



# Taxation of international executives: Venezuela



June 2023

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**01**

# **Overview and Introduction**

# 1 Overview and Introduction

Resident individuals in Venezuela will pay taxes on their income of any origin. 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 a fixed base in the country.

Resident individuals will pay taxes on their total net income from any source based on a progressive tax rate, which ranges from 6 percent to 34 percent. Local income received by a 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 deductions.

The value of the tax unit for the year 2023 is Bs 9,00, for fiscal year 2022 was Bs 0,40.

Herein, the host country refers to the country where the expatriate is going on assignment. The home country refers to the country where the expatriate lives when he/she is not on assignment.

**02**

# **Income tax**

# 2 Income Tax

## 2.1 Tax Returns and Compliance

**When are tax returns due? That is, what is the tax return due date?**

31 March.

**What is the tax year-end?**

31 December.

**What are the compliance requirements for tax returns in Venezuela?**

### Residents

#### Filing requirements

An individual is considered to be a tax resident of Venezuela if he/she stays in the for more than 183 days during the calendar year or in the previous calendar year. Country. Those days could be counted for a consecutive or non-consecutive period.

All tax residents individuals obtaining yearly net income that exceeds 1,000 tax unit or gross income that exceeds 1,500 tax units must report such income of any origin, 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.

The value of the tax unit for the year 2023 is Bs 9,00, for fiscal year 2022 was Bs 0,40.

Spouses, if not legally separated, are considered to be joint taxpayers. The spouse may elect to file a separate return for his/her own employment income, but in that case only one of the spouses may claim the deductions and exemptions available to both parties. The tax payment arising from the final income tax return may be paid in three installments, the first one on or before 31 March of each fiscal year when filing the tax return, the other two installments will be pay after 20 days consecutive, and the three installments 40 days consecutive from the deadline of the filing the income tax return. If any of these payments is made after the applicable due date, taxpayer must pay in full the amount owed, it may not elect to pay in installments, however an interest charge will be imposed on the late payment.

#### Withholding

Individuals pay tax either through withholding or by making estimated tax payments. Both residents and non-residents are subject to withholding of income tax by the employer on wages. Wages include cash payments for services performed by an employee for his/her employer.

Non-cash payments would not be subject to withholding. The income tax withholding rate is determined based on Form ARI, which is the tax withholding determination.

For non-residents, income tax withholding is required only for job rendered in Venezuela; and tax withholding is set at a flat rate of 34 percent on all income.

#### Estimated tax payments

A self-employee individual who has income that is effectively connected with a Venezuela trade or business (other than salary income) is subject to estimated payment requirements, only if had a gross

income exceeding 1,500 tax units in the year from other activities or services (self-employed). An estimated tax return must be filed by 30 June of every year.

### Non-residents

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.

An individual is considered to be a tax non-resident of Venezuela if the individuals who have established their residence or home in the country (Venezuela), 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.

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 a fixed base in the country.

### Filing requirements

Non-residents should file a Venezuelan tax return for all income from or losses sustained in Venezuela, whatever the amount. Frequently, tax return for nonresident with working visa is required at departure time at the airport.

## 2.2 Tax rates

### What are the current income tax rates for residents and non-residents in Venezuela?

#### Residents

The tax table is based on Venezuelan Income Tax Law. Income tax table for 2023.

Taxable income bracket		Tax rate on income in bracket
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 Bs.9,00.

Interest income obtained from savings account in local banking institutions is not taxable. Interest from foreign institutions would be taxable for Venezuelan residents; they are added to the taxable income and taxed at the progressive tax rates

## Non-residents

Non-residents are subject to a 34 percent flat tax rate on any income from Venezuelan source<sup>1</sup>.

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.

## 2.3 Residence rules

### For the purposes of taxation, how is an individual defined as a resident of Venezuela?

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.

**Is there, a de minimum number of days rule when it comes to residency start and end date? For example, a taxpayer can't come back to the host country for more than 10 days after their assignment is over and they repatriate.**

No, there is not a minimum number of days rule.

### What if the assignee enters the country before their assignment begins?

The days present in Venezuela before the assignment begins would count in order to determine tax residency.

## 2.4 Termination of residence

### Are there any tax compliance requirements when leaving Venezuela?

If residence is terminated, it is necessary to file an income tax return with the tax administration for the period during the year in which income was received. If the total income received during such period does not exceed 1,000 tax units, an income tax return needs to be filed indicating that it is not subject to income tax.

### What if the assignee comes back for a trip after residency has terminated?

Days present in Venezuela will be considered to determine the tax residence period. If the trip is work related, there is no chargeback to the Venezuelan entity and the individual claims to have tax residency in another country and the individual is resident in a country who has signed a treaty to avoid double taxation on income tax with Venezuela, it is likely that there would be no obligation to pay taxes,

<sup>1</sup> Refers only to Venezuelan source income



nevertheless it is important to file a tax return claiming tax treaty benefits and to provide a foreign residence certificate to be issued by the Tax Administration of the country of residency.

### **Communication between immigration and taxation authorities**

#### **Do the immigration authorities in your country provide information to the local taxation authorities regarding when a person enters or leaves your country?**

The immigration authorities can provide information to the local tax authorities regarding when a person enters or leaves your country upon request. This information is requested when the tax administration provides a Tax Residency Certificate.

### **Filing requirements**

#### **Will an assignee have a filing requirement in the host country after they leave the country and repatriate?**

It is probable that often the assignee leave the Country, still receive income connected to its Venezuelan resident status or Venezuela source. In such cases a tax return should be filed.

Once the individual has broken Venezuela tax residency and has no Venezuelan-source income, there would be no filing requirement in the following year of repatriation, unless the individual has tax credits subject to refund, for which a tax return filing is required to avoid its prescription term.

## **2.5 Economic employer approach**

#### **Do the taxation authorities in your country adopt the economic employer approach to interpreting Article 15 of the OECD treaty? If no, are the taxation authorities in your country considering the adoption of this interpretation of economic employer in the future?<sup>2</sup>**

There is no precedent that the Venezuela taxation authorities adopt the economic employer approach to interpreting Article 15 of the OECD treaty, however it is more probable that the economic employer approach is adopted by the tax administration. Most of the double tax treaties that Venezuela has signed with other countries follows the OECD model and its commentaries are general used to support tax interpretations which in many cases it is aligned with the local tax doctrines.

### **Minimums number of days**

#### **Are there a de minimums number of days before the local taxation authorities will apply the economic employer approach? If yes, what is the de minimums number of days?<sup>3</sup>**

There is not de minimum number of days before the local taxation authorities will apply the economic employer approach.

<sup>2</sup> Certain tax authorities adopt an "economic employer" approach to interpreting Article 15 of the OECD model treaty which deals with the Dependent Services Article. In summary, this means that if an employee is assigned to work for an entity in the host country for a period of less than 183 days in the fiscal year (or, a calendar year of a 12- month period), the employee remains employed by the home country employer but the employee's salary and costs are recharged to the host entity, then the host country tax authority will treat the host entity as being the "economic employer" and therefore the employer for the purposes of interpreting Article 15. In this case, Article 15 relief would be denied, and the employee would be subject to tax in the host country.

<sup>3</sup> For example, an employee can be physically present in the country for up to 60 days before the tax authorities will apply the 'economic employer' approach

## 2.6 Types of taxable compensation

### What categories are subject to income tax in general situations?

The following typical components of an expatriate's compensation package should be regarded as taxable unless otherwise stated:

- 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 provisions of rest and relaxation facilities or allowances paid to the employee are taxable.
- The personal use of a company car.

### Intra-group statutory directors

**Will a non-resident of Venezuela who, as part of their employment within a group company, is also appointed as a statutory director (i.e. member of the Board of Directors in a group company situated in Venezuela trigger a personal tax liability in Venezuela, even though no separate director's fee/remuneration is paid for their duties as a board member?**

**Will the taxation be triggered irrespective of whether or not the board member is physically present at the board meetings in Venezuela?**

Based on the Venezuelan Income tax law, an income results from economic activities performed in Venezuela, when any of the causes that originated such income occurs within national territory, is considered income caused in Venezuela and taxable in the Country. The remunerations for all types of services, credits or any other type of work or capital compensation performed, benefited from or used in Venezuela (ITL article 6).

**Will the answer be different if the cost directly or indirectly is charged to/allocated to the company situated in Venezuela (i.e. as a general management fee where the duties rendered as a board member is included)?**

The answer would be the same

**In the case that a tax liability is triggered, how will the taxable income be determined?**

Based on the income earned from the work activity rendered in or for Venezuela.

## 2.7 Tax-exempt income

**Are there any areas of income that are exempt from taxation in Venezuela? If so, please provide a general definition of these areas.**

The following income is 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.

### Loans

- If the employer makes loans to the employee at reduced interest rates, the value of the interest is more likely than not to be a taxable income.

### Interest on local savings and deposit bank accounts

- Interest earned on local savings and deposit bank accounts is tax exempt.

### Labor severance indemnities

- Labor severance indemnities and its interests.

### Representation

- Representation expenses.

### Meal voucher

- Meal vouchers granted to employees as an employee benefit.

## 2.8 Expatriate concessions

### Are there any concessions made for expatriates in Venezuela?

There are no special concessions generally available to expatriates. Nevertheless, Venezuelan has signed double tax treaties with 31 countries that contain special tax treatment for short-term assignment.

## 2.9 Salary earned from working abroad

### Is salary earned from working abroad taxed in Venezuela? If so, how?

When a resident renders its services outside of Venezuela on behalf of his/her Venezuelan employer, then the remuneration received for those services is taxable in Venezuela.

However, for non-Venezuelan residents if the services rendered by the individual outside the country are on behalf of a foreign employer, then the remuneration received will not be taxable in Venezuela.

## 2.10 Taxation of investment income and capital gains

### Are investment income and capital gains taxed in Venezuela? If so, how?

Capital gains on real property are taxable in Venezuela according to progressive tax table rates. The capital gains arising are added to total taxable income, subject to some special procedures. However, the gain may not be taxable if it results from the sale of the principal family residence, if the gain is reinvested in another principal home.

If a capital gain is produced through the sale of stock, the gain is added to total taxable income, which in turn is subject to general income tax as already described.

Sale of stocks traded through the Venezuelan Stock Exchange will be subject to a flat 1% tax on gross proceeds.

### 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.

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. Certain rules applies.

### 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.

#### **Personal use items**

None.

#### **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.

## **2.11 Additional capital gains tax (CGT) issues and exceptions**

**Are there additional capital gains tax (CGT) issues in Venezuela? If so, please discuss?**

None.

**Are there capital gains tax exceptions in Venezuela? If so, please discuss?**

Tax treaties in few cases create tax exceptions in Venezuela.

## **2.12 General deductions from income**

**What are the general deductions from income allowed in Venezuela?**

There are some deductions that can be made from annual income. Itemized deductions - 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 original documentation for said deductions should be available with the annual tax return.

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.

## **2.13 Tax reimbursement methods**

**What are the tax reimbursement methods generally used by employers in Venezuela?**

This would depend, employers in Venezuela always follows the policies for expatriation of the Parent Company. To avoid a monthly taxable income to the employee, the rollover method may result more beneficial.

## 2.14 Calculation of estimates/ prepayments/ withholding

**How are estimates/prepayments/withholding of tax handled in Venezuela? For example, Pay-As-You-Earn (PAYE), Pay-As-You-Go (PAYG), and so on.**

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 to employees monthly.

For self-employee individuals, an estimated tax return may be required 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.

Partnerships are exempt from the estimated tax requirement when their earnings are taxable on an individual basis for their partners.

### **Pay-as-you-go (PAYG) withholding**

Not applicable.

### **PAYG installments**

Not applicable.

**When are estimates/prepayments/withholding of tax due in Venezuela? For example, monthly, annually, both, and so on.**

- Payroll: on a monthly basis.
- Estimated tax return: before 30 June of the fiscal year

## 2.15 Relief for foreign taxes

**Is there any Relief for Foreign Taxes in Venezuela? For example, a foreign tax credit (FTC) system, double taxation treaties, and so on?**

The Venezuelan Income tax Law provides for a double tax relief based on Foreign Tax Credit method.

Additionally, 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.

## 2.16 General tax credits

**What are the general tax credits that may be claimed in Venezuela? Please list below.**

The Venezuelan income tax law, provides certain tax credits against income tax for residents as follows:

- 10 tax units for taxpayer.

- 10 tax units for spouse. \*
- 10 tax units for each dependent under 25 years of age. \*

\*Applicable only if the spouse or dependents are resident in the country.

## 2.17 Sample tax calculation

This calculation assumes a married taxpayer resident in Venezuela with two children. The taxpayer's base salary is USD 100,000.

	2022 USD	
Salary	100.000,00	
Bonus	20.000,00	
Cost-of-living allowance	10.000,00	
Housing allowance	36.000,00	**
Company car	1.800,00	**
Moving expense reimbursement	6.000,00	
Home leave	1.000,00	**
Education allowance	3.000,00	**
Interest income from non-local sources	6.000,00	

\*\* These items must be reviewed in each case to conclude if they would be taxable to the individual

### Other assumptions

- All earned income is attributable to local sources.
- Bonuses are paid at the end of each tax year and accrue evenly throughout the year. Interest income from foreign banks is not remitted to Venezuela.
- The company car is used for 70 percent for business and 30 percent private purposes. The employee is deemed resident throughout the assignment.
- Tax treaties and totalization agreements are ignored for the purpose of this calculation.

### Calculation of taxable income

Year-ended	2022
Days in Venezuela during year	365,00
	VES*
Tax Unit	1,500,00
Annual average of exchange rate (VES/USD)	6,70
Salary	670.000,00
Bonus	134.000,00

Cost-of-living allowance	67.000,00
Other income (Interest)	40.200,00
<b>Total earned income</b>	<b>911.200,00</b>
Total income for Income Tax Return	911.200,00
Standard deduction of 774 Fiscal Units can be used	309,60
Total taxable income	910.890,00
Venezuelan Tax Thereon	309.352,60
Less: Personal deduction	4,00
Less: Tax deductions dependents (spouse + two children	12,00
<b>Total Venezuelan Tax</b>	<b>309.340,60</b>

<sup>1</sup> Certain tax authorities adopt an "economic employer" approach to interpreting Article 15 of the OECD model treaty which deals with the Dependent Services Article. In summary, this means that if an employee is assigned to work for an entity in the host country for a period of less than 183 days in the fiscal year (or, a calendar year of a 12- month period), the employee remains employed by the home country employer but the employee's salary and costs are recharged to the host entity, then the host country tax authority will treat the host entity as being the "economic employer" and therefore the employer for the purposes of interpreting Article 15. In this case, Article 15 relief would be denied, and the employee would be subject to tax in the host country.

<sup>2</sup>For example, an employee can be physically present in the country for up to 60 days before the tax authorities will apply the 'economic employer' approach.

<sup>3</sup>Sample calculation generated by Ostos, Velázquez & Asociados, the Venezuelan member firm of KPMG International, based on the 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).



**03**

**Special considerations  
for short term  
assignments**

# 3 Special considerations for short-term assignments

For the purposes of this publication, a short-term assignment is defined as an assignment that lasts for less than one year.

## 3.1 Residency Rules

### Are there special residency considerations for short-term assignments?

None. As soon as the assignee exceeds 183 days in the calendar year, he/she will become a tax resident. The residence test period is on the calendar based on the income tax law, but some tax treaties provide a 12-month period (roll forward).

## 3.2 Payroll considerations

### Are there special payroll considerations for short-term assignments?

Short-term assignments are most likely to comply with local payroll laws and regulations.

## 3.3 Taxable income

### What income will be taxed during short-term assignments?

If the short-term assignment during the tax year does not exceed 183 days only Venezuelan source income would be taxed. If the short-term assignment exceeds 183 days the assignee would be taxed on worldwide income, effectively received in most of the cases.

## 3.4 Additional considerations

### Are there any additional considerations that should be considered before initiating a short-term assignment in Venezuela?

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.

**04**

# **Other taxes and levies**

# 4 Other taxes and levies

## 4.1 Social security tax

Are there social security/social insurance taxes in Venezuela? If so, what are the rates for employers and employees?

### 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%	4.0%	13.0%
Intermediate risk	10%	4.0%	14.0%
Maximum risk	11%	4.0%	15.0%

### 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 October 2021, the monthly minimum salary is VES7,00, which currently vary several times a year.

Employer	Employee	Total
2.0%	0.5%	2.5%

## 4.2 Gift, wealth, estate, and/or inheritance tax

Are there any gift, wealth, estate, and/or inheritance taxes in Venezuela?

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.

## 4.3 Real estate tax

### Are there real estate taxes in Venezuela?

Real Estate taxes are imposed by the autonomous municipality on which the property is located. These taxes are paid by the owner; the rates vary depending on the Municipality based on market values.

## 4.4 Sales/VAT tax

### Are there sales and/or value-added taxes in Venezuela?

The VAT standard rate would be within the range of 8% to 16.5%. Currently is 16%

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
- public agencies or enterprises owned by the nation, the states, municipalities or independent public institutions which usually conduct taxable activities as well as occasional taxpayers, the latter being importers of goods or services not falling into any of the preceding categories.

The obligation to pay VAT arises from the following activities:

- sales and removal or retirement of tangible personal goods located in the country or nationalized
- permanent importation of tangible goods
- importation of services to be used in the country
- rendering of services in the country on an independent basis.

These activities are taxable as follows:

- in relation to sales of tangible goods, when the invoice or equivalent document is issued to record the transaction, when paid, or when the goods are delivered, whichever comes first
- in relation to permanent importation of goods and services, when they are nationalized
- in relation to rendering of services, when the invoice is issued, the service is completed, or total or partial payment is made.

In case of luxury goods and services currently apply a rate of 27%, that result of adding 15% to the standard rate

There is a reduced rate at 8% that apply to:

- Certain import and sale of food goods and services: Goats, sheep, and minor species for cattle and pigs for breeding or breeding, meats in their natural state or refrigerated, frozen, salted meats, meats in brine of goats, sheep, and poultry, shortening
- rendering of professional services to any government entity domestic air passenger transportation.
- There is a zero rate that apply to exports.

There are exempt supplies that include basic food and other products for human consumption, medicine, fertilizer, newspapers, books and magazines, education, intangible assets, loans, banks, and financial institutions operations except leasing, insurance services, payroll, operations performed in specified duty free and tourist areas, national electricity, water, and natural gas, vehicles, aircraft, and trains for passenger transport, merchandise transports, scientific equipment purchased by the government.

The last reform of the VAT Law included the creation of an additional tax rate that would be between 5% to 25%, for goods and services paid in foreign currency or crypto assets different than those issued by the Bolivarian Republic of Venezuela. This additional tax rate is not in force yet.

## 4.5 Unemployment tax

### Are there unemployment taxes in Venezuela?

See unemployment compensation in the social security section.

## 4.6 Other taxes

### Are there additional taxes<sup>4</sup> in Venezuela that may be relevant to the general assignee? For example, customs tax, excise tax, stamp tax, and so on.

#### 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.

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	Employee	Total
2.0%	1.0%	3.0%

#### National institute of socialist capacitating and education (INCES)

Within the first five business days of each quarter (example: the first quarter will be paid within the first 5 business days of April), the employer must pay 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.

#### State taxes

Currently, there are no state taxes imposed on the income of individuals in Venezuela.

#### Others

##### Venezuelan employees<sup>5</sup>

The Law requires that at least 90 percent of employees have to be Venezuelan citizens.

Moreover, the salaries paid to foreign personnel, will not exceed 20% of the total salaries paid to the rest of the workers., although the Labor Government Office in special cases can modify this percentage.

<sup>4</sup> Additional tax information is summarized by Ostos Velázquez & Asociados, the Venezuelan member firm of KPMG International, based on the Social Security, Housing Policy and the National Institute of Educational Cooperation Laws and its corresponding Regulations.

<sup>5</sup> Article 27 of the Venezuelan Organic Labor Law (Official Gazette No.6.076 dated 7 May 2012)

## **Fiscal information register<sup>6</sup>**

All individuals engaged in economic activities in Venezuela must make a registration with the Fiscal Information Registry (RIF), within the first 25 days of doing business in Venezuela.

This registration must be updated every three years.

## **Special taxpayer<sup>7</sup>**

Individuals that earned income in the previous year more than 7,500 tax units, may qualify by the Tax Authority as special taxpayers, and would be subject to a severe control compliance and closer review process from the tax authorities.

Taxpayers classified as special and expressly notified of such condition by the Special Taxpayers Management, must comply with the rules contained in this Ruling, for the purposes of the declaration and payment of their tax obligations, compliance with formal duties and of the fulfillment of the duties as withholding agents or collection of taxes.

## **Migration law<sup>8</sup>**

This 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 for which the regulation –that shall be dictated within the 60 days following the publication of this legal text- will establish the requirements and procedures relating to their entrance, permanence, departure and re- entrance to the national territory. For the moment, the sole indispensable requirements referred to in the regulation are valid passports and visa, where applicable.

Categories referred to in the Law are as follows.

- 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.

Likewise, the Law provides the reasons for non-admission of foreigners in the national territory.

- If the foreigner's presence triggers alteration of the internal public order or jeopardizes the Republic's international relationships due to the fact that the foreigner is wanted by police or judicial foreign authorities for common penal reasons or is involved with national and international crime organizations.
- If the foreigner has been expelled from the Republic's territory and the prohibition against entering the country remains effective.
- If the foreigner has committed a crime typified and punished under the Venezuelan laws to the extent that the foreigner has not served the sentence or the action or sanction in its country of origin has prescribed

<sup>6</sup> Venezuelan Administrative Ruling SNAT/2013/ (Official Gazette No. 40.214 dated 25 July 2013).

<sup>7</sup> Special taxpayers Providence No.296, Official Gazette No.37.970 dated 30 June 2004.

<sup>8</sup> Immigration Law, Official Gazette No.37.944 dated 24 May 2004 (no web site available).

- If the foreigner is involved in any violation of Human Rights, International Humanitarian Rights or provisions set forth in international instruments to which the Republic is a party.
- If the foreigner is involved in stupeficient or psychotropic substances trafficking or any related activities.
- If the foreigner suffers from infectious-contagious diseases or other diseases jeopardizing the public health.

The new law clearly states as well that those places enabled for access by foreigners may be closed only in case of emergencies or proven need, temporarily and through sufficiently motivated acts considering both the facts and the related law, dictated in conformity with special standards on exception situations.

Additionally, a series of duties are established for foreigners, including the obligation of registration with the National Registry of Foreigners within the 30 days following their arrival if entering the Republic's territory as temporary migrants or falling under the category of permanent migrant.

The right to the effective judicial custody in acts concerning foreigners, as to their condition as such, may be considered as a novelty as to its express establishment.

Those persons required to enter the Republic's territory under a labor contract shall obtain a labor authorization from the Ministry of Work. The procedure to obtain the corresponding authorization shall be performed by the foreigner through his/her contractor in the national territory. The following persons are exempted from this obligation.

- Scientists, professionals, technicians, experts and specialized personnel coming into the country to offer training courses or to conduct temporary tasks for a period of time not exceeding 90 days.
- Technicians and professionals invited by public or private entities to comply with academic, scientific or research-related activities to the extent that such activities will not take more than 90 days.
- Those entering the Republic's territory to develop activities under cooperation and technical assistance covenants.
- Mass media professionals from other countries, duly accredited.
- The members of international scientific missions conducting research works in the Republic's territory authorized by the Venezuelan government.

The visa authorizing the permanence of the foreigners in the Republic's territory shall be valid for the same duration period of the labor authorization and may be renewed provided that the same circumstances giving rise to the granting of the visa will prevail.

The new set of standards establish that employers hiring foreigners shall request their identification documents and notify in writing to the National Registry of Foreigners, created by the law as well, the terms and conditions of the labor relationship as well as the termination of such relationship within the 30 days following the respective event. Likewise, the owners or administrators of hotels and transportation companies shall submit to the Registry the data on their foreign customers every eight days.

Employers or contractors of foreign workers shall assume a commitment with the relevant authority to pay for the return ticket of the foreigner and his/her family back to their country of origin or last residence within the month following the termination of the contract.

In the event of non-compliance with obligations set forth in this Law, the relevant ministry on foreigners and migration-related matters will be empowered to dictate the necessary measures of warning, fines or deportation from the territory. The right of those subject to the measure of deportation to receive salaries, severance indemnities and all of benefits set forth in the laws governing the labor relationships and collective contracts as well as other social laws is exempted.

Penalties and sanctions-related standards establish, among others, the following.



- As to employers, fines of 200 tax units for those hiring foreigners illegally.
- Those facilitating or allowing the illegal access to the Republic's territory by foreigners will be punished with prison for 4 to 8 years.
- The same penalty shall be applied to those hiring foreigners living in the Republic's territory illegally for the purpose of exploiting them as labor under conditions damaging, suppressing or restricting labor rights recognized under legal provisions, collective agreements or individual contracts.
- The same sanction will be applied to those that faking a contract or employment or by using similar deceitful means, will determine or favor a person's emigration to another country.
- For events attributed to companies, the corresponding sanction shall be applied to administrators or service in charge that have been responsible for such events and that knowing them and being able to correct them have failed to adopt the measures required to that end.
- Those promoting or favoring through any means the illegal immigration to the Republic's territory shall be sanctioned with prison for 4 to 8 years.
- Individuals and companies' representatives who, through action or omission, will promote or mediate the illegal trafficking of persons from, in transit or to the Republic's territory shall be sanctioned with prison for 4 to 8 years.
- Those acting as described in article 56 of this Law for a profit or by using violence, intimidation, deceive or taking advantage of the needs of the victim, the victim's gender or vulnerable groups will be sanctioned with prison from 8 up to 10 years.

### Foreign financial assets

#### Is there a requirement to declare/report offshore assets (e.g. foreign financial accounts, securities) to the country/territory's fiscal or banking authorities?

Taxpayers who have investments located in jurisdictions with low taxation, must submit together with their final income statement for each year, before the Tax Administration office, an informative statement on the investments that they have made or maintain in jurisdictions during the year. of low taxation, accompanying the account statements for deposits, investments, savings or any other document that supports the investment.

**05**

# **Immigration**

# 5 Immigration

Following is an overview of the concept of Venezuela's immigration system for skilled labor.

## 5.1 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.

## 5.2 International Business Travel/Short-Term Assignments

Nationals of the following countries do not require a Tourist Visa in Venezuela for a period of 90 days:

Germany, Andorra, Antigua and Barbuda, Netherlands Antilles, Argentina, Australia, Austria, Barbados, Belgium, Belize, Belarus, Bolivia, Brazil, Bulgaria, Qatar, Cyprus, Colombia, Korea (South), Costa Rica, Croatia, Denmark, Dominica, Ecuador, Slovakia, Slovenia, Spain, Estonia, Finland, France, Grenada, Greece, Hungary, Indonesia, Iran, Ireland, Iceland, Italy, Jamaica, Japan, Latvia, Liechtenstein, Lithuania, Luxembourg, Malaysia, Maldives, Malta, Mexico, Monaco, Nicaragua, Norway, New Zealand, Oman, Netherlands, Palestine, Paraguay, Poland, Portugal, United Kingdom, Czech Republic, Romania, Russia, Saint Kitts and Nevis, Saint Marino, Saint Vincent and the Grenadines, Saint Lucia, Sri Lanka, South Africa, Sweden, Switzerland, Trinidad & Tobago, Turkey and Uruguay.

Venezuela processes tourist and business visas (TR-N). The tourist visa is usually for a single entry.

Venezuela's immigration rules allow the entry of people into the country to carry out certain business or commercial activities without the need for a work permit, since these people are not considered to enter the country to work. The TR-N will be granted to merchants, executives, representatives of companies or industries and micro-entrepreneurs, non-migrants, who wish to enter the country to carry out commercial, commercial, financial activities and/or transactions or other legal lucrative activity related to their businesses.

The visa will be granted with a validity of one (1) year, multiple entries and will allow you to stay in the country for a period of up to ninety (90) days. Once said term has expired, there will be no extension to remain in the country.

### **5.3 Long-Term Assignments**

The Ministry of People's Power for Internal Relations, Justice and Peace, with the prior consent of the Ministry of People's Power for the Social Work Process, will be responsible for the authorization of the Labor Transient visa (TR-L). The contractor or worker must make the request before the aforementioned Ministry of Labor.

The work transient visa will be granted with a validity of one (1) year, multiple entries, and will allow a stay for the same period.

### **5.4 General Immigration Related Questions**

The Family Transient Visa is granted to the spouse, unemancipated children under eighteen (18) years of age, parents and parents-in-law, after reliable verification of the family relationship, economic dependency and at the request of the holders of the visas Business transient, investor, businessman/industrial , student, re-entry, labor, rentier or religious. The validity and conditions of the Family Transient Visa will be the same as those of the applicants holding the indicated visas.

### **5.5 Other Important Items**

List any other important items to note, or common obstacles faced, in Venezuela when it comes to the immigration processes.

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