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# Doing Business Venezuela

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## Doing Business Venezuela:

In this Doing Business chapter, we want to present Venezuela as a country of opportunities, which we consider to be the Latin American market with the highest potential and, possibly, the one with the greatest growth in the coming years. Among its competitive advantages, we have its outstanding geographical position in the north of South America, its extensive infrastructure with maritime, air and land connections; as well as the wide availability of resources, which are available to be developed, with an awareness of environmental preservation and from a very humanistic point of view.

Venezuela has the largest certified oil reserves in the world, as well as one of the 8 largest certified natural gas reserves on the planet and the most important in Latin America. Likewise, the country is rich in gold, iron, bauxite, quartz, coltan and rare mineral resources.

It also has significant water wealth, representing one of the 10 countries with the largest reserves of freshwater in the world and where more than half of the territory is arable. In addition, it has a large hydroelectric and thermoelectric energy generation capacity, with the possibility of being expanded and complemented in the medium term.

The country also has an installed industrial park and a diversity of available assets. Furthermore, more than 80% of the population is urban, with transportation and service infrastructure throughout the national territory, as well as exuberant natural landscapes, of high tourist value and excellent human capital.

The facts stated above make the country a center of attention for global players eager for opportunities, with a market with attractive prices and the potential for extraordinary returns in the coming years.

At PwC, we have reached almost 90 years in Venezuela, accompanying the most relevant business decisions in national affairs. This positions us as the leading professional services firm in the country, whose experience and commitment to society is combined with the best human talent, innovation and technology, to develop sustainable solutions in an environment of great challenges and unique opportunities.



**Luis Manuel Freites**  
Country Senior Partner  
PwC Venezuela

Our purpose

To build trust in  
society and solve  
important  
problems.



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# Venezuela



<b>Capital City</b>	<b>Caracas</b>
<b>Area and Population</b>	916.445 sq KM; population 28.866.000
<b>Official Language</b> <b>Co-official language</b>	Spanish Indigenous languages
<b>Currency</b>	Bolívar (Bs., VES and VED)
<b>International dialling code</b>	+58
<b>Working hours</b>	8:00am - 5:00pm
<b>Banking hours</b>	8:30am - 3:30pm
<b>Time zone</b>	VST (UTC-4) n 3
<b>Date format</b>	dd/mm/yyyy

## Country Overview

### Stock Exchanges

BVC - Bolsa de Valores de Caracas  
 BPVB - Bolsa Pública de Valores Bicentenario  
 BDVE - Bolsa Descentralizada de Valores de Venezuela  
 BOLPRIAVEN - Bolsa de Productos e Insumos Agropecuarios de Venezuela, C.A.

### Economic Statistics (estimated by IMF)

GDP Total 2021 USD 59,513 million  
 Exports USD 15,727 million  
 Imports USD 11,727 million

### Venezuela Bolivarian Republic

23 states, Capital District and Federal Dependencies

### Political Structure

Bolivarian Republic, incorporated in a democratic, social State of law and justice

### Executive power

President of the Republic

### Legislative power

National Assembly

### Judiciary Power

Supreme Court of Justice

### Citizen Power

Republican Moral Council

### Electoral Power

National Electoral Council





## Market Opportunities

Venezuela's economy is focused on the exportation of raw materials—mainly oil, natural gas and its derivatives. Through the income generated by these activities over the years, high-quality infrastructure was built, connecting the main cities with a complex system of highways, ports and airports, and providing power through large hydroelectric plants. However, the domestic market suffered a profound economic contraction between 2015 and 2020, which has left vacancies in the market due to the departure of players from the automotive, pharmaceutical and mass consumption sectors, among others.

As the Venezuelan economy regains a path of economic growth, there is an opportunity to fill the gaps that were created by the departure of companies from the country and for accessing sectors that had long remained restricted to the public sector. The country maintains an infrastructure that supports the development of business activities, and with the recent economic reforms, there is an opportunity to capture early-mover advantage.

## Economic Growth Expectations

After a considerable contraction of the economy and the post-pandemic challenges, there are expectations of growth for Venezuela with rates above the average for Latin America and the Caribbean.

The lifting of some control schemes over the economy and the reorientation towards a more pragmatic vision of economic policies have fostered the reactivation of some productive sectors. Especially notable is the flexibilization of foreign exchange policy, which has led to a spontaneous dollarization of the economy. Furthermore, geopolitical factors have led to an increase in oil income, which has a cascading effect on the rest of the economy.

Although it is still necessary to carry out structural reforms, such as reactivating domestic credit to increase productive investments, there is a range of opportunities with long-term growth potential for businesses that adopt business models that limit exposure to the inherent risk of operating in the country.

A set of challenges still prevail for the daily operations in the national market, such as the need to maintain a multi-currency treasury and closely monitor the behavior of the inflation-devaluation pairing. However, companies that continue to operate in “survival mode” will fall behind those that have a clear long-term growth strategy.



The key aspects of the change in expectations are the de-facto economic openness, granted licenses over the US Sanctions, the encouragement of private investment, greater competition (together with the need for differentiation), the inflow of risk capital and growing strategic alliances for the development of mergers and acquisitions.

## Main Economic Indicators

For over a decade, the Venezuelan economy had maintained a control scheme financed by the Central Government's income from oil rents. Faced with decreasing oil revenues and multiple international sanctions imposed on the public administration, the government was forced to loosen up most controls on the economy and cede ground to the private sector.





## Gross Domestic Product (GDP)

Between 2014 and 2020, the gross domestic product (GDP) suffered the biggest contraction in the history of the country. However, global institutions such as the IMF expect that in the next few years it will return to a path of growth, albeit facing several challenges, both external and internal, including economic policy decisions.

The space for economic growth created by the loosening of controls enables a rebound effect to take place in the coming years, as the opportunities created by market vacancies are taken up.

In addition to the expectations of positive growth, some relevant licenses over the US Sanctions were approved that facilitate the reinsert Venezuela into the international oil and gas market. These licenses are for a limited time and can be extended periodically, which could generate an additional boost to the economic growth, through investments for the reactivation of said sector.

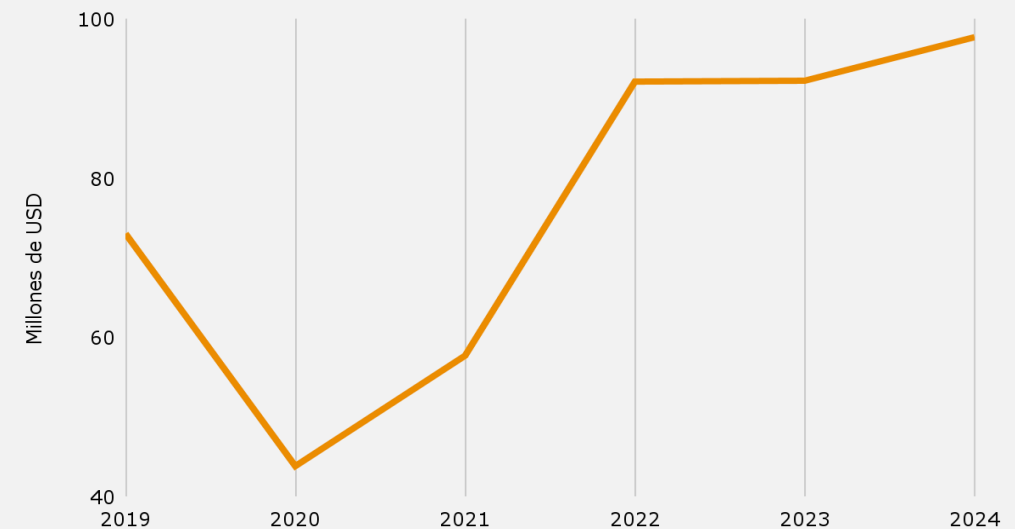
These licenses authorize transactions with PDVSA and its subsidiaries, including joint ventures in the oil and gas sector, covering activities of production, sale, and export of oil; payment of invoices for goods and services related to said sectors, new investments, among others. In addition, transactions with the Central Bank of Venezuela are allowed.

**Table 1: Economic Growth (%)**

	IMF	ECLAC / UN	UCAB
2021	1%	-3%	5.4%
2022	8%	12%	7.2%
2023	4%	5%	1.4%
2024	4.5%	2.7%	5.5%



**Chart 1: Economic Growth (MM USD)**



Source: IMF





## Exchange Rate and Inflation

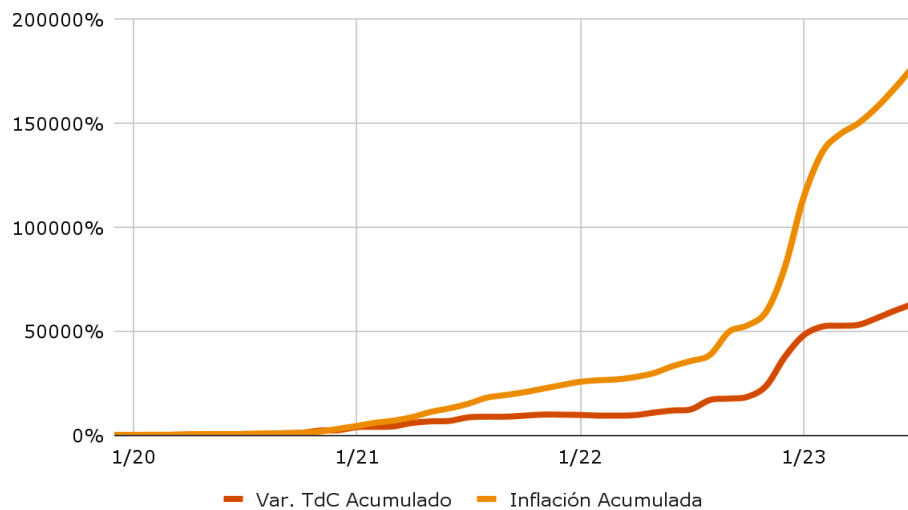
Venezuela has experienced long periods of inflation, reaching hyperinflation in 2018. Since that year, restrictive monetary policies have been applied together with a decrease in real public spending, allowing inflation to slow down. However, Venezuela's inflation continues to be one of the highest in the world. No major changes in monetary policy are foreseen in the short term, which are likely to be marked by restrictive monetary policy and slowing inflation.

Regarding the exchange market, it is governed by the Exchange Agreement No. 1 that establishes the free convertibility of the currency through authorized agents (banks and exchange houses) and that the exchange rate is determined by the balance between supply and demand for foreign exchange.

As of 2020, the increase in prices has been greater than the growth in the exchange rate, generating an appreciation of the real exchange rate (ergo, more dollars are needed to acquire the same amount of goods), which is why hard currency has lost purchasing power in the country.

It is important to constantly monitor these two variables behavior (inflation and exchange rate) and how they affect the treasury and cash flow of companies.

**Chart 2: Inflation and Exchange Rate Accumulated Variation 2020-2023**



Source: BCV





## Investment and Financing

In the current Venezuelan economic context, financing is a crucial factor to consider, and one of the biggest obstacles to overcome. However, there is a growing availability of financing sources, which, although limited, are a reflection of the growth and development of the country's economy.

Bank credit, the securities market and foreign investment are the three main paths to obtain financing in Venezuela. Access to financing is competitive, but organizations that have the necessary corporate governance, financial and operational requirements will have an advantage over other companies when it comes to obtaining external financial resources that allow the growth and development of the company.

Venezuelan banking for March 2023 reports a gross credit portfolio of USD 879 MM, which represents a 220% of growth in the last 12 months, according to the National Bank Superintendency (SUDEBAN), highlighting commercial and agricultural loans that represent 88% of the portfolio.

Access to bank credit requires a series of legal, financial, and operational prerequisites that are analyzed by the banks' credit committees, which will verify key factors such as: sector of the economy in which the company operates, legal and fiscal status, ability to pay the requested credit, and the structuring and modality of credit appropriate to the requesting company.

The securities market, through fixed income and variable income instruments, offers companies an alternative form of financing. To issue debt on these markets, companies must fulfill additional requirements and procedures, and may face higher interest rates. However, being an issuer on the Caracas Stock Exchange increases the credibility of the company, inspiring confidence in public and commercial banks, as well as potential investors.

With the appropriate advice, it is not hard to issue various financial instruments in the securities market, allowing companies to expand or obtain working capital. By November 2022, according to data from the National Bank Superintendency, a total amount of USD 66 MM is traded on the Caracas Stock Exchange. The main instruments traded are stocks and commercial papers (short-term debt).

Finally, Venezuela has attracted the attention of international investors, thanks to its great capacity for development and the business opportunities that arise as the country overcomes a major economic crisis. Investors from different sectors such as oil & gas, agriculture, alcohol, food, and automotive, have recently resumed or started operations in our country. Venezuela, for its part, has been gradually adapting its legislation with the purpose of promoting these investments, as is the case of the Law of Special Economic Zones, which provides, tax, customs and other incentives for various sectors, such as industrial, technological, agri-food production, and financial and non-financial services.

In summary, companies that operate in Venezuela must have a robust corporate, legal and financial governance that not only grants them advantages to obtain financing through banks or the securities market, but also makes them attractive to new investors and/or shareholders thus allowing the growth of these companies.





## Foreign Investment

According to the Constitutional Law of Foreign Productive Investment, the constituent value of the foreign investment must be represented in assets that are one hundred percent (100%) in the country. Internal financing resorted to by foreign investors, for the establishment of their investments, may not exceed 15% of the total amount of the investment.

To obtain the registration of a foreign investment, the contributions must be constituted at the official exchange rate in force, for a minimum amount of 800,000 euros or 6,500,000 renminbi or its equivalent in another foreign currency. A minimum permanence of two (2) years from the time the investment is made is required. The responsible authorities may establish alternative minimum amounts under certain limitations.

Foreign investors will have the right to remit abroad up to 100% of the proven profits or dividends derived from their investment, provided that such investment is duly registered and restated in freely convertible foreign currency, and that the purpose of the investment has already been fulfilled.

In the same way, foreign investors may remit to the country of origin, totally or partially, the monetary income obtained from the sale within the country of their shares or investment, as well as the amounts resulting from the reduction of capital, provided that the requirements established in the Law have been complied with.

The governing body -People's Power Ministry of Tourism and Foreign Trade- oversees centralizing the Foreign Investment Registry.

Technology transfer agreements must be approved by the governing body by means of a contract registered with the aforementioned body, following the established procedures, requirements and conditions.



Venezuela has signed Bilateral Conventions for the Incentive and Reciprocal Protection of Investment with several countries (\* means ratification pending):

Argentina	Cuba	Paraguay
Barbados	Czech Republic	Russia
Belarus	Denmark	Spain
Belgium-Luxembourg	Ecuador	Sweden
Brazil	France	Switzerland
Canada	Germany	United Kingdom
Chile	Iran	Uruguay
Colombia*	Lituania	Vietnam
Costa Rica	Palestine	

## Investment vehicles: Choice of entity

With regard to the corporate structure, investment and operation modalities that can be considered by national and foreign investors, mercantile legislation provides for forms of business organizations that can be evaluated for purposes of structuring, raising capital and expanding operations based on the particularities of the business or project.

There are various forms of business entities in Venezuela which are useful vehicles for foreign investments:

- Corporation (Compañía Anónima or Sociedad Anónima)
- Limited Liability Company (Sociedad de Responsabilidad Limitada or SRL)
- Partnership (Sociedad en nombre colectivo)
- Limited Partnership (Sociedad en comandita)
- Consortia
- Joint venture contracts (Contrato de cuentas en participación)
- Branches of foreign companies.





## Foreign Trade

The lifting of controls in the Venezuelan economy created an operating space that allowed accelerated growth, but a set of deeper reforms are needed to promote sustained growth. Otherwise a slowdown is expected, since the behavior of the Venezuelan economy will be tied to its long-term productive capacity together with the volatility of the oil sector.

Chart 3: Foreign Trade Venezuela

Source: IMF

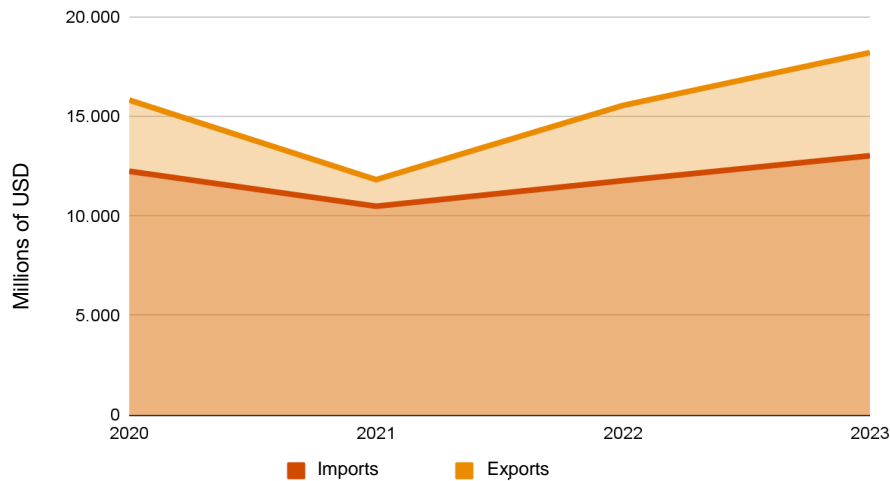
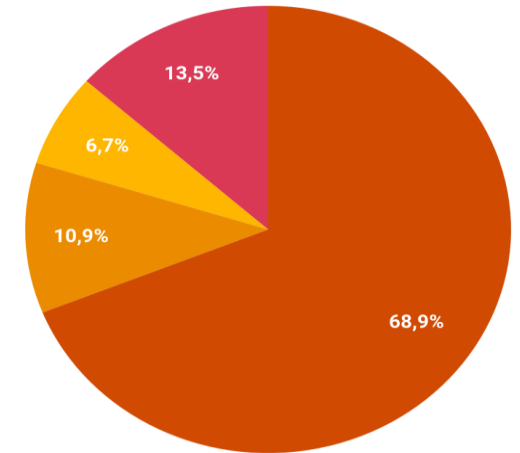


Chart 4: 2020 Annual Exports

- Oil & Minerals
- Animal Products and Foodstuff
- Chemical Products
- Misc.

Source: OEC



The productive sectors with export capacity are oil, mining, animal and food products and chemical products, which together capture 87% of total exports for the year 2020 with a value of USD 6.7 billion. It is expected that in 2023 exports will reach USD 18.4 billion. Venezuela's main export destinations are India, China and Malaysia (according to the OEC).

A fundamental determinant of foreign trade for Venezuela is the oil sector, since it makes up the vast majority of its exports and income. It is oil income that largely finances imports into the country. Although this is the most developed export, there are still opportunities in other sectors due to the advantages offered by the country's geographical position, climate and soil. Smaller markets, such as those for food and animal products, chemical products, and spirits, have nevertheless shown promising growth in the past few years.

Due to its geographical position, natural resources, infrastructure and human capital, in Venezuela there is a great diversity of sectors with potential for economic growth that have not been exploited due to the economic context to which they have been subjected to over the past few years. But with the change in landscape, the doors are open to the entry of financial and non-financial resources to generate value through sectors such as agribusiness, tourism, mining, power generation, among others, that were historically overshadowed by the oil sector.



## Corporate Taxation

In Venezuela there are three main territorial levels with taxing powers: Republic, States and Municipalities and the Capital District. Most of the taxing powers are granted to the National (Federal) government. States and Municipalities have been granted limited and specific powers.

Federal taxes are collected and controlled by the National Integrated Customs and Tax Administration Service (SENIAT). States and Municipalities collect and control taxes separately via the corresponding authorities.

Corporate contributions are collected by separately designated authorities.

- **Corporate Income tax**

Corporations resident in Venezuela are subject to corporate income tax (CIT) on their Venezuelan and foreign-source income, whereas corporations resident abroad with a permanent establishment (PE) in Venezuela are levied CIT only on their Venezuelan and foreign-source income attributable to said PE. Corporations are able to claim any similar taxes paid abroad on foreign source income as a tax credit. Non-resident corporations without a PE are subject to CIT only on Venezuela-source income.

- **Value Added Tax (VAT)**

Federal VAT, is a one-time tax payable by the ultimate consumer of all types of products and services. In general, VAT is payable on all sales, rental, and importation of goods, and rendering of services executed or used in the country, although a number of significant exceptions are provided by law. The rate may change every year, within the range of 8% to 16.5%. The current general rate is 16%. An additional 15% VAT applies to the sale and imports of luxury products.

## Applicable CIT rates

	Rate
General rate applicable to corporations	15%   22%   34%
Oil exploitation and certain related activities	50%
Exploration and exploitation of non associated gas or companies exclusively engaged in the refining of hydrocarbons or improvement of extra heavy oil	15%   22%   34%
Royalties from the exploitation of mines	60%
Loans and other credits granted by financial institutions incorporated abroad and not domiciled in the country	4,95%
Insurance and reinsurance not domiciled in the country	10%
Banking, financial, insurance or reinsurance activities domiciled in the country	40%
Proportional taxation on dividend distributions and deemed dividends on permanent establishments of foreign entities	General rate: 34% Hydrocarbon and associated activities: 50% Mining activities and royalties: 60%

- **High Net Wealth Tax**

The high net wealth tax applies to the net worth of taxpayers qualified as Special Taxpayers (ST) by the tax authorities. The tax shall be determined on an annual basis on the sum of the total assets' value less liabilities and excluding the value of burdens and encumbrances, as well as tax-exempt assets and rights. Individual and corporate ST are subject to tax when their worth is equal to or higher than million Tax Units (TU) (VES 1,350\* million, approx. USD 37.5 million\*\*). The current applicable rate is 0.25%. million Tax Units (TU) (VES 1,350\* million, approx. USD 37.5 million\*\*). The current applicable rate is 0.25%.

- **Custom Duties**

As a general rule, the importation of goods into Venezuela is subject to customs duties. These duties are generally levied on the cost, insurance, and freight (CIF) value of the product being imported, excluding VAT. Custom duty rates generally range from 5% to 35%. The duty rates vary depending on the product involved.

\* Based on the current TU value of VES 9

\*\*Estimated at the official exchange rate of December 29, 2023 (VES 35,9593 per USD).



- **Tax on Large Financial Transactions (TLFT)**

The TLFT is applicable, among other transactions to debits made in bank accounts or any other deposits held in financial entities, settlement of obligations out of the financial system and cross border payments. This tax applies mainly to Special taxpayers (ST) and their related parties. In addition, in some cases, ST must collect the tax from other payers as well. The applicable rates are 2% and 3%, depending on the type and currency of the transactions.

- **Gift tax**

The Inheritance and Donations Tax Law stipulates the taxes attributable to inheritances left by individuals and provides regulation about donations, which are significant to corporations. A progressive rate of up to 55% applies to the beneficiaries of gifts in the form of movable or real property, rights, or shares located in the country. Forms of presumed donations include debt forgiveness and transfer of goods when the price does not reflect the real value of the property being transferred.

- **Municipalities taxing powers**

Business license tax: Companies and business entities are subject to municipal tax on gross income from industrial or trade activities carried on in the municipality during the fiscal year. The rates range depending on the activity and the municipality.

Other municipal taxes include urban property tax, taxes on commercial advertisement, vehicles and legal gaming, among others.

- **States taxing powers**

States can create and collect stamp duties which vary in accordance with the type of transaction and the jurisdiction.

- **Coordination and harmonization of taxing powers of states and municipalities**

Regulations aimed at harmonizing taxing powers among states and municipalities and optimizing some tax and control processes have been issued in August 2023. States and Municipalities have been granted a period to adapt their current tax instruments according to the landmark regulations.

- **Registry and notaries tax**

This transactional tax has been enforced by a landmark Law which provides for the Petro (the Venezuela state cryptocurrency) as the reference value to set forth the maximum amounts of payments for some services, such as:

- i. authorization,
- ii. fees for the provision of services by the Autonomous Service of Registries and Notaries (SAREN) and the offices of Principal Registries and Public Registries, and
- iii. processing rights.

- **Corporate contributions**

	Rate and taxable basis
Science, Technology and Innovation Contribution  Applicable to entities companies that obtained, in the previous taxable month, over 150,000 times the foreign currency of highest value as published by the Venezuela Central Bank	Applicable to gross income General rate: 0.50% Hydrocarbon or mining activities: 1% Bingos and casinos, alcoholic drinks and tobacco: 2%
Anti-drugs contribution  Annual contribution applicable to entities employing 50 or more employees	Applicable to operating profit General rate: 1% Manufacture or import of alcohol beverages, tobacco, or their mixtures: 2%
Contribution provided in the Master Law on Sports, Physical Activity and Physical Education  Annual contribution applicable when the net or accounting profit exceeds 20,000 TU	Applicable to annual net or accounting profit general rate: 1%



• Payroll taxes	Employer's contribution	Employee's contribution
Social Security	From 9% to 11% of normal salary depending on risk qualification of the employer	4% of normal salary
Employment benefit Regime Contribution	2% of normal salary	0.5% of normal salary
Housing Policy contribution	2% of total or integral salary	1% of total or integral salary
Contribution to the National Institute for Socialist Training and Education (INCES)	2% of total salaries	0.5% of the annual profit sharing bonus

• Excise taxes	Activity and applicable tax
Alcohol and alcoholic beverages	<ul style="list-style-type: none"> <li>• Tax on the national production and importation of alcohol and alcoholic beverages on the basis of TU per litre and depending on the type of product</li> <li>• Additional excise tax per litre for national and imported beer and for other alcoholic beverages levied on the sale of those products to the public. Also provided on the basis of TU per litre and depending on the type of product</li> <li>• Excise tax imposed on the importation or local sale of national and imported alcoholic beverages to the public, which is levied on the sales price and provided on the basis of a percentage on the price of sale to the public depending on the type of product, as follows: 15% for beer, 35% for natural wines, and 50% for other beverages up to 50 grade on the Gay-Lussac scale.</li> </ul>
Cigarettes and manufacturing of tobacco	Applicable to the imports and national production of cigarettes and tobacco, fine cuts, and other tobacco derivatives to be consumed in Venezuela. 70% proportional tax is levied on the retail price of cigarettes, tobacco, and its derivatives.





- **Other taxes and contributions by activity**

Activity	Applicable tax
Regulations on telecommunications activities	<ul style="list-style-type: none"> <li>• Tax on telecommunication activities: i) 1% on gross income from sound and television broadcasting; ii) 2.3% on gross income from other telecommunications activities; iii) 0.5% on the amount billed or collected for supply of satellite capacity</li> <li>• Contribution to the National telecommunications Commission (CONATEL): i) 0.5% special contribution on gross income generated from telecommunications activities; ii) annual maximum contribution of 0.5% on gross revenues for user of the radio electrical spectrum. A maximum of 0.2% for users engaged in rendering sound and television broadcasting services</li> <li>• Contribution to the Universal Service Fund: 1% on gross revenues for telecommunications services providers, except sound and television broadcasters</li> <li>• Contribution to the Telecommunications Research and Development Fund (FIDETEL): 0.5% on gross revenues for telecommunication services providers, except sound and television broadcasters</li> <li>• Social responsibility in radio, television and electronic means: 4% of gross revenues for suppliers of sound and television broadcasting</li> </ul>
Regulations on oil activities Master Hydrocarbons Law	<ul style="list-style-type: none"> <li>• Royalties: 30% of the volume of hydrocarbons extracted</li> <li>• Surface tax: TU 100 for each square kilometre or portion of a square kilometre for every elapsed year of surface area granted that is not under development. This will increase annually by 2% during the first five years and 5% during the following years</li> <li>• Own consumption tax: 10% of the value of each cubic meter of hydrocarbon by-products produced and consumed as fuel in wholly-owned operations, based on the price of the end consumer</li> <li>• General consumption tax: Between 30% and 50% of the final consumer price for each litre of derivative product sold in the domestic market</li> <li>• Extraction tax: One third of the value of liquid hydrocarbons extracted</li> <li>• Export registry tax: 0.1% of the value of exported hydrocarbons</li> </ul>
Special contributions for oil companies (Windfall tax)	<ul style="list-style-type: none"> <li>• Contribution on extraordinary oil prices: 20% tax on the difference in price when the internationally quoted price per barrel exceeds the budgeted price per barrel (for purposes of the Venezuelan Annual Budget Law), provided that the quoted price per barrel is equivalent or lower than USD 80 per barrel (i.e. the maximum basis is the difference between USD 80 per barrel and the budgeted price for a given tax year)</li> <li>• Contribution on exorbitant oil prices             <ol style="list-style-type: none"> <li>i. 80% tax on income generated by quoted oil prices between USD 80 and USD 100 per barrel (i.e. 80% on the range from USD 80 to USD 100 quoted price per barrel)</li> <li>ii. 90% tax on the difference in the quoted oil prices between USD 100 and USD 110 per barrel.</li> <li>iii. 95% tax on the difference over the threshold of USD 110 per barrel.</li> </ol> </li> </ul>
Regulations on gas activities Gaseous hydrocarbons Law	<ul style="list-style-type: none"> <li>• Royalties: 20% of the volume of gaseous hydrocarbons extracted from any deposit and not re-injected.</li> </ul>



## International Tax Matters

Domestic income tax legislation provide for international provisions that must be considered for purposes of foreign investments and cross border transactions:

- Taxation of foreign persons carrying out transactions in the country through a permanent establishment (PE) on profits connected to such taxable presence
- Worldwide taxation for tax resident persons and application of foreign tax credit to mitigate double taxation
- International fiscal transparency applicable to income from investments on Low Taxed Jurisdictions
- Transfer pricing regime based on arm's length standards
- Thin capitalization rules that limit the deduction of interest from debt with related parties in excess of a 1:1 debt-to-equity ratio plus a subjective test

Venezuela is not a member of the OECD / G20 Inclusive Framework taking measures pursuant to the Benefits Erosion and Profits Shifting (BEPS) Plan and the OECD Pillars I and II initiatives, therefore, none of these actions has been implemented to date.

## Tax treaties

The benefits of the treaties to avoid double taxation entered into between Venezuela and other countries will only be applicable when the taxpayer shows, at any given time, that it is a resident of the country in question, and the provisions established in the respective treaty are complied with.

There are currently comprehensive treaties for the avoidance of double taxation with the following countries:

Austria	Denmark	Malaysia	Sweden
Barbados	France	Netherlands	Switzerland
Belarus	Germany	Norway	Trinidad and Tobago
Belgium	Indonesia	Portugal	Turkey
Brazil	Iran	Qatar	United Arab Emirates
Canada	Italy	Russia	United Kingdom
China	Korea	Saudi Arabia	United States of America
Czech Republic	Kuwait	Spain	Vietnam





## Labor Regulation

Venezuelan workers and employees are granted numerous benefits and protections, including maximum work weeks, minimum wage requirement, the right to unionize, and numerous fringe benefits. The provisions of this Law are public in nature, that is, they cannot be waived and their effect may not be lessened by means of individual agreements. Moreover, the scope of these provisions is territorial, i.e. they are applicable to both Venezuelans and foreigners with regard to the work executed in the country.

The Law establishes the conditions and minimum benefits to be conferred to employees. No labor agreement may offer benefits which lie below the minimum conditions set forth in the Law. Nonetheless, collective or individual labor contracts may establish more favorable conditions for employees.

The labor system in Venezuela is governed by the principle of the primacy of reality, which has been extensively developed by the National Constitution

The risks of non-compliance with labor regulations can seriously affect labor relations, finances and corporate reputation, so early legal advice is essential to: identify labor legal risks, timely compliance with employer, occupational health and safety obligations, implement policies that minimize the impact of potential risks on the company and its employees.

Foreign nationals who aim to develop commercial, profitable and business activities in Venezuela do require a business transient visa issued in a Venezuelan consulate office located overseas. This kind of visa does not allow the expatriate to work in Venezuela. Its expiration time is up to one year, with a stay time up to 180 calendar days with multiple entries and departures.





## Price & Profit Regulation

Commercial activity must comply with the profit margins rules established for the determination of prices of goods and services. All this within the regulatory framework established through the Law on Fair Prices and the Administrative Ruling 070/2015, which establishes three categories for pricing products: (i) Maximum Selling Price of the Manufacturer or Importer and (ii) Maximum Retail Price; (iii) Fair Price, determined and set by the National Superintendence for the Defense of Socioeconomic Rights

## Radio and Telecommunication Regulation

The National government is responsible for the entire telecommunications and radioelectric spectrum regime. An administrative authorization, concession or license is required to provide services through exploitation of telecommunications networks.

## Oil & Gas Regulation

The oil and gas fields in the country are state owned. The National Public Power (not the State or Municipal Public Power) is responsible for the production, value added and administration of oil and gas fields. All activities related to the commercialization of fossil fuels is regulated by the Hydrocarbons Law.

The operation, management, refining, industrialization and, in general, the commercialization of fossil fuels is regulated in the Hydrocarbons Law, which defines "primary activities" as those related to the exploration in search of fossil fuel deposits, the extraction of such deposits in their natural state, their collection, transportation and initial storage.

Companies engaged in primary oil activities are "empresas operadoras" (operating companies), which require authorization from the State to carry out their activities, restricted to the State. The execution of said activities may be carried out either directly by the National Executive or through companies of its exclusive property. It may also do so through companies where the State has control of its decisions by maintaining a participation of more than 50% of the capital stock through the so called "empresas mixtas" (joint venture corporations), whereas the private equity share has to be lower than the State's.

The incorporation of such joint venture corporations and the conditions governing the performance of primary activities will require the prior approval of the National Assembly.

The activities related to the distillation, purification and transformation of natural fossil fuels carried out for the purpose of adding value to such substances and the commercialization of the products obtained, comprise refining and commercialization activities and may be carried out by the State and private parties, jointly or separately.

For gas related activities, the performance of exploration and exploitation activities requires obtaining a license. Such license confers the right to carry out exploration and exploitation activities as well as the activities inherent to the project to which such hydrocarbons are destined, without prejudice to the registration of the project. Activities are not reserved to the State neither a minimum ownership or control on ventures with private companies is required.





## Corporate Governance

Business activities will face periodic control and supervision, and some sectors must have an authorization from a public institution to start operating. There are different government bodies enacted to prevent and avoid fraudulent practices, money laundering, misuse of chemical and hazardous materials, proper handling of food and environment care, among other subjects.

The due diligence within the life of a business is crucial and it goes from the required standards to open business, the filing of the board updates, the tax ID information updates, to the annual report to be submitted before the Mercantile registry where the company is incorporated.

The timely application of corporate governance rules can prevent risks, sanctions and debarment by government agencies. These rules were developed mainly in administrative rulings and regulations (Special Laws). Some control and supervisory entities such as the one in charge of the banking and financial system (SUDEBAN), insurance and reinsurance (SUDEASEG), and securities market (SUNAVAL) sectors, among others, have unified their own rules for each of the regulated subjects.

The main sectors that have developed and applied corporate governance practices are banking, finance, insurance, reinsurance and the securities market to avoid the risks of corruption, money laundering, among others, through current legislation.



## Sustainability

The adoption of sustainable practices with focus on environmental, social and good corporate governance standards pursues the generation of increasingly sustainable and reliable companies. Issues such as the effects of climate change, the proclamation of equality and social inclusion, and ethical and corruption-free business activities must be taken into account to guide organizations towards a future based on transparency and sustainability.

The incorporation of sustainability criteria into the corporate culture, through a strategy adapted to its reality, results in the generation of financial and reputational benefits.

An organization that rethinks the way in which it meets its value proposition may come to identify new opportunities to reduce its operating costs and increase its international competitiveness. Companies can achieve this by improving water management, innovating in the use of waste and opting for the use of clean energy.

Simultaneously, sustainability initiatives allow companies to reduce or eliminate legal and reputational risks. If a tax on carbon emissions is approved, those organizations that have reduced their carbon footprint preemptively would have a competitive advantage over competitors that act reactively and those that proactively identify and eliminate human rights violations in their supply chain do not have why fear a scandal.

Combating environmental and social impacts attracts the best talent, and increases the sense of belonging and the productivity of workers. On the commercial side, consumers increasingly reject companies that do not share their values and are loyal to brands that operate responsibly.

When setting up a company in Venezuela, it is essential to develop good corporate governance, since it protects the rights of shareholders, supervises compliance with local and international regulations, and allows easier access to financing.

Good corporate governance is a differentiating factor in the competitive bank credit market, and a requirement in the stock market, which is one of the main sources of financing in Venezuela.

For an investor, it is also important to assess the sustainable performance of their potential investments. In this way, you can ensure that the company is not involved in practices that create unexpected reputational, legal or operational risks. Good corporate governance is essential to ensure that you can effectively exercise your rights as a shareholder.



# PwC Venezuela | Our Services





## Contact Us

Our multidisciplinary team has extensive experience of helping companies to understand their best alternatives and priorities to consider the Venezuelan market



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