



Thinking Beyond Borders: Management of Extended Business Travelers - Venezuela



March 2023

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Key message

Worldwide income earned by resident individuals would be taxable in Venezuela, and due to this, residents are subject to pay taxes in Venezuela on incomes from Venezuelan and foreign sources.

Non-resident individuals will be subject to tax on the earnings that are caused or originated in Venezuela, although they do not have permanent establishment or fixed base in the country .

1 Key message

Extended business travelers are likely to be taxed on employment income relating to their Venezuela assignment and worldwide income.

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Income tax

2 Income Tax

2.1 Liability for income tax

Resident individuals will pay taxes on their total net income based on a progressive tax rate, which range from 6 percent to 34 percent. Local income received by non-resident will be subject to a flat tax rate of 34 percent. Residents may take advantage of certain tax deductions and credits provided by Venezuelan Tax Law, as well as foreign tax credits; however non-residents individuals are not entitled to these deductions¹.

2.2 Tax trigger points for employment income

All resident individuals obtaining worldwide yearly net income that exceeds 1,000 tax unit or gross income that exceeds 1,500 tax units must report such income by filing a tax return with the Venezuelan tax administration within the first three months after the end of the fiscal year, that is by 31 March in each year.

An individual is considered to be a tax resident of Venezuela if he/she stays in the country for more than 183 days during the calendar year or in the previous calendar year. Also, individuals who have established their residence or home in the country, except if they remain in another country for a consecutive or non-consecutive term of 183 days during the calendar year and evidence having acquired residency in that other country for tax purposes.

Nonresident individuals are taxed in Venezuela for any net income from Venezuela sources.

An individual is considered to be a tax non-resident of Venezuela if he/she stays in the country for 183 days or less during the calendar year and has not qualified as a resident in the preceding calendar year.

Currently the value of the tax unit is VES.0,40, for the year 2022 was VES0,02.

2.3 Types of taxable income

The following typical components of an expatriate's compensation package should be regarded as taxable unless otherwise stated (it is recommendable to analyze the conditions of the benefits in each case).

- Regular compensation, resulting from the provision of personal services under a dependence relationship would be subject to Venezuelan income tax.
- Reimbursement of taxes. Remuneration received free of tax will be grossed-up for income tax purposes to a pre-tax gross salary.
- School tuition reimbursements. Cost-of-living allowances.
- Expatriation premiums.
- The benefit of free accommodation in employer-owned premises which would be valued at market value. For employer-rented accommodation, the value of the benefit would probably be equal to the lease paid by the employer. Where the employer reimburses lease paid by the employee, the entire lease amount constitutes taxable employment income for the employee.
- The personal use of a company car.

2.4 Tax-Exempt Income

The following incomes are considered tax-exempted according to the tax law.

- Local Savings Plans and Retirement Funds, Employer contributions to local savings plans and retirement funds are not taxed to the employee.
- Interest on Local Savings and Deposit Bank Accounts
- Labour Severance Indemnities and its interests.
- Representation expenses.
- Moving Expenses and Per Diems, as long as the supports are available to demonstrate the expense.

2.5 Tax rates

Residents

The tax table for 2023 is based on tax units of income.

Taxable Income Bracket		Tax Rate
From tax unit	To tax unit	Percent
0	1,000	6%
1,001	1,500	9%
1,501	2,000	12%
2,001	2,500	16%
2,501	3,000	20%
3,001	4,000	24%
4,001	6,000	29%
6,001	Over	34%

The value of the Tax Unit is adjusted annually by the Tax Administration, currently is VES0,40

Non-Residents

Non-residents are subject to a 34 percent flat tax rate on any income from Venezuelan source. The non-resident tax rates are as follows.

Type of Income*	Percent
Gross employment income	34
Professional services income	34
Other taxable (business) income	34
Interest income (except bank interest)	34
Dividend income	34
Bank interest	0

*Refers only to Venezuelan source income.

Dividends, Interest, and Rental Income

Taxable dividends from Venezuelan domiciled entities would be the amount distributed equivalent to the accumulated earnings on financial statements not taxed at the corporate level. Special regulations exist to determine dividends source and imputation of the distribution. Dividend tax is levied at a flat rate of 34%.

Moreover, taxable dividends from foreign entities would be the 100 percent of the dividend paid for residents, and it will be subject to a proportional tax rate of 34 percent.

The tax-withholding rate for dividends paid by a Venezuelan entity would depend on the payer's activities, as follows.

- 50 percent if the payer is a local company dedicated to hydrocarbons and related activities.
- 60 percent for dividends related to royalties and other similar participation on mining activities.
- 34 percent if the payer is a Company engaged in other activities.
- 34 percent if a company domiciled abroad (other than hydrocarbons) pays dividends to domiciled entities/residents individuals in Venezuela.

Interest income obtained from savings account in local banking institutions is not taxable. Interest from foreign institutions would be taxable for Venezuela residents; they are added to the taxable income and taxed at the progressive tax rates. Rental net income (expenses related activities are deductible) is included in the total taxable income. They are added to the taxable income and taxed at the progressive tax rates.

Gains from Stock Option Exercises

Residency Status	Taxable at:		
	Grant	Vest	Exercise
Resident	N	N	Y
Non-resident*	N	N	Y
Other (if applicable)	NA	NA	NA

* Non-resident individuals will be subject to tax if the capital gain is from Venezuelan source

Foreign Exchange Gains and Losses

Foreign exchange gains and losses could be taxable and deductible when realized, depending on the nature of asset and liability and circumstances.

Principal Residence Gains and Losses

Gain resulting from the sale of the principal family residence would not be taxable if the gain is reinvested in another principal home.

Capital Losses

Losses resulting from sale of shares or participation quotas in the corporate stock and in the cases of liquidation or capital stock reduction of stock companies and taxpayers assimilated to stock companies shall only be admissible when the following circumstances concur.

- The acquisition cost of the shares or participation quotas has not been higher than the quotation price in the Stock Exchange or than an amount that is reasonable when compared to the book value, if no quotation price exists.

- The seller of the shares or stock quotas has owned such goods consecutively at least for two years as of the date of the sale.
- The seller proves to the tax administration that the companies which shares or participation quotas have been sold performed an economic activity with a reasonable capacity during the last two tax years immediately before the year in which the sale that originated the loss was made.

Other capital losses should be admitted as long as the capital was income producing and taxable.

2.5.1.1 Gifts

In Venezuela, taxes are imposed on the transmission of property to beneficiaries domiciled in Venezuela or to non-residents in respect of property located in Venezuela. Each taxable beneficiary must compute and pay tax on his/her inheritance or gift. Rates vary, depending on the amount of the inheritance or gift and on the degree of family relationship to the decedent or donor, from 1 percent to 55 percent.

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Social Security

3 Social Security

3.1 Liability for social security

Employer and Employee

Foreigners who reside and work in Venezuela are subject to the mandatory Venezuelan Social Security. The Social Security Contribution is withheld from the monthly salary, based on a ceiling of 5 monthly minimum salaries, since November 2022, the monthly minimum salary is VES130,00.

Non-resident foreigners working under dependent relationship in Venezuela are likely to be subject to the social security withholdings.

Social security benefits take the form of comprehensive assistance and monetary payments, under the provisions of the Social Law and its regulations. That Law covers social security protection for beneficiaries in cases of maternity, old age, survivorship, sickness, accident, disability, death, retirement, dismissal, and unemployment.

	Employer	Employee	Total
Minimum risk	9%	4%	13%
Intermediate risk	10%	4%	14%
Maximum risk	11%	4%	15%

Unemployment Compensation

This benefit extends to all employees insured by the Venezuelan Social Security Institute (IVSS) who lose their jobs and are able and willing to work.

Employers and employees must make monthly contributions to the unemployment compensation fund, based on the following percentages applied on a maximum ceiling of 10 monthly minimum salaries, since November 2022, the monthly minimum salary is VES130,00.

Employer	Employee	Total
2.0%	0.5%	2.5%

Other payroll taxes constitute the following:

Housing Loan Regime

The housing policy law is a legal tool by which the government seeks to meet the housing needs of Venezuelan Families, and particularly those of lower-income families. All Venezuelans, foreigners actively contributing, which their monthly salary is lower than 150 tax units, are potential beneficiaries.

Employers and employees are required to pay contributions to the Housing Policy Fund, during the first five business days of every month, based on the following percentages of each employee's monthly salary.

Employer Percent	Employee Percent	Total Percent
2	1	3

National Institute of Socialist Capacitating and Education (INCES)

Within the first five days of each quarter, the employer must deposit the equivalent of 2 percent of the total amount of wages, salaries and compensation of any other kind paid to persons who work in industrial or commercial establishments not owned by the Nation, the States or the Municipalities. Employers are also required to withhold 0.5 percent of annual profit sharing payments to workers for this purpose.

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Compliance obligations

4 Compliance obligations

4.1 Employees` compliance obligations

All individuals obtaining yearly net income that exceeds 1,000 tax unit or gross income that exceeds 1,500 tax units must report such income by filing a tax return with the Venezuelan tax administration within the first three months after the end of the fiscal year, or by 31 March in each year.

For independent individuals, an estimated tax return may be required by 30 June of the following year if the individual's income exceeds 1,500 tax units in the preceding fiscal year from the following sources.

- Commercial or credit activities.
- Commercial practice of non-commercial professions.
- Leasing or subleasing of real personal assets.
- Participation in the net earnings of partnerships not subject to income tax.

4.2 Employers reporting and withholding requirements

Tax withholding is performed in the monthly payroll. The employer is regarded by the Venezuelan tax authorities as a tax withholding agent and must withhold income tax and payroll taxes to employees on a monthly basis.

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Other issues

5 Other issues

5.1 Double taxation treaties

Venezuela has subscribed tax treaties with the following countries: Austria, Barbados, Belarus, Belgium, Brazil, Canada, China, Cuba, Czech Republic, Denmark, France, Germany, Indonesia, Iran, Italy, Korea, Kuwait, Malaysia, the Netherlands, Norway, Portugal, Qatar, Russia, Spain, Sweden, Switzerland, Trinidad and Tobago, United Arab Emirates, United Kingdom, United States, and Vietnam.

5.2 Permanent establishment implications

There is the potential that a permanent establishment could be created as a result of extended business travel, but this would depend on a number of factors (e.g., the type of services performed, the level of authority the employee has and its ability to conclude contracts, duration, etc.) and is beyond the scope of this document.

5.3 Indirect taxes

Value-added tax (VAT) is applicable to economic agents. The tax is levied at 16 percent. The following categories of taxpayers are subject to VAT:

- Individuals or companies usually selling tangible goods.
- Importers of tangible goods and services.
- Individuals or companies usually performing services of an independent nature.

5.4 Transfer pricing

Chapter III of title VII of the ITL establishes that the taxpayers conducting operations with related parties linked abroad are obliged, for tax purposes, to determine its income, costs and deductions, considering for these operations the prices and amounts of considerations that were used with or among independent parties in comparable operations.

If a foreign person pays the salary of an employee who is employed in Venezuela, and the Venezuelan corporation or permanent establishment reimburses the payer with a payment that can be identified as a reimbursement, there would not be any transfer pricing implications with this transaction.

5.5 Work permit/visa requirements

The Migration Law is aimed at ruling issues relating to the entrance, permanence, registration and control of foreigners in the territory of the Republic, as well as their rights and obligations. Provisions set forth in this Law will be applicable to foreigners in the national territory regardless of their migratory condition, except for diplomatic representatives, without prejudice to provisions set forth in International Law standards and integration treaties and agreements subscribed and ratified by the Republic.

The Law establishes different categories of foreigners:

- Non-migrants: those entering the territory of the Republic for periods of 90 days, as a maximum, with no interest in obtaining a permanent domicile for them or their families, and not allowed, therefore, to exercise activities involving remuneration or profits.

- Temporary migrants: those entering the territory of the Republic for the purpose of residing in the country during the development of activities that gave rise to their admission in the country.
- Permanent migrants: those authorized to stay indefinitely in the Republic's territory.

5.6 Local data privacy requirements

Venezuela does not provide for the statutory protection of privacy. Some protections are available under Article 60 of Constitution of the Bolivarian Republic of Venezuela.

5.7 Exchange control

Foreign exchange control regime imposed in Venezuela would most likely affect repatriation of excess cash at the end or during the assignment. Specific advice should be sought on this issue.

5.8 Non-deductible costs for assignees

The assignees under dependent relationship who are paid wages and salaries, according to the Venezuela income tax law are net taxable compensation, and no cost are allowed to deduct, except for the following that are allowed for resident individuals:

- Interest paid on loans for the purchase of principal house, up to 1,000 tax units or for home rental up to 800 tax units.
- Payments to educational institutions in the country, for the education of the taxpayer and descendants up to 25 years of age.
- Surgery, hospitalization, and maternity insurance premiums paid in the country.
- Dental, hospitalization, and medical expenses of the taxpayer and its dependents paid in Venezuela.

The deductions mentioned above can only be taken by taxpayers classified as residents in Venezuela.

Alimony and child support payments are not allowed as deductions. If the taxpayer decides not to use the itemized deductions, a standard deduction of 774 tax units can be used.

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Footnotes

[1] 2015 Venezuelan Income Tax Law (Official Gazette No. 6.210 dated 30 December 2015) and its Regulation (Official Gazette No.5.662 dated 24 September 2003).

[2] Venezuelan Social Security Law (Official Gazette No.393.078 dated 30 April 2012).

[3] Venezuelan Value Added Tax Law (Official Gazette No.6.507 dated 29 January 2020).

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