

TAXES IN VENEZUELA

1.0 CONTRIBUTIONS

According to the Political Constitution of the Republic Bolivarian of Venezuela, each person has the duty to contribute to the public expenses through the payment of taxes, rates and special contributions that establish the law, existing thus district, states and national tributes.

1.1. Local contributions.

The national contributions are the following:

1.1 TAXES:

1.1.1 Income taxes

1.1.2 Valued added tax

1.2. CONTRIBUTIONS OF IMPROVEMENTS:

1.2.1 Social Security contributions

1.2.2. Business training contribution

1.2.3. Housing and habitat contribution

In the appendix 6, 7 and 8 are indicated the subject, objet, base, rate or fare and taxes payment period of social security, business training and housing contributions.

1.2. Contributions on states and districts

Are integrated mainly by the gross income tax; the public entertainment tax; the tax on lotteries, raffles, drawings and contests; the tax on notice, advertising and publicity, tax to the right front, the fiscal stamps and rates on harbor air

2.0 INCOME TAX OF THE NATURAL PERSONS AND OF THE PERMANENT ESTABLISHMENTS IN VENEZUELA OF LEGAL PERSONS RESIDENTS ABROAD.

2.1. Force Subjects

2.1.1. Legal persons.

Legal persons that are obliged to pay income taxes are the following:

2.1.1.1. Trading companies under category of: company in collective name, company on partnership, company with limited responsibility, corporations, corporations with variable capital, company with partnership by shares.

2.1.1.2. Decentralized agencies that carry out preferably business activities.

2.1.1.3. Credit institutions

2.1.1.4. Companies and civil associations; these types of organizations that have profits and the tribute is transfer to each associate.

2.1.2. Permanent establishments in Venezuela of legal person's residents abroad.

2.2. Residence

Residents are considered the legal people that have established in Venezuela the main administration of their business or their headquarters of permanent address.

2.3. Settling of the taxable base or loss

The tax is calculated on the profit that is obtained to reduce from the accumulative incomes, the legal deductions. In case of loss, this must be applied against profits that be generated in the three following exercises.

The residents legal persons in the country should accumulate the complete incomes in cash, goods, services, credits, profit by inflation and any another patrimonial increase. The revenues are accumulated when the good or services are invoiced, the goods are delivered, the services are provided or advance payments received.

Deductions allowed by law are as follows:

- a) Returns, discounts and bonuses on sales
- b) Cost of sales
- c) Expenses
- d) Depreciation and amortization on investments in fixed assets, deferred charges and deferred expenses
- e) Allowance for doubtful, can be deducted
- f) Losses due to unforeseeable circumstances or force majeure.
- g) Loss on disposal of fixed assets, land, and shares
- h) Loss of inflation

2.4. Rate or fare

The tax rate that applies to the revenues is contained on the tariff number two (2) from the Income Tax Law, the same sets rates, from 15%, 22% and 34%, according to net income tax.

2.5. Statements, payments and tax requirements

2.5.1. Statements (tax return)

The income tax is caused by treasury or fiscal year; by itself, must be made partial payment, as the estimated income tax return, calculated on the basis of incomes in the previous year.

The tax years include January 1th to December 31th, for natural persons, and a period of 12 months, to legal persons, depending on the closing date indicated in their legal company document, which may be the calendar year.

2.5.2. Payments

The tax must be paid within three months following the end of the treasury year, and the estimated return, within six months, or after the third month established, by the deadline of final payment.

2.5.3. Treasury requirement

The Treasury Offices take charge of attending the procedures from the taxpayers, as well as of following the compliance of their treasury obligations and performing the refunds that request on the balance that decide in favor of them.

2.6. Dividends on the capital gains

The tax on dividends or capital gains to the shareholders or associates is in charge of the company; it is calculated, comparing the net income of the payer, that exceed of the net taxable income, with a rate of 34%

2.7. Profit for sale of fixed assets

Gains on the disposal of fixed assets or shares are settling by subtracting the price of sale, the remainder of depreciated or the cost, both updated for inflation. The profit thus determined is the cumulative income that should be considered for the purposes of the income tax. Also allowed an accredited expert, to fix the price according to the market.

2.8. Legal incentive

The law of the income tax provides tax incentives for research and development of technology, tourism, agricultural and livestock activities.

3.0. PERMANENT ESTABLISHMENTS AND LOCAL NATURAL PERSONS INCOME TAX OF NATURAL PERSONS RESIDENT ABROAD.

3.1. Compulsory subject

Obligors are:

- (a) Resident natural persons in Venezuela, in respect of all income that is the location of the source of wealth where they originate from.

(b) Resident persons abroad who have a permanent establishment in Venezuela, with respect to the income attributable such establishment.

3.2. Residence

The taxable person that performs operations on Venezuela, through permanent establishment, when it owned in the territory any premises or place, when their time is more than six months, make professional, artistic or possess other workplaces, where do everything to part of its activity, treatment of permanent establishment have the fixed bases in the country of natural persons resident abroad which provide independent professional services.

3.3 Settling of taxable base or loss.

The taxable base is determined considering the cumulative income and authorized deductions laid down by the law, for each of the following activities:

- (a) Wages and salaries
- (b) Business and professional activities
- (c) Disposal of assets
- (d) Obtaining prizes
- (e) Dividends or capital gains
- (f) Others

In addition, to deductions that correspond to each activity can be completed the following deduction of personal duties:

- (a) Medical and dental fees, as well as hospital expenses.
- (b) Hospitalization, life, surgery and maternity
- (c) Payments to educational institutes, living in the country
- (d) Interest on mortgages, or housing rental, up to 5000 UT
- (e) In the case of unused the previous deductions (desgravámenes) may be a single repayment of 774 UT
- (f) 10 UT by the non-separated spouse of goods, when the spouse declared separately, only one of them may request the discount concept of family burden.
- (g) 10 UT for each ascendant or direct descendant.

3.4 Rate or fee.

Rate that applies to the taxable base is between 0% and 34% depending on the level of income of the natural person.

3.5 Statements, payments and tax formalities.

3.5.1 Statements

Appendix 2: point to cases where payment declarations must be submitted.

3.5.2 Payment

The dates on which payments must be described in Appendix 2.

3.5.3 Treasury procedures

Applies as set forth in section 2.5.3.

3.6. Capital gains.

This concept applies only to dividends receiving from natural persons in accordance with section 2.6.

3.7 Gains or losses on the sale of fixed assets and shares.

Applies exclusively to business activities and disposal of assets of natural persons, pursuant to section 2.7.

3.8. Treasure incentive

Applies as set forth in section 2.8.

4.1 Legal subject.

Residents abroad are obliged to pay income tax in Venezuela by revenue obtained from source generated in the country. Residents that payments made them have the obligation to retain them with the corresponding tax.

4.2. Taxable Revenues.

The types of income, the concepts that are considered "source of wealth in Venezuela", and withholding rates to be applied are shown in Appendix 3. Withholding rates may be lower than those laid down in the law, if there is agreement between Venezuela and the country where the natural person resides or moral resident abroad.

4.3 Tax agreements.

The Bolivarian Republic of Venezuela, currently maintains the following agreements, with the purpose of avoid double taxation in the field of income tax, preventing tax evasion and on heritage, with the following Nations: Brazil, Belarus, Barbados, Viet Nam, Germany, Austria, Belgium, Canada, China, Korea, Cuba, Denmark, Spain, United States of North America, France, Indonesia, Iran, Italy, Kuwait, Malaysia, United Kingdom of Britain and countries of the North, Czech Republic, Russia, Sweden, Switzerland, Trinidad and Tobago, Qatar, Portugal, Norway, Netherlands.

5.0 VALUE ADDED TAX

5.1 Legal subject.

Natural and legal persons that, in local country, sell goods provide independent services, grant the use or temporary enjoyment of goods, or imported goods or services are required to pay the tax.

5.2 Purpose of the tax or credit balance

Tax is calculated by subtracting the transferred tax, when occurs the taxable or creditable tax, where the tax liability, and may reduce the tax withheld on own taxpayer and balances for previous periods.

To creditable tax is greater than the transferred tax, the difference is considered balance in favour, subject to accreditation, compensation or refund; qualified subjects as special contributors, or Government entities, are obliged to retain a 75% or 100% of the VAT on their suppliers of goods or services, learning biweekly, such deduction is also usable by the provider.

5.3 Rates and exemptions.

Rates settling at December 31th, 2008, is (12%).

Appendix 5, discusses the application of these rates, as well as tax exemptions.

5.4 Statements and payments.

5.4.1 Statements.

The tax causes each month.

5.4.2 Payment.

Monthly payments must be later than the 15th day of the following month.

5.4.3 Fiscal procedures.

Applies as set forth in section 2.5.3.

6.0 SOCIAL SECURITY

6.1 Agent responsible to provide these services

Venezuelan Social Security Institute (IVSS) is the institution responsible for the granting of the benefits of social security to insured workers.

6.2 Branches of assurance.

Branches of assurance are the following: illness and maternity; invalidity and life; worker's compensation; retirement.

6.3 Contributions employers, worker quotas.

Depending on the risk of the business are between 10% and 11% of the payroll, and 4% of the salary of the worker.

7.0 FUND GOVERNING HOUSING AND HABITAT.

7.1. Responsible institution.

The National Bank of housing and habitats (BANAVIH) is the institution responsible for granting the benefits to workers, housing.

7.2 The BANAVIH resources.

Employers are required to make contributions equivalent to two percent of the wages of their workers and one percent.

7.3 Performance.

Employer's contributions are handling to the granting of credits workers for the acquisition, construction or remodeling their homes.

8.0 NATIONAL INSTITUTE SOCIALIST ENTERPRISE TRAINING

8.1 Responsible for Institute.

National Institute Socialist Enterprise Training (INCES), is the institution responsible for the training for work.

8.2 The INCES resources.

Employers or companies are required to provide quarterly (2%) of the wages paid, when you have more than five workers, the employees brings the 0, 5% of the profits received in the exercise.

9. 0 DRUGS LAW

Provides a special contribution of (1%) of annual net revenue for those companies that have more than 50 employees, which will be allocated to prevention programs against the traffic and consumption of drugs that benefit workers and their families.

10.0 TAX SCIENCE TECHNOLOGY AND INNOVATION

Sets a contribution of (0.5%) of gross revenue for companies exceeding 100,000 tax units (UT), for the year 2011, the tax unit is estimated to (76) bolivars per unit.

11.0 FORECASTING AND ENVIRONMENT IN THE WORK LAW

Sets a quote only by the employer, which is scheduled between (0.75%) and (10%) of the wage of each worker. That percentage shall be determined according to the type and degree of risk in that the company is qualified.

12.0 SPORT AND RECREATIONS LAW

The contribution shall be (1%) of annual accounting profit or net income taxable persons will be all companies and other public and private organizations that carry out economic activities in the country, for profit, to obtain equivalent to more than 20,000 units tax annual accounting profit or net income.