

Venezuela: National Assembly issues organic law for the coordination and harmonization of the tax powers of States and Municipalities

In brief

On 10 August 2023, the Venezuelan National Assembly issued the Organic Law for the Coordination and Harmonization of the Tax Powers of States and Municipalities ("**Law**")¹. The Law will enter into force on 8 November 2023, 90 continuous days after its publication in the Official Gazette. The Law sets forth that from its entry into force, the provisions of state laws and municipal ordinances establishing different tax rates from those allowed by the Law will be repealed. Likewise, states and municipalities will have an additional period of 90 continuous days, counted as of the entry into force of the Law, to adapt to the Law their legal-tax instruments in force. The Law confirms that the Organic Tax Code (OTC)² will be of subsidiary application to the taxes connected to states and municipalities.

In detail

The Law establishes obligations and limitations, as well as certain specific parameters, in order to harmonize state and municipal taxation powers. Such harmonization seeks the optimization and efficiency of the tax processes and the evenness of the information provided by official means. The Law also prohibits state and municipal authorities from requiring documentation different from those expressly contemplated in the regulations in force regarding the assessment, filing and payment of state and municipal taxes.

To that extent, the Law provides certain basic rules in order to coordinate the tax system, such as the following:

- State and municipal taxes should not be confiscatory or allow double taxation
- The payment currency for all state and municipal taxes, as well as their accessories and penalties, must be the legal tender (i.e., VEB). However, the Law sets as the "dynamic" currency of account for the calculation of those same concepts the currency of the highest value according to the Venezuelan Central Bank
- Use of the tax information registry (RIF by its acronym in Spanish) will be mandatory and would be the only valid means of identification in order to prevent error connected to misrecognitions
- Technological means must be implemented for filing and paying taxes
- The calculation of the Urban and Peri-Urban Real Estate Tax, using the cadastral appraisals will be carried out through a Simplified Valuation Method. For this purpose, a "Table of Values" must be published by the relevant Ministry
- The OTC will govern the sanctions regime associated with tax offences under the Law

1. Municipal taxation

The Law has included certain limits and parameters to municipal taxes, as follows:

- **Municipal business tax**

¹ Organic Law for the Coordination and Harmonization of the Tax Powers of the States and Municipalities, published in Official Gazette No. 6.755 on 10 August 2023.

² Organic Tax Code, published in Official Gazette No. 6.507 Ext on 20 January 2020.



The Law sets forth that tax rates will not exceed 3% of the "obtained" gross income. It is worth noting that under Article 210 of the Organic Law of the Municipal Public Power, the tax base of the municipal business tax is effectively collected (rather than "obtained") gross income. The Law is not clear on the meaning of "obtained" as opposed to "effectively collected," and most importantly on whether this adjustment intends to modify the tax base of the municipal business tax. Exceptionally, the rate may reach up to 6.5% when the economic activity is related to the following:

- Oil industry services and construction
- Advertising services
- Retail and/or wholesale of alcoholic beverages
- The sale of food, beverages and entertainment
- Commercial banks, financial institutions, insurance companies, insurance administrators and similar activities
- The sale of jewelry, watches and precious stones
- The fabrication of liquors, tobacco, cigarettes and derivatives

The minimum annual taxable amount for this tax may not exceed 240 times the exchange rate of the highest value currency published by the Central Bank of Venezuela (CBV). The licenses issued will be valid for a minimum of three calendar years from the date of issuance.

Municipalities may include tax reductions or general tax exemptions of at least 30% upon the execution of certain activities, i.e., in the case of tax reductions when taxpayers: (i) carry out regular projects that improve public areas of the municipality, and (ii) promote social development of communities through socio-productive organizations; in the case of exemptions, when taxpayers carry out overall waste management procedures (including solid waste) and recycling.

Likewise, the Law confirms the constitutional prohibition (set forth in Article 183, paragraph 3) directed to states and municipalities to tax goods from other states or municipalities differently (when compared to taxation of local goods) (i.e., principle of equality and non-discrimination). In this same line, the Law reaffirms the constitutional prohibition set forth in Article 183, paragraphs 1 and 2, directed to states and municipalities, to prevent (or hinder) the free circulation of goods within the national territory through the creation of: (i) taxes, (ii) requirements, (iii) conditions, or (iv) state or municipal permits.

- Vehicle tax

The owner of a vehicle shall be taxed exclusively in the jurisdiction where their domicile, residence or permanent establishment is, and the tax will be assessed annually. The Law establishes the following maximum rates depending on the type of vehicle:

Type of vehicle	Annual percentage rate limit
Motorcycles	Up to 10 times the official exchange rate of the highest value currency published by the CBV
Private Use	Up to 30 times the official exchange rate of the highest value currency published by the CBV
Passenger Transportation	Up to 40 times the official exchange rate of the highest value currency published by the CBV
School Transportation	Up to 30 times the official exchange rate of the highest value currency published by the CBV
Light Cargo Transportation	Up to 40 times the official exchange rate of the highest value currency published by the CBV



Heavy Cargo Transportation	Up to 120 times the official exchange rate of the highest value currency published by the CBV
Other types of vehicles	Up to 20 times the official exchange rate of the highest value currency published by the CBV.

- [Tax on credit instruments and payment methods](#)

The tax for granting credit instruments by banks and other financial institutions and the tax on the issuance of payment orders, checks, transfers and any other means of payment made by entities of the public sector in favor of contractors in consideration for the execution of civil works, rendering of services or acquisition of goods and services, may not exceed of one bolivar for every one thousand bolivars. The tax is payable at the time of issuance of the payment order, regardless of when the acquisition of the goods and services or the execution of the civil works takes place.

- [Non-metallic minerals exploitation tax](#)

The rate for this tax will be between 1% and a maximum of 20%, over the cubic meter value of the extracted material.

2. Other key aspects of the Law

- **Incentives for entrepreneurship**

In addition to the harmonization and coordination intended by the Law, the Law encourages the development of new enterprises. In this sense, the Law establishes that the sum of all municipal taxes applicable to businesses that qualify as "entrepreneurships" may not exceed 1% of their annual "obtained" gross income. They will also be subject to a simplified tax regime, which will consist of a single tax rate to be set according to their economic activity and annual sales volume; this will be the only municipal tax levied on their activity.

- **Administrative fees harmonization**

The Law sets limits and parameters to the administrative fees that may be charged for procedures carried out before the municipalities, as follows:

Rates	Rate limits
Integrated Waste and Solid Waste Management Fee	Up to the amount established in accordance with the special law regulating the matter
General Inspection Fee	Up to 0.10 times the official exchange rate of the highest value currency published by the CBV per square meter of extension or area of the establishment
Inspection Tax for the Sale of Cigarettes and Alcoholic Beverages	Up to 0.20 times the official exchange rate of the highest value currency published by the CBV per square meter of extension or area of the establishment
Fee for Obtaining Copies and Certificates	Up to 1 time the official exchange rate of the highest value currency published by the CBV for the first sheet of the document and up to 0.4 times the official exchange rate of the highest value currency published by the CBV for each additional sheet



Fee for Processing Licenses, Permits, Authorizations, Conformities and Certificates of Good Standing	Up to 15 times the official exchange rate of the highest value currency published by the CBV
Tax for Maintenance of the License or Authorization for the Exercise of Economic, Industrial, Commercial, Services, and Similar Activities	Up to 15 times the official exchange rate of the highest value currency published by the CBV
Tax on Use of Public Property	Up to 0.10 times the official exchange rate of the highest value currency published by the CBV per square meter of extension or area or per day of use
Road Maintenance Fee	Up to the amount established in accordance with the special law regulating the matter
Service Authorization Fee	Up to 100 times the official exchange rate of the highest value currency published by the CBV
Non-Emerging Services Fee	Up to 150 times the official exchange rate of the highest value currency published by the CBV, without prejudice to the provisions on inspections

Additionally, the amount required for stamp tax, stamps and stamped paper for each procedure or application must also respect the following limits:

For individuals	Up to 10 times the official exchange rate of the highest value currency published by the CBV
For entities	Up to 500 times the official exchange rate of the highest value currency published by the CBV

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