayers engaging in banking, financial, insurance and reinsurance activities, as well as those qualified as special taxpayers by the Tax Administration, have been expressly excluded from this inflation adjustment system, consequently, in principle only the historical acquisition cost could be considered as their tax cost basis.

Each legal entity must file an annual income tax return indicating her profits and losses, regardless of the amount thereof, and within the three-month period following the closing date of the fiscal year.

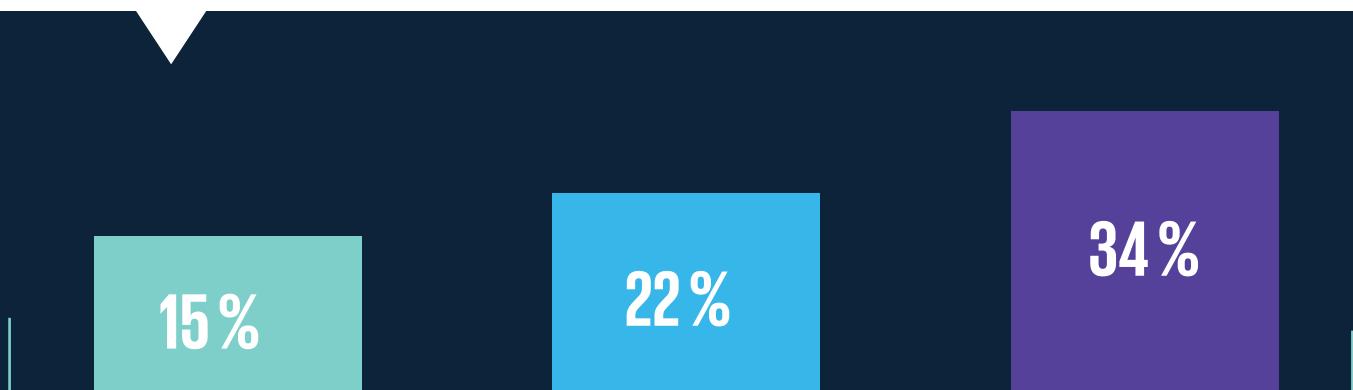
Those companies categorized as special taxpayers must file their tax returns and pay income tax on the date specified by the Tax Administration according to a special calendar or schedule to that effect.



## 2.2.1 Corporate Income Tax Rate

Corporations and limited liability companies in Venezuela are subject to progressive taxation, based on the company's net income converted into Tax Units (T.U.) where the value of the Tax Unit will be adjusted periodically by the Tax Administration. The current value of the Tax Unit is 9 bolivars.

### The corporate tax rate is as follows:



For the portion of up to 2,000 U.T.

For the portion exceeding from 2,000 T.U. up to 3,000 T.U.

For the portion exceeding from 3,000 T.U.

## 2.2.2 Special tax flat rates

- 40% applicable to earnings from banking, financial, insurance or reinsurance activities, obtained by entities domiciled in the country.
- 50% applicable to earnings obtained by taxpayers, other than individuals, engaged in the exploitation of hydrocarbons and related activities, including those of other origin.
- 60% applicable to earnings in the form of royalties and similar payments from the exploitation of mines and for income derived from the assignment of such royalties and participations.

- 4,95% applicable to earnings from loans and other credits granted by financial institutions incorporated abroad and not domiciled in the country.
- 10% applicable to insurance and reinsurance companies not domiciled in the country.
- 1% on the gross income obtained from the sale of shares done through a Stock Market domiciled in Venezuela.

### 2.2.3 Tax losses

The Income Tax Law sets forth that any tax losses may be carryforward and allocated to the income obtained for up to 3 taxation periods following the taxation period when the tax loss occurred, provided that such allocation does not exceed from 25% of the income obtained in each period.

### 2.2.4 Income tax advance payments

In September of 2018, a Constituent Decree became effective, whereby the temporary regime of income tax advance payments was established as applicable to those taxpayers categorized as special taxpayers.

The income tax advance payments established in this Constituent Decree involve the payment of 0.5% of the gross income obtained in the previous taxation period on value added tax matters.

These advance payments regime imply a suspension of the obligation for these taxpayers of filing an annual income tax estimate return after obtaining and declaring

a net income exceeding from 1,500 T.U. in the previous fiscal year, which continues in force for those taxpayers other than the special taxpayers.

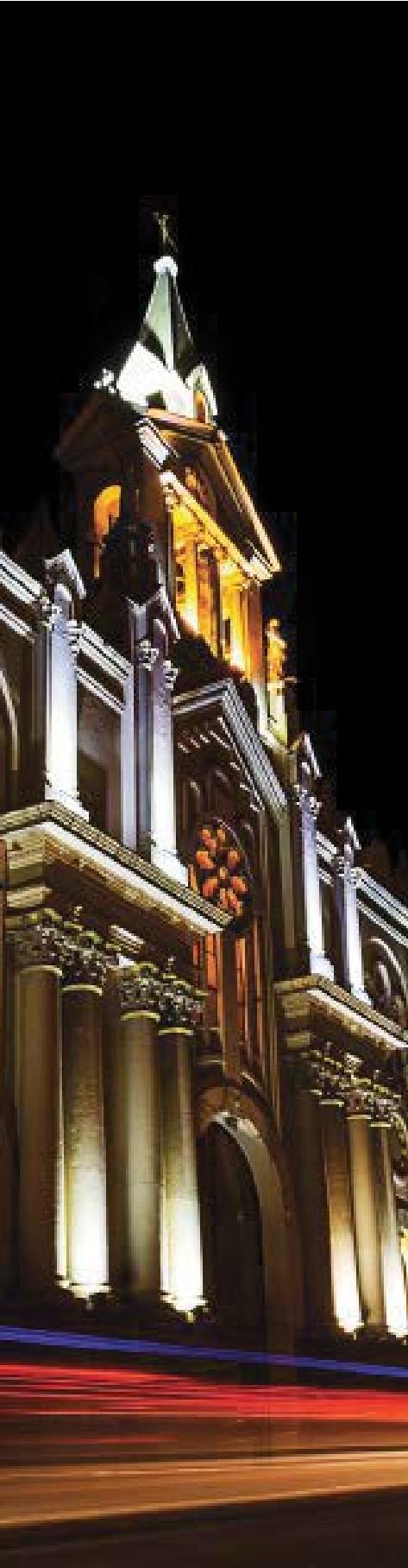
### 2.2.5 Transfer pricing

Taxpayers must ensure that transactions conducted with related parties are agreed on at an arm's-length basis. If such transactions do not qualify as compliant with the arm's-length standard, then the tax authorities may adjust their taxable income.

Transfer pricing determination is established for income, cost and expenses incurred for exports and imports carried out between related parties in accordance with the methods stipulated in the Income Tax Law. For these purposes, a thorough analysis must be prepared containing all the documentation required by this Law.

Additionally, the Venezuelan transfer pricing rules establish that taxpayers are obligated to file an annual informative transfer pricing return (PT-99). This return must be filed within six months of the fiscal year-end.





## 2.2.6 International Fiscal Transparency Transparencia fiscal internacional

The Venezuelan Income Tax Law also establishes a regime under which taxpayers who have made direct or indirect investments or through a person that is acting as intermediary in branches, companies, real or personal property, stocks, bank accounts or investment banks and any type of participation located in low tax jurisdictions (tax havens), will be subject to this tax regime.

The income resulting from investments made at low tax jurisdictions will be considered taxable in the fiscal period in which income is caused.

Taxpayers must file, together with their final income tax return, a return detailing the investments held by them or carried out in low tax jurisdictions during the fiscal period.

Taxable income resulting from conducting enterprise activities in a low tax jurisdiction will not be subject to this tax regime, when more than 50% of the total assets involving these investments is comprised by fixed assets used in carrying out those activities and located in such jurisdictions.

## 2.2.7 Technical assistance and technological services

These are understood as concessions for use and exploitation of invention patents, models, drawings and industrial designs, and all patentable technical documents.

The earnings of taxpayers which render technological services from abroad, or by those of persons or communities which use such services in Venezuela, are defined as 50% of their gross income and 30% for technical assistance.

When technical assistance and technological service contracts executed from abroad do not specify the portion of income corresponding to each concept, it is presumed that 25% of income is for technical assistance and 75% for technological services.

Also, unless specifically stated, it is presumed that 50% of the total income corresponds to services from abroad and 40% to services rendered in the country.

Furthermore, earnings from royalties and similar payments are defined as 90% of the gross income from such sources.

## 2.2.8 Tax on dividend remittances

Any dividends paid by a Venezuelan entity will be taxed depending on the payer: a 34% rate will be applicable if the payer is an entity engaged in activities different than those related to hydrocarbons (50%) and mining (60%).

The tax base would be the excess amount between the accounting net income and the net fiscal earning. In order to determine the taxable portion of dividends, the distributing company must deduct from the total amount of the dividends paid: (a) the portion of dividends attributable to exempted or exonerated income; and (b) the portion of dividends attributable to dividends received from companies incorporated abroad, whether domiciled or not in Venezuela.

The amount resulting from this operation, if any, is deemed to be the distributing company's net income. The company must make the following deductions from net income in the following preclusive order: (a) the net taxable income of the fiscal year preceding the fiscal year when the payment of the dividends occurs and other income subject to proportional rates; and (b) the dividends received by the paying company from companies incorporated in Venezuela.

The resulting amount, if any, is the portion of the dividends that will be subject to tax at (34%) flat rate. This tax must be entirely withheld at the source by the distributing company.

If the dividends paid relate to profits attributable to various fiscal years, then the abovementioned procedure must be applied independently to the portion of dividends corresponding to each fiscal year.

The basis for distributing dividends is tied to the amount of profits and reserves according to the balance sheet duly approved, therefore, any credits, deposits and advance payments made to the partners will be considered as dividends paid and subject to tax, except when the

company has received interest as consideration calculated at a rate of no less than three (3) percentage points below the Venezuelan banking lending rate and the debtor shareholder has paid the amount of the credit, deposit or advance payment received in cash before the company's closing date of the fiscal year.

Dividends obtained from companies incorporated or domiciled abroad are taxed at a flat 34% rate.

## 2.2.9 Tax Treaties for the Avoidance of Double Taxation

Venezuela has signed several Treaties for the Avoidance of Double Taxation with different countries on income tax matters, as follows:



### Geographical area



### Signor countries

■ <b>America</b> ■	Barbados, Brazil, Canada, Cuba, The United States of America, Trinidad and Tobago.
■ <b>Europe</b> ■	Germany, Austria, Belarus, Belgium, Denmark, Spain, France, Italy, Norway, The Netherlands, Portugal, the United Kingdom, Czech Republic, Russia, Sweden and Switzerland.
■ <b>Asia</b> ■	China, the Republic of Korea, The United Arab Emirates, Indonesia, Iran, Kuwait, Malaysia, Qatar and Vietnam.

## 2.3 Other taxes

### 2.3.1 Net worth tax

The Law whereby the Net Worth Tax is created, was published in 2019 and all special taxpayers with a net worth exceeding from 150,000,000 T.U. by September 30 of each year are subject to the payment of this tax.

The tax base is the total value of assets and rights held, being this value determined pursuant to the rules established in this law and excluding liabilities and the value of charges and encumbrances vested upon such assets, as well as upon assets and rights exempted or exonerated.

For the purposes of determining the value attributable to the taxpayer's assets, the Law sets forth certain standards based on the type of asset involved, thereby prevailing the rules on the market value of the assets on the date when the tax return is filed.

The tax rate applicable to the net worth's value determined may be modified by the Government, ranging from 0.25% and 1.50%.

The net worth tax rate has been currently set on 0.25%.

### 2.3.2 Value Added Tax (VAT)

In accordance with the provisions contained in the VAT Law, any sale of goods or personal property and the provision of services, including the import and export of services, is subject to VAT, unless expressly exempted by Law or exonerated by the National Executive.

The tax base is the price of the goods or services, which should not be lower than market value. The general VAT rate applicable to the tax base can be modified by the National Executive ranging from 8% to a maximum of 16.5%.



The VAT current rate is set at 16%. The rate applicable to the export of goods and services is 0%.

An additional VAT surcharge can be applied by the National Executive ranging from 15% and 20% on luxury goods and services defined as such by VAT Law. The luxury VAT is currently set at 15%.

There are special formal duties established for VAT taxpayers, such as keeping books on

purchases and sales and the obligation to issue invoices and other supporting documents on the sales made and services provided, thereby complying with the requirements established in the regulations on the matter.

VAT taxpayers are obligated to file tax returns, even if no tax is due, during the corresponding period, and whether no tax debit has originated, whether tax credits exceed from tax debits, or the regular taxpayer has not made any taxable operations in one or more taxation periods.

In the case of special taxpayers, the taxable period is fortnightly and tax returns must be filed on the dates indicated in the corresponding special schedule or calendar.

Special taxpayers are responsible for withholding the VAT whenever personal property is purchased or services are received by them from suppliers that are ultimately regular VAT taxpayers.

The amount to be withheld shall be 75% of the VAT caused and it must be filed fortnightly.

### 2.3.3 Tax on large financial transactions

The Law of the Tax on Large Financial Transactions establishes a tax for special taxpayers by reason of the sums debited from banks and other financial institutions in the country, and for the payment of debts without the financial system taking part in the transaction, as a result of the payment or another form of extinguishing obligations. In the case of debt extinguishment without the financial system taking part in the transaction, the law provides that "debt payment entails offsetting, novation and debt write-off".

This tax also applies to individuals or entities who have not been designated as special taxpayers when they make foreign currency payments with the intermediation of national financial institutions or foreign currency

payments to special taxpayers without the intermediation of these institutions.

For these purposes, the financial institutions and the special taxpayers have been designated as collection agents.

In the Law on the Tax on Large Financial Transactions, the rate applicable to transactions carried out in local currency, with or without the intermediation of financial institutions, was set at 2%, while the special rate for debits in accounts in foreign currency held in national financial institutions, or for payments in foreign currency made to special taxpayers without such intermediation, was established at 3%. However, by Decree dated July 12, 2024, the rate applicable to transactions carried out in local currency was modified and set at 0%.





### 2.3.4 Municipal business tax

Each company must request and obtain a license at the time of starting operations for the first time or engaging in new activities, within the jurisdiction of the Municipality in which the company is intended to operate.

During the process for obtaining the license, the municipality classifies the company's activity, and it establishes the tax percentage that it will have to pay over the income earned within the municipality.

If for any reason the tax to be declared by the company is less than the minimum tax payable, then it will have to pay the minimum tax payable established in the list of activities.

Although each municipality holds the power to establish the tax rates applicable to the

different economic activities carried out within its jurisdiction, the Organic Law for Coordinating and Harmonizing the Taxation Power of the States and Municipalities sets forth that no applicable tax rate may exceed from 3% of the gross income obtained and, exceptionally, the tax rate may be of 6.5%.

Similarly, said Law sets forth that under no circumstance may the annual taxable amount exceed from the equivalent amount in bolivars of 240 times the exchange rate of the currency with the highest value, published by the Central Bank of Venezuela.

Municipal ordinances contain details on how and when to declare municipal taxes once the company already relies on the license and the contribution percentage at the municipality according to the activities carried out.

### 2.3.5 Science & Technology Tax

The Organic Law on Science, Technology and Innovation establishes that legal entities, whether public or private, and whether domiciled in the country or abroad, engaging in business activities within the national territory will pay on a yearly basis an established percentage of the gross revenue obtained during the previous fiscal year, according to the business activity conducted, as follows:

- 2% when the economic activity relates to casinos and bingo halls, and to alcohol and tobacco industry and trade.
- 1% in the case of private capital companies engaged in hydrocarbon activities and 0.5% for those that carry out these activities but are public capital companies.
- 0.5% in the case of any other economic activity.

The tax base of the science tax is the gross revenue, including income and flows that taxpayers earn on an ordinary, occasional, or extraordinary basis as a result of any economic activity, except for any reimbursements.

On April 1, 2022, a reform to this law was published and it established that this tax must be paid on a monthly basis, based on the gross income obtained in the previous month.

A special regulation is expected to be published where details on these monthly payments will be provided.

### 2.3.6 Sport Tax

The Organic Law on Sports, Physical Activity and Physical Education establishes that companies or other organizations, engaged in economic activities for profit in the country must make a 1% contribution of their net profits or annual accounting profit if it exceeds from 20,000 T.U.

The special regulation of this law establishes the rules for tax payment to the National Fund for the Development of Sport.

Payments can be made in cash directly to the Fund or to the sport project specifically designated by the National Sport Institute.

This tax return must be filed within 120 calendar days following the closing date of the fiscal year.

The rules establish that taxpayers obligated to make this tax payment 190 days following the closing date of the fiscal year must file an estimated tax return mandatorily.

### 2.3.7 Drug Tax

The Organic Law on Drugs establishes that any private legal entity, consortium and public entity with 50 employees or more is subject to a 1% payment on operating profit for the corresponding fiscal year to the National Antidrug Fund (FONA, for its Spanish acronym) within 60 calendar days following the closing date of the fiscal year.

For the purposes of this obligation, any legal entities that are part of business groups will be deemed as consolidated, while the resources obtained by FONA on account thereof will be earmarked for financing prevention plans, projects and programs on illegal drug trafficking.

## 2.4 Open tax years

The statute of limitations in Venezuela is 6 years, however it may be extended up to 10 years when the taxpayer has failed to comply with the obligation of filing tax returns.

The effects of the statute of limitations do not apply to the infringements involving failure to pay tax withholdings.

## 2.5 Tax penalties regime

On February 28th, 2020, a new Organic Tax Code became effective in Venezuela and, it established the official exchange rate of the currency with the highest value, published by the Central Bank of Venezuela (BCV, for its Spanish acronym), as unit of measurement for calculating and indexing fines.

The fines applicable to the infringements committed prior to the date of effectiveness of this new Organic Tax Code are calculated and indexed by using the value of the Tax Unit (T.U.) which is published and adjusted yearly by the Tax Administration, generally during the first quarter of the year.

Both taxes and accessories, including fines and delay interest, must be paid in local currency (bolivars).

It is important to highlight that it is not possible to pay any penalties voluntarily in Venezuela, i.e., without such penalties being previously determined and enforced by the SENIAT, therefore, the Company must wait for a tax auditing process to be initiated in order to have any infringements determined, or to have any notices sent to the Company or the payment forms released for these penalties to the fiscal domicile or email address kept on record at SENIAT.



Whenever there are fines expressed according to the official exchange rate of the currency with the highest value, published by the BCV, the value of the exchange rate in force at the time of payment shall be used (or the value of the T.U. in force on the date of payment for those infringements committed prior to the date of effectiveness of the Organic Tax Code of 2020).

Whenever fines are expressed in percentages, such percentages shall be converted into the equivalent amount at the official exchange rate of the currency with the highest value, published by the BCV, corresponding to the date when the infringement has been committed and, they shall be paid using the value of the same currency in force on the date of payment (a similar procedure, using the value of the T.U., is applied to those infringements committed prior to the date of effectiveness of the Organic Tax Code of 2020).

Whenever two or more tax infringements concur, both of which are penalized with monetary penalties, the most severe penalty shall be paid, with an increase of half of the other penalties. This provision applies even though different taxes or different periods are involved, provided that the penalties are imposed during the same procedure.

Apart from fines, the untimely payment of taxes originates the obligation to pay delay interest as of the date of maturity of the term established for filing the tax return and paying the amount due, until the debt is fully paid.

The delay interest shall be equivalent to 1.2 times the banking lending rate applicable, respectively, per each one of the periods during which such rates were in force and effect.



# 04 Employment

## a. General aspects

The Venezuelan legal system's specific provisions concerning labor are very protective of employment bonds, collective bargaining agreements and individual contracts.

It contemplates a rather detailed basic framework that must be observed at all times, with the ability of providing employers with freedom to set labor conditions, insofar as the minimum law requirements are applied.

Essentially, there are two significant laws in Venezuela regulating this detailed basic framework: the Organic Labor Law enacted back in 2012 (hereinafter the 2012 Labor Law) and the Organic Law on Prevention, Labor Conditions and Workplace (hereinafter the Workplace Safety Law).

Additionally, there are two Presidential Decrees, mostly addressing the establishment of minimum wage on the basis of reviews conducted on a multiplicity of factors, as well as the irremovability of employees nationwide, this means that massive layoffs cannot be carried out but only justified dismissals that thoroughly meet the criteria contained in the law and that are duly

authorized by the administrative authorities on employment matters.

Labor irremovability regime has been in force in Venezuela since 2002.

The most recent labor irremovability decree was issued in December of 2024 and, its effectiveness will continue until December of 2026 when any potential extension will likely be known.

Another indication of the protective nature of employment in Venezuela is that all employers are required to prioritize employment for Venezuelan nationals by 90% of their workforce and, salaries paid to any foreign personnel may not exceed from 20% of the total amount of salaries and benefits paid to Venezuelan nationals. Additionally, there are certain categories of employment that are reserved exclusively for Venezuelans.

The legal regime for expatriate employees entails attaining a work visa upon due compliance of the requirements established to that effect, mainly, producing the supporting evidence of the employment bond or contract with all of the minimum conditions contemplated by the 2012. The work visa requirements are predominantly

important in those cases where foreign nationals are appointed for key roles within the entity for the purpose of conducting business (for example, in managerial positions) and, the work visas are usually granted for the entire duration of the services to be rendered by the official or any convenient extensions as needed.

Outsourcing is allowed, however there are limitations and specific requirements to be met in order to avoid the legal consequences resulting from executing fraudulent staff outsourcing with the intent of paying lesser benefits or dodging the effects of joint liability governing on labor matters.

Another significant aspect to be considered in terms of the protective nature of the Venezuelan labor legislation can be noted at the time of payment of the severance indemnity. This payment must be the highest amount due between two methods of calculation, which ultimately translates into the most beneficial amount for the employee:

- (1) the grand total resulting from the guarantee deposited of 15 days of salary, on a quarterly basis, throughout the entire length of the employment bond or contract, and
- (2) this grand total, calculated again on the basis of 30 days of salary per each year of service rendered by the employee and subsequently multiplied by the amount of the last salary earned by the employee.

Other significant payments in connection with the provision of services under the Venezuelan labor legislation are vacation, vacation bonus and profit-sharing.

## **b. Tax obligations resulting from employment**

Taxation under the Venezuelan employment law entails a series of obligations to pay specific taxes where the calculation basis is the salary

earned by employees (these taxes are limited to a maximum amount based on a number of minimum wages earned).

The net proceeds from this taxation are intended for multiple subsystems, namely: the Mandatory Social Security System, the Forced Unemployment Regime as a limited subsidy in times of sudden unemployment, the Housing Regime and the National Socialist Education Training (INCES) program designed for promoting and training unemployed youth.

The payment of these periodic taxes constitutes obligations for both the employer and the employee at specific percentages established by law, and ultimately for the protection and assurance of certain rights for the inhabitants of Venezuela.



## A summary on the most relevant aspects of these tax obligations follows:

### Social security and payroll taxes

### Contribution percentage



#### Health System (Mandatory Social Security)

The Health System's objective is to provide healthcare, physical therapy and the prevention of any kind of accident and illness. According to the provisions contained in the Social Security Law, the contribution for financing Mandatory Social Security shall be calculated based on the regular salary earned by employees, with a maximum amount equivalent to 5 times the amount of minimum wage, under the following scheme:

- 11% of the regular salary paid to employees for those companies categorized as lowgrade risk; 12% for companies categorized as medium grade risk and 13% for companies categorized as maximum grade risk. However, even though these are the percentages established in the law in accordance with the provisions contained in the Regulation of the Social Security Law and the criteria applied by the Venezuelan Institute for Social Security (IVSS), the percentage applied for this contribution ranges from 9% to 11% according to the risk level involved in the employer's activity.
- The contribution corresponding to the employee shall be of 4% of the regular salary received, considering the limit.



#### Forced Unemployment Regime

The purpose of this regime is to ensure a comprehensive care for the workforce at the time when employment is lost due to involuntary reasons, by means of monetary and non-monetary provisions and also through policies, programs and services involving intermediation, advisory, information and guidance on employment matters, as well as providing training for incorporation into the employment market, in accordance with the terms, conditions and scope established in the Law of the Forced Unemployment Regime.

- The contribution is 2.50% of the regular salary earned by the employee up to the amount equivalent to 10 minimum wages.
- The employer must cover 80% of this contribution and the employee must cover the remaining 20%.



#### Housing Regime

The object of this regime is ensuring access to housing policies and programs in order to guarantee the right to housing and dignified living conditions, in accordance with the provisions contained in article 82 of the Constitution, through the resources established in the Law, mainly through granting preferential credit for those who make contributions. For such purpose, the Mandatory Savings Fund for Housing (FAOV, for its Spanish acronym) was created with the mandatory savings resulting from the monetary contributions made by employees and their employers. The Housing regime states that the mandatory savings of each employee shall be recorded in a separate account held by the FAOV.

- The contribution to be made by each employee shall be equivalent to 3% of their comprehensive salary, by separately indicating the mandatory savings of employees equivalent to 1/3 of the monthly contribution and,
- The mandatory contributions of employers into each employee account, equivalent to 2/3 of the monthly contribution.



## Contribución para el Instituto Nacional de Capacitación y Educación Socialista (INCES)

The object of the National Institute for Socialist Education Training (INCES) is to generate, coordinate, assess, direct and execute educational and comprehensive training programs, adapted to the requirements of the socialist socio-productive model for development.

The Law of the INCES establishes two contributions: one for employers and the other for employees.

Every employer, individual or legal entity, and form of association with the finality of providing services or professional advisory, having 5 or more employees on payroll, are obligated to make a 2% contribution to the INCES of the regular salary paid to employees.

Every employee must make a 1/2% contribution of the annual profit sharing, Christmas bonus or year-end bonuses received. Such amount shall be withheld by the employers for payment to the INCES.



## Special Contribution for the Protection of Social Security Pensions

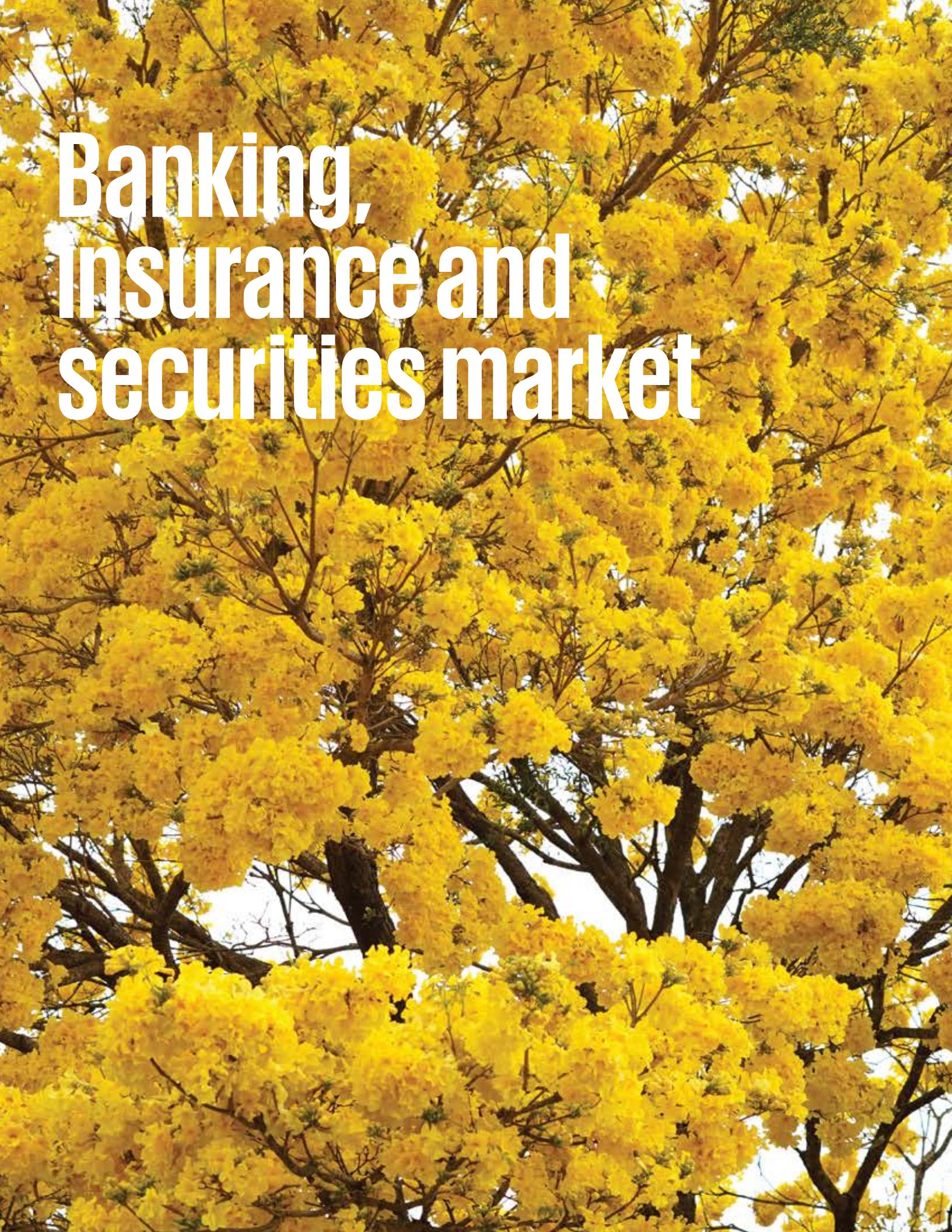
The objective of this contribution is helping to provide special protection for social security pensions in favor of the establishment of an income level intended for individuals entitled to pensions, thereby allowing them to cover material, social and intellectual needs.

- This special contribution is aimed at legal entities and other partnerships, including irregular or de facto partnerships, of private nature, whether domiciled in Venezuela or not, carrying out economic activities in the national territory.
- According to the Law, the amount of this contribution will be up to 15% of total sum paid by the taxpayer to workers as salary and non-salary bonuses. The rate has been set at 9% for all taxpayers by presidential decree.
- A tax return must be filed and the special tax contribution must be paid on a monthly basis. Additionally, all taxpayers must provide a quarterly report on the number of active workers on payroll to SENIAT.

# **05** Economic sectors and business opportunities

- a** → Banking, insurance and securities market
- b** → Oil and gas
- c** → Technology, media and telecommunications
- d** → Tourism
- e** → Startups and emerging companies

# Banking, Insurance and securities market



Activity in the areas of banking, insurance and securities comprises the country's financial sector. These areas are regulated by the Organic Law of the National Financial System, the Decrees with Rank, Value and Force of Law of the Banking Sector Institutions, of Insurance Activity, of the Securities Market, amongst other special legislation and, the Law of the Central Bank of Venezuela. Additionally, there are regulators and supervisory entities for each area referred to as Superintendencies: for banking (SUDEBAN), for insurance (SUDEASEG) and for securities (SUNAVAL); and the Central Bank of Venezuela (BCV), which is entrusted with all matters concerning monetary, exchange and payment system policy.

These regulators act in coordination with the Ministry of Finance and the Financial System's Higher Body (OSFIN), in accordance with the provisions contained in the corresponding laws.

The tax regime applicable to banking, insurance and securities is in line with the overall regime applicable to other sectors, however, it is important to bear in mind that based on the activity conducted by each institution, there will be a special tax compliance obligation to be honored in connection with regulators and supervising entities of each activity:



<b>SUDEBAN tax</b>	<ul style="list-style-type: none"> <li>■ Banking institutions must pay between 0.4 per each one thousand and 0.8 per each one thousand of the assets average amount determined on the last semester closing date for each institution, in accordance with the Resolution issued to that effect by SUDEBAN.</li> <li>■ Non-banking institutions or individuals subject to SUDEBAN control must pay up to the amount equivalent to 2,000 tax units. This tax will be paid on a monthly basis at a rate of 1/6 of the semester's resulting amount.</li> </ul>
<b>Deposits Social Protection Fund tax</b>	<ul style="list-style-type: none"> <li>■ Private banking institutions will intend 5% of "Pretax Gross Result" to social responsibility compliance for financing projects presented by Communal Councils or other forms of social organization as governed by the legislation in force.</li> </ul>
<b>Special tax</b>	<ul style="list-style-type: none"> <li>■ Private banking institutions will intend 5% of "Pretax Gross Result" to social responsibility compliance for financing projects presented by Communal Councils or other forms of social organization as governed by the legislation in force.</li> </ul>
<b>SUDEASEG tax</b>	<p>Insurance, reinsurance, prepaid medicine, risk management companies and companies specializing in the funding of policy premiums or installments must pay a special tax for an amount equivalent to 3.5% of the total amount of:</p> <ul style="list-style-type: none"> <li>■ Premiums collected through insurance contracts and consideration for the issuance of bonds, both items net of annulments and devolutions, as well as income obtained as remuneration for trust agreements.</li> <li>■ Installments collected for prepaid medicine contracts, net of annulments and devolutions.</li> <li>■ Income obtained as remuneration for risk and casualty management contracts.</li> <li>■ Income obtained as interest collected for funding granted to insurance and prepaid medicine policyholders and contracting parties, in the case of companies specializing in the funding of policy premiums or installments.</li> <li>■ Premiums collected by insurance and reinsurance companies, net of annulments and devolutions, as a result of business accepted from foreign assignors.</li> </ul>

Individuals and entities regulated by SUNAVAL must make the following tax payment:

- The equivalent to 0.5% of the nominal amount of the securities in circulation and recorded in the National Securities Registry at the end of the calendar year, by each individual or entity authorized to make a public offering of securities.
- The equivalent to 1.5% of the commissions received by stock exchanges or agricultural commodities exchanges and similar entities, as a result of the trading transactions conducted therein.
- The amount equivalent to 10,000 tax units by depository entities, transfer agents, clearing houses for options and futures.
- The amount equivalent to 5,000 tax units by Securities brokerage companies, brokerage houses and investment advisors incorporated and legal entities.
- The amount equivalent to 4,000 tax units by Agricultural Commodities brokerage houses.
- The equivalent to 2% of the nominal value of share certificates in circulation and recorded at the National Securities Registry on the closing date of the calendar year, by Securitization companies.
- The equivalent to 5,000 tax units by credit rating agencies.
- The amount equivalent to two thousand tax units (2,000 T.U) by Public Accounting Firms recorded in the National Securities Registry.
- The equivalent to 5,000 TU by Undertakings for Collective Investment.
- The equivalent to 2,500 TU by Public Securities Brokers, Brokers at Agricultural Products exchanges and individuals duly authorized to function as investment advisors.



Similarly, regulators and supervisory bodies issue prudential regulations within the financial sector in connection with accounting and auditing topics, therefore, the banking, insurance and securities sector institutions must fulfill the requirements contained in accounting manuals, as well as the obligations involving the presentation and publication of financial information, audits and requirements to be met by such institutions and individuals intervening in these processes.

As for opportunities for local and foreign investment in the banking and insurance sectors, we must highlight that:

- Economic dynamism is expanding the credit portfolio, which would generate positive effects on the financial intermediation business.
- Regulation on finance-related technology provides new opportunities for banks and emerging participants to improve and offer new products and services to all users. This would contribute immensely to the results of such institutions.
- The commerce and services sectors are implementing finance-related technology tools that may potentially create new business areas for banking products and services.
- Prudential regulations on insurance activity are adjusted for the development of legal principles in furtherance of diversification of the insurance offer, the implementation of digital technologies and innovation for the creation, distribution and engagement of products and services, which would benefit efficiency and client experience.
- Potential growth of the insurance portfolio is present in different segments.
- The role of the securities market is an alternative for companies to obtain financing through the issuance of debt instruments.

Challenges to be faced by the financial sector include those concerning the impact of decision-making on monetary and exchange policy by the corresponding institutions in terms of interest rates, reserve requirements and the exchange market, as well as the channeling of resources for upgrading and modernizing technological infrastructure, for managing operating risks and cybersecurity and enhancing the client base to expand the offer on products and services.



# Oil and gas



Oil and gas activity in Venezuela is the most relevant economic sector in the country. These sectors are regulated by the Organic Law of Hydrocarbons, the Organic Law of Gaseous Hydrocarbons and its Regulation, in addition to all resolutions and rules issued by the Ministry of the People's Power for Hydrocarbons (MinHidrocarburos).

In the case of empresas mixtas, due to having a majority participation by the State, the following legislation is applicable: i) private law rules contained in the Civil Code, the Code of Commerce and the Decree with Rank, Value and Force of the Organic Labor Law; ii) the rules contained in special laws regulating this activity, and iii) the rules contained in special laws regulating the activity of public entities in connection with administration, control, liability and procedures applicable to these entities by reason of them being subjected to a partial regime of public law.

Some activities involving hydrocarbons are entirely reserved for the Venezuelan State, others can be developed under joint models (empresas mixtas where private capital can participate in less than fifty percent of the capital stock.) and other activities may be conducted by private capital solely, as follows:

- Primary activities on liquid, solid and semisolid hydrocarbons and associated natural gas (upstream) are reserved for the State, however, it is legally possible to conduct exploration and exploitation by empresas mixtas where private capital can participate in less than fifty percent of the capital stock.
- Refining and trade activity (midstream and downstream) may be undertaken by the State and private entities, whether jointly or separately, as well as those activities relating to gaseous hydrocarbons non-associated to crude oil.

- Internal market of liquid fuels is reserved to the Venezuelan State through the Organic Law for the Reorganization of the Internal Market of Liquid Fuels.
- Industrial activities with refined hydrocarbons could be directly conducted by the State, by means of entities wholly owned by the State, by empresas mixtas with state-owned and private capital, in any proportion, and by private companies which must obtain a permit from the Ministry of Hydrocarbons.
- Hydrocarbons trade activities can only be exercised by wholly owned State entities, whilst the trade of byproducts could be conducted directly by the State, by means of entities wholly owned by the State, by empresas mixtas with state-owned and private capital, in any proportion, and by private companies.

In recent years, and based on the Anti-Blockade Law for National Development and the Guarantee of Human Rights, the Venezuelan State has promoted new forms of association with private companies, such as the so called Productive Participation Contracts. These contracts allow a private operator to carry out exploration, production, and trading activities—activities that are, in principle, reserved to the State—for a share of the income or production. Differing from empresas mixtas, these contracts do not grant equity participation and would have payment schemes linked to production or to the revenues generated by the activity. Likewise, some agreements have been signed with international service providers for oil production, in order to encourage production and operational efficiency.

Regarding the fiscal regime applicable to hydrocarbons activity, it differs in certain aspects to the general regime applicable to other sectors. In that same vein, the following are special taxes applicable solely to the oil sector:

<b>Surface tax</b>	<ul style="list-style-type: none"> <li>100 tax units per square kilometer or fraction over granted surface without exploitation.</li> <li>2% the first year, increased in the same percentage up to 5 years.</li> <li>Starting from the fifth year, it will increase by 5% per year.</li> </ul>
<b>Extraction tax</b>	<ul style="list-style-type: none"> <li>33.33% of the value of liquid hydrocarbons extracted (deducting royalties and special advantages).</li> </ul>
<b>Consumption tax</b>	<ul style="list-style-type: none"> <li>10% of the value of each cubic meter of oil products produced and used as fuel in its own operations.</li> </ul>
<b>General consumption tax</b>	<ul style="list-style-type: none"> <li>Between 30% and 50% of the purchase price payable by the final consumer per each liter of product sold in the domestic market.</li> </ul>
<b>Export registration tax</b>	<ul style="list-style-type: none"> <li>0.1% on the value of all hydrocarbons exported.</li> </ul>
<b>Oil extraordinary prices contribution fund special tax</b>	<ul style="list-style-type: none"> <li>20% on the difference between the sale price and the US\$70 threshold per barrel.</li> </ul>
<b>Oil exorbitant prices contribution fund special tax</b>	<p>Applies solely when the international price is equal to or higher than US\$80 per barrel and, is determined by comparing that value with the value established in the Venezuelan budget law:</p> <ul style="list-style-type: none"> <li>80% between US\$80 and US\$100 per barrel.</li> <li>90% between US\$100 and US\$110 per barrel.</li> <li>95% if the threshold exceeds from US\$110 per barrel.</li> </ul>
<b>Economic activities tax</b>	<ul style="list-style-type: none"> <li>Primary activities: exempted.</li> <li>Secondary and tertiary activities: between 0% and 10% of gross income.</li> </ul>

Regarding the royalty regime:

<b>Royalties</b>	<ul style="list-style-type: none"><li>■ The State is entitled to a 30% share of hydrocarbons extracted from any reservoir.</li><li>■ The State is entitled to a 20% share of gaseous or liquefied (non-associated) hydrocarbons, and the sole option for volume price fixing at market value in the production field.</li></ul>
<b>Special advantages for empresas mixtas</b>	<ul style="list-style-type: none"><li>■ Additional royalty of 3.33% on the value of extracted volumes of hydrocarbons.</li></ul>
<b>Shadow tax</b>	<ul style="list-style-type: none"><li>■ “shadow tax” is the result of a condition provided for in the contracts governing empresas mixtas, thereby ensuring that the State always received at least 50% of the total income obtained from projects involving the production of crude oil.</li></ul>

On a different note, accounting matters require the preparation of financial reports in Venezuela thereby allowing investors and corporate governance in the oil and gas sector to obtain information for decision-making, accountability and compliance of the requirements contained in the law. Hence, the main bodies and issuers of accounting rules and frameworks for this type of companies follow:

- SUNAVAL or the Superintendency of Securities, which issues resolutions containing the requirements for the preparation of financial statements to be met by entities that decide to attract funds through the securities market, e.g., International Financial Reporting Standards (IFRS) (currently IFRS Accounting Rules), issued by the International Accounting Standards Board (IASB) of the International Financial Reporting Standards Foundation (IFRS Foundation).

The Federation of Public Accountants of Venezuela (FCCPV) stating that non-public

and non-listed Venezuelan entities of the oil and gas sector must prepare their financial statements in accordance with the Accounting Principles Generally Accepted in Venezuela for Large Entities (VEN NIF LE) or Accounting Principles Generally Accepted in Venezuela for Small and Medium size entities (VEN NIF SME).

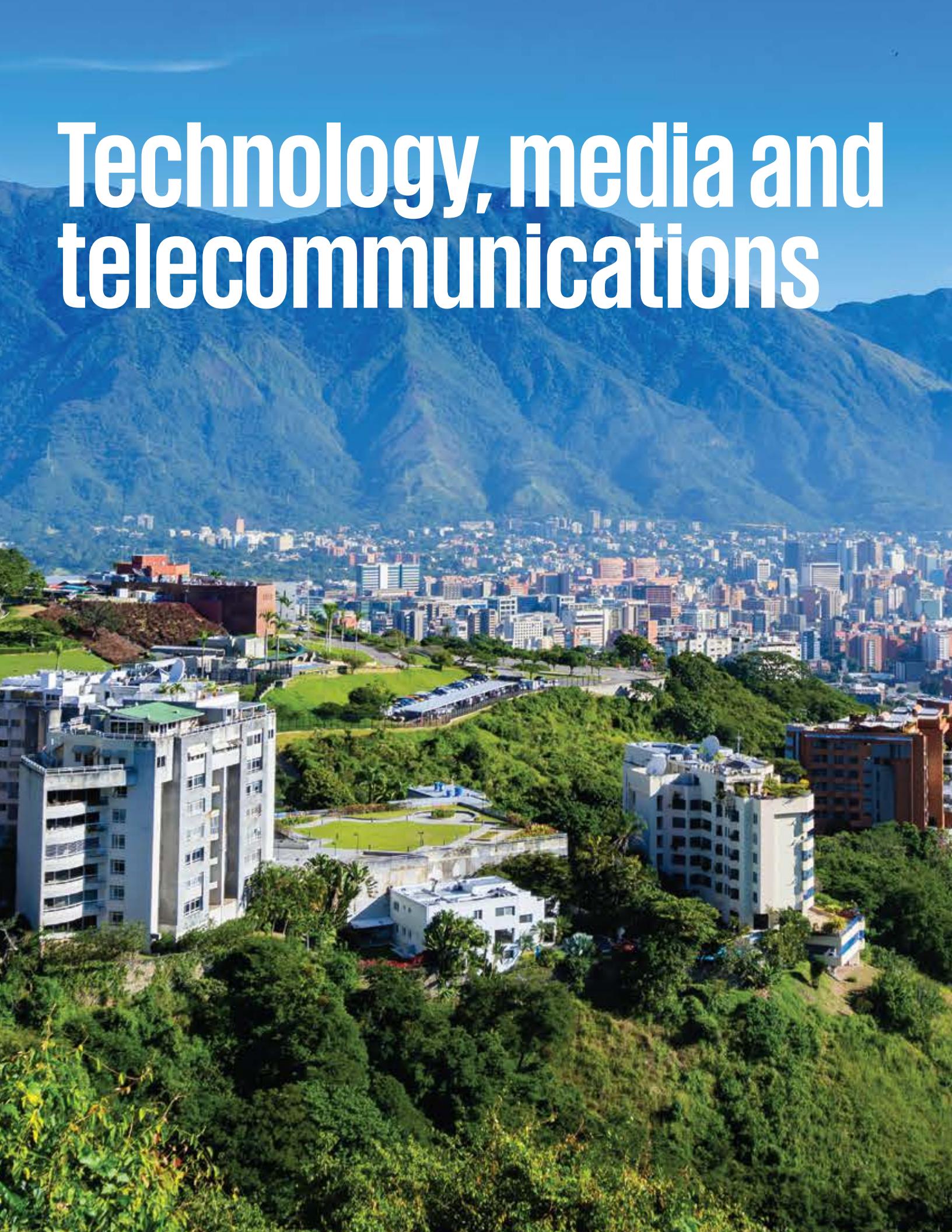
- IFRS Foundation issuing International Financial Reporting Standards (IFRS).
- Financial Accounting Standards Board (FASB) issues Accounting Principles Generally Accepted in the U.S. (USGAAP) which can be used by some companies for the purpose of conversions into other accounting frameworks.

Key accounting issues for entities in the oil and gas sector include: asset value impairment, determination of oil and gas reserves, assessment of functional currency, determination of reserves for assets decommissioning, actuarial calculation of obligations concerning retirement benefits, and fair value of financial instruments.

Other relevant reports for the oil and gas industry that entities are willingly preparing or as result of the request from regulators, are those involving sustainability and covering a set of disclosure standards on sustainability and climate (IFRS S1 and S2) issued by the International Sustainability Standards Board (ISSB) of the IFRS Foundation.



# Technology, media and telecommunications

An aerial photograph of a city, likely Caracas, Venezuela, showing a dense urban area built into the side of a mountain. The city is surrounded by lush green hills and mountains. In the foreground, there are several modern apartment buildings and some green spaces. The city extends into the distance, with more buildings visible at the base of the mountains under a clear blue sky.

Technology, media and telecommunications sectors in Venezuela have experienced significant growth in recent years. This has been driven by digital transformation, an increase in the number of digital media and fresh investment in telecom infrastructure.

According to the figures published by the National Telecommunications Commission (CONATEL) on the sector, during 2024 Q2 the total number of internet subscribers reached 24 million and mobile communications, 21 million. These figures somehow reflect the penetration of services and the sector's dynamism in terms of communications and access to technology.

Additionally, network investment for this type of services and the recent opening of a public offering intended for the concession of frequency blocks in the domestic geographical space, signal the opportunities, challenges, and recent changes in the sector.

There are special rules on the subject matter, mainly: the Organic Law of Telecommunications containing the general regime applicable to telecommunications by establishing the legal, technical and economic aspects governing this activity, the Law on Social Responsibility in Radio, Television and Electronic Media which contemplates the regime for the production of mass distribution content. Other sublegal rules are applicable such as the Regulation of the Organic Law of Telecommunications on the Universal Telecommunications Service, the Regulation of the Organic Law of Telecommunications on Administrative Permits and Concessions of Use and Exploitation of the Radio Spectrum, technical rules and regulations issued by CONATEL as regulator and supervisory body and, other normative instruments issued by the Ministry competent on communication and information.

### **The specific taxes involving these activities namely are:**

<b>Telecommunications-related service provision tax</b>	<ul style="list-style-type: none"><li>0.5% on the amount invoiced or paid for the provision of satellite capacity by the exploiters of in orbit resources and portions of the radio spectrum</li><li>1% of gross income for providers of sound broadcasting or open television for profit.</li><li>2.3% of gross income for providers of any other service or engaged in any telecommunications activity for profit (quarterly).</li></ul>
<b>CONATEL tax</b>	<ul style="list-style-type: none"><li>0.5% of gross income for providers or engagers in telecommunications activity for profit (quarterly).</li></ul>
<b>CONATEL tax</b>	<ul style="list-style-type: none"><li>0.5% (maximum) of gross income for exploiters or users of the radio spectrum.</li><li>0.2% (maximum) of gross income for offerors sound broadcasting and open television services (annually).</li></ul>
<b>Universal Service Fund tax</b>	<ul style="list-style-type: none"><li>1% of gross income for service providers or engagers in telecommunications activity (quarterly)</li></ul>



Business opportunities in these sectors are highlighted by investment projects for fixed and mobile telecom infrastructure upgrading within the frame of the 2023-2025 National Telecommunications Plan boosted by the Venezuelan State. This plan entailing objectives in relation to deployment of optical fiber, data transmission, enhancement of associated services, assignment of new frequency bands, operator interconnectedness for wider internet traffic, data centers and mobile infrastructure, amongst other. Challenges to overcome include higher project investment and initial costs, limitations on internal and external financing to cover capital needs, in addition to customary difficulties associated with credit and liquidity needs in a changing macroeconomic environment.

# Tourism



The tourism sector is regulated primarily by the Organic Law of Tourism. The object of this law is to ensure development and furtherance of tourism as a national interest priority economic activity, framed in the socio-productive development strategy. Also, the Constituent Decree whereby the National Sole Portfolio is created and includes financing to the tourism sector and, a number of sublegal regulations concerning the establishment of tourist accommodation and travel agencies, amongst other.

Tourist service providers must rely on a tourism license for operating or engaging in any tourism-related activity, as such a license shall be required by all domestic public bodies or entities at the national, state and municipal levels, as a requirement for granting clearances for activity development and, similarly, such service providers are obligated to register accordingly to that effect, to furnish all mechanisms for information and customer service, to develop tourism activity in a balanced and environmentally-friendly fashion in furtherance of sustainable tourism.

In addition to that, tourist service providers are obligated to comply the operating guidelines on prevention against money laundering, financing of terrorism and the proliferation of weapons of mass destruction and other illegal actions, as issued by the Ministry of the People's Power for Tourism.

A 1% tax on monthly gross income from territorial source and income resulting from the same activity from extra-territorial source is established for providers or tourist services within the national territory. This tax must be paid regardless of whether formalities have been complied with and clearances have been obtained for exercising tourism activity, without prejudice to any civil, criminal and administrative liability resulting from the illegitimate exercise of tourism.

In the same vein, there are tax incentives applicable to all entities signing special economic activity-related agreements whenever investment or activities are engaged within certain zones, e.g., the Paraguaná Peninsula in Falcón state, the Puerto Cabello-Morón zone in Carabobo state, La Guaira state, Margarita island in Nueva Esparta state; La Tortuga island in the Federal Dependencies, which have been categorized as Special Economic Zones in accordance with the Organic Law of Special Economic Zones and their creation decrees.

Tourism in Venezuela has proven remarkable recovery, emphasizing an increase in internal tourism, the arrival of international visitors and enhancement of service offers in cities and touristic destinations in the country, namely: Margarita island, Los Roques archipelago and Canaima national park. Interest has also risen in light of the potential shown by other country regions and, the possibility of engaging in adventure, sporting and sustainable tourism.

Challenges to overcome include: infrastructure development, wider transportation options and facilities, air mobility and connectivity and offer variety for hotel services.



# Startups and emerging companies



Pursuant to the 2022-2023 Global Entrepreneurship Monitor report (GEM), Venezuela held ninth place out of forty-six countries in terms of the entrepreneurship activity index, measuring the proportion of adult population involved in emerging entrepreneurial activity and new business in one country. Although it continues to be challenging for emerging companies to overcome all growth phases until definitive establishment -mainly due to economic conditions enabling efficiency and innovation found at early stages of development and facing challenges of their own, one may note a significant number of technology-based companies in the market are operating in the country and the region, within software and data, commerce and services, fintech, entertainment, health, mobility and education sectors.

The regulatory framework for recently created companies is the general legal regime applicable to all companies operating in the country. For instance, and without going too deep into a thorough description, the Code of Commerce governs all commerce-related matters, especially, all issues concerning company incorporation and management. The Civil Code governs all matters concerning contractual aspects, obligations and liability regime.

The Industrial Property law and international agreements signed and ratified by Venezuela govern all issues involving intellectual property (e.g., copyrights, trademarks and patents). As for taxation matters, the Organic Tax Code governs all the legal taxation regime contained in laws regulating different taxes and rules issued by the Tax Administration (SENIAT).

There are other laws and prudential regulations issued in furtherance of entrepreneurial development and access to financing options. The Law in Furtherance and Development of New Entrepreneurships has been recently reformed, Law in Furtherance and Development of Small and Medium Industry and Social Property Units, the prudential regulations issued by SUNAVAL in connection with Public Offering

Rules for Entrepreneurs and Small and Medium Entities.

### **Startups and emerging companies can benefit from:**

- Increase in the use of digital media by consumers at the time of purchasing goods and services in all economic sectors.
- Increase in access to mobile communications and internet, thereby creating an environment fit for generating technology-based business initiatives for all types of companies.
- Expansion of educational offer in technology development and communication for individuals and companies, thereby facilitating the recruitment of human talent for industry growth.
- Growth in the entrepreneurial ecosystem where public and private sector, accelerators and incubators, higher education institutions, local risk capital funds and business associations and corporations converge in furtherance of startup and emerging company creation.

# 06 Foreign investment

The Constitutional Law on Productive Foreign Investment (the Foreign Investment Law) is a special law applicable to foreign investment matters in the country.

Investment is defined therein as “the resources legitimately obtained and intended by a domestic or foreign investor for the production of goods and services that include raw materials or intermediate products, particularly those manufactured or originated domestically”.

The foreign investment law establishes the principles, policies and procedures regulating productive foreign investment in any category of goods and services, with the exclusion of the foreign investment intended for specific economic sectors such as oil and gas, mining, financial services, media and telecommunications.

The special rules governing these specific economic sectors bear preferential application. Consequently, the following entities and individuals are subject to the provisions contained in the foreign investment law:

- Foreign companies and affiliates, subsidiaries or related entities and other forms of foreign corporate organization, whether governed or not by international agreements or treaties with economic and productive objectives.
- Companies incorporated in the frame of and under the guidelines of regional economic cooperation such as ALBA, engaged in mutual interest investment through public or mixed entities, cooperative forms and joint management projects.
- Domestic companies, whether private, public or mixed, affiliates, subsidiaries or related entities and other forms of foreign corporate organization, whether governed or not by international agreements or treaties, which are the recipients of foreign investment.
- Venezuelan nationals who are residents or are domiciled overseas and foreign individuals residing overseas investing in the Venezuelan territory.
- Foreign individuals residing in the country and engaging in foreign investment.

Investments made by foreign investors must be registered before the competent Ministry in charge of the investment system's Investments made by foreign investors must be registered before the competent Ministry in charge of the investment system's administration, of keeping records thereon and of processing any applications concerning the approval, rejection, renewal and periodic review of foreign investment records.

It is also in charge of supervising and exercising controls over foreign investment, over technology transfer and technical assistance agreements, as well as of issuing opinions on capital remittances resulting from payments linked to starting capital investment, additional sums for the enhancement and development of investments, benefits, profit sharing, interest and dividends.

And last but not least, it approves or disproves the authorizations for the transfer overseas of ownership on tangible or intangible capital goods, the collection of rates, the processing of documents and fines imposed on transgressors, amongst other administrative tasks.



## **In order to register foreign investment, entities and individuals must observe the following aspects amongst other:**

The foreign investment's constitutive value shall be represented by assets located entirely in the country (100%). Such assets will be subject to appraisal. Any internal financing requested by foreign investors in connection with the investment to be made, may not exceed from 15% of the total amount of the investment.

The minimum amount is € 800,000.00 , ¥ 6,500,000.00 or its equivalent in foreign currency. More favorable conditions, benefits or general or specific promotion incentives and other stimuli may be granted on the basis of the country's economic and productive development amongst the different types of investment.

Foreign investment contracts must be signed by the Venezuelan Government and the investor in

order to obtain favorable conditions in terms of foreign investment treatment.

A minimum period of 2 years or the timeframe established in the foreign investment contract must pass prior to making remittances overseas on the capital that was "originally invested, registered and updated" and once all the corresponding taxes and other liabilities have been paid.

This foreign investment system includes the Bilateral Investment Treaties (BITs) signed by Venezuela and other countries, thereby establishing the terms and conditions on investments made by individuals or legal entities from one State in another.

## **Venezuela has signed some BITs with different countries as follows:**

 Geographical area	 Signor countries
<b>America</b>	Argentina, Barbados, Brazil, Canada, Chile, Costa Rica, Ecuador, Paraguay, Peru, Uruguay
<b>Europe</b>	Germany, Belgium-Luxembourg Economic Union (BLEU), Belarus, Czech Republic, Denmark, Spain, France, Portugal, UK, Russia, Sweden and Switzerland
<b>Asia</b>	Iran, Palestine and Vietnam

# 07 Other legal aspects

## a. Foreign exchange control regime

Since January 5, 2003 Venezuela had experienced a very stringent foreign exchange control regime. Such controls were progressively reviewed and modified in the course of time to respond to the economic policy dictated by the Central Bank of Venezuela and other authorities in the financial sector in accordance with the economy planning.

However, the foreign exchange control regime has become more flexible in very recent years to the point where, nowadays, foreign currency is circulating simultaneously with the domestic legal tender under certain conditions.

Essentially, this flexibility implies the use of the exchange rate published on a daily basis by the Central Bank of Venezuela and, some restrictions for bank account holders who are recipients of payments in foreign currency still apply. Nonetheless, a great deal of economic transactions have been carried out with fluency in the light of these softened exchange regulations.

## b. Price controls

The Decree with Rank, Value and Force of the Organic Law of Fair Prices (the Price Controls Law) of 2015 is applicable on price control matters and, the object thereof is "to establish the rules for determining the price of goods and services, profit margins, trading mechanisms and the controls that shall be exercised to ensure access to goods and services at fair prices..." .

Pursuant therewith, individuals and legal entities of public or private law, domestic or foreign, engaged in the development of economic activities in the Bolivarian Republic of Venezuela are subject to the application of this law.

Its most relevant aspects involve a registry obligation as well as maintaining data contained therein duly updated. The objective is to observe the list of rights intended for the protection of consumers, with the purpose of ensuring access to quality goods and services.

This price controls system entails fixing prices within the production, distribution, transportation and trade chain of goods and services.

It has defined two types of prices: fair price and maximum sale price, thereby establishing the maximum profit margin at 30% of the corresponding cost structure for goods and services.

In addition, consumers have the right to access to adequate, truthful, clear, timely and complete information on the goods and services offered in the market, as well as to the prices, characteristics, quality, contracting conditions and other relevant aspects and, to be protected against false, deceitful or abusive advertisement.

### **c. Supervised sectors**

There are certain activities found in specific industrial sectors that are reserved for the Venezuelan State on the grounds of national interest or security. Hence, certain sectors rely on special regulation in the light of their strategic nature and they generally, require the compliance of formalities and authorizations at the time of engaging new entities or operating companies in these supervised activities.

Next, some aspects are described in addition to those previously reviewed in the economic sectors and business opportunities section of this guide:

The financial system in overall and, divided in the banking, securities and insurance sectors. Each have special laws enacted and governing as the activities involved therein are conducted by public or private entities under the authorization of the supervising bodies referred to as Superintendencies.

Consequently, in Venezuela there is the Superintendency of Banking Institutions, the Superintendency of Securities and the Superintendency of Insurance. Under certain assumptions, the authorization of the Central Bank of Venezuela is also required.

The hydrocarbons and mining sectors are regulated by special laws in each case and,





they specifically contain references to the reserved nature of these activities for the Venezuelan State to conduct certain activities or in connection with the involvement of private companies through the so-called mixed companies. All of which entails mandatory compliance of requirements, formalities and approvals of the Executive and Legislative branch.

The telecommunications sector also relies on a special law and it requires administrative clearances for the establishment and exploitation of telecommunication networks and the provision of telecommunication services.

In certain cases a concession must be granted by the governing body on telecommunications, whereas there are other cases where the competent Ministry's involvement is mandatory. Additionally, in the specific case of public services under special regulation as well, the standards according to which concessions may be granted are specified and, both public and private entities may be engaged in the provision of these public services under the guidelines of several competent governing bodies.

The food and pharmaceutical sectors are regulated by special laws intended for the development of food and health policy in the country, therefore, entities engaged in activities comprising the production and distribution chain in said sectors must not only comply with such standards, but also the regulations on registries, authorizations and permits issued by different institutes and bodies attached to the Ministries competent on food, health and trade matters (e.g., the National Superintendency of Food Management, the Autonomous Service of Sanitary Comptrollership, the Autonomous Service of Normalization, Quality, Metrology and Technical Regulations, amongst other).

Some of the most relevant registries, authorizations and permits are: the registry for individuals and legal entities engaged in agricultural activities, the registry of manufacturing entities, sanitary permits for the production and trade of food, authorizations for the direct manufacturing of medicine or raw material used by the pharmaceutical sector, the applications filed in connection with packaged goods, certificates on packaged goods compliance standards, amongst other.

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