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1. On the improved value of each parcel of land for residential purposes:
 - (a) up to \$200,000 - 0.20%
 - (b) exceeding \$200,000 but not exceeding \$500,000 - 0.70%
 - (c) exceeding \$500,000 - 1.20%
2. On the improved value of every parcel of land on which there is a building other than a residence - 0.70%
3. On the site value of each parcel of unimproved land - 0.80%

VENEZUELA

INCOME TAX PROVISIONS APPLICABLE FROM JANUARY 1, 2001

The following provisions of the Income Tax Law of September 12, 1999 will come into force on January 1, 2001:

TITLE I. GENERAL PROVISIONS (INCOME TAX LAW)

Chapter I. The Tax and its Object (Income Tax Law)

Article 1. (Income Tax Law)

Annual net available income (enrichments) obtained in cash or in kind, shall be taxed in accordance with the rules established in this law.

Unless there exists a provision contrary to this law, every natural or legal person, resident or domiciled in Venezuela, shall pay taxes on their income from any origin, whether the cause or the source of receipts is situated within the country or outside of it. Natural or legal persons not resident or not domiciled in Venezuela shall be subject to the tax established in this Law provided that the source or the cause of their income is or occurs within the country, even when they have no permanent establishment or fixed base in Venezuela.

Natural or legal persons domiciled or resident abroad who have a permanent establishment or fixed base in the country shall be taxed exclusively on the receipts of national or foreign source attributable to said permanent establishment or fixed base.

Article 2. (Income Tax Law)

Every natural or legal person, resident or domiciled in Venezuela, as well as natural or legal persons domiciled or resident abroad who have a permanent establishment or fixed base in the country, may credit the income tax that they have paid abroad, for income from extraterritorial sources for which they are obligated to pay the tax in the terms of this Law, against the tax that they must pay in accordance with this Law.

For the purposes of the credit provided in this article, income tax on all of the income or items of income shall be considered, including taxes on gains derived from the disposal of personal or real property and taxes on wages and salaries, as well as taxes on capital gains. In case of doubt, the Tax Administration must determine the nature of the tax creditable.

The amount of the creditable tax, deriving from foreign sources to which this article refers, may not exceed the amount resulting from applying the rates established in Title III of this Law to the total net worldwide income of the fiscal year in question, in the proportion that the net income from foreign sources represents to the total of said net worldwide income.

In the case of income taxed proportionally in the terms established in this Law, the amount of the creditable tax may not exceed the income tax that would be paid in Venezuela on that income.

For the purposes of the determination of the amount of tax effectively paid abroad creditable in the terms established in this article, the rate of exchange, calculated pursuant to that which the Law of the Central Bank of Venezuela provides, in force at the moment in which the payment of the tax was made abroad must be applied.

Article 4. (Income Tax Law)

Net income is defined as increases in net wealth resulting from subtracting costs and deductions permitted in this Law from gross receipts, without prejudice to the inflation adjustment provided in this Law, in respect to the net income from territorial sources.

For the purposes of the determination of the net income from foreign sources, the rules of this Law determining the receipts, costs and deductions from income from territorial sources shall be applied.

Article 5. (Income Tax Law)

Income deriving from the assignment of the use or possession of personal or real property, including that derived from royalties and other similar participations and dividends, that produced through dependent employment or by the free exercise of non-mercantile professions, the disposal of real property and fortuitous gains, shall be considered available at the moment in which it is paid. Income that is not included in the preceding list shall be considered available from the realization of the transactions that produce it, save in assignments of credit and discount transactions, whose product is recoverable over several years, cases in which the benefit that corresponds proportionally is considered available to the transferor.

In all the cases to which this article refers, installment payments shall be considered as payments, unless there exists proof to the contrary.

Sole Paragraph: Income deriving from credits granted by banks, insurance enterprises or other

Third Paragraph: The cost of urban land shall be equal to the sum of the cost of the real estate acquired for that purpose, plus the total costs of urbanization. In order to determine the cost of lots sold during the fiscal year, the cost thus determined shall be divided by the number of square meters corresponding to the total surface area of the lots to be sold and the quotient shall be multiplied by the number of meters sold. Adjustments due to variations in the costs of urbanization shall be applied totally to future fiscal periods, as from the fiscal period in which said adjustments are determined.

Fourth Paragraph: When shares of stock are sold which have been acquired from dividends on stocks, issued by the paying enterprises themselves and deriving from net collected profits, as well as from profits deriving from the revaluation of assets, no cost shall be attributed to such shares of stock.

Fifth Paragraph: In the cases of construction of works that have been carried out in a period of more than one year, the cost applicable shall be that corresponding to the portion of the work constructed by the contractor in each fiscal year.

If the duration of the construction of the work is less than one year, but shall be executed in a period including two fiscal years, the costs, as well as the earnings, may be declared in totality in the fiscal year in which the construction was completed.

Sixth Paragraph: The gross income of insurance enterprises shall be determined by subtracting the following from the gross earnings:

- a) The amount of indemnities paid;
- b) The amounts paid for matured policies, life annuities and redemptions;
- c) The amount of premiums returned in accordance with the contracts, without including the dividends assigned to the insured parties;
- d) The amount of the premiums paid to reinsurers;
- e) The amount of expenses of disasters.

Seventh Paragraph: The common costs and deductions applicable to earnings whose source is territorial or extraterritorial shall be distributed proportionally over the respective earnings.

Chapter III. Deductions and Net Income (Income Tax Law)

Article 27. (Income Tax Law)

(Editor's note: Though it is only the Sixteenth Paragraph of this article that is to become effective on January 1, 2001, we present the entire article herein for clarification)

In order to obtain the worldwide net income the following deductions shall be taken from gross income, which, unless there exists a provision to the contrary, must correspond to expenditures made which are not imputable to the normal and necessary costs, made in the country with the purpose of producing the income:

1. Wages, salaries, emoluments, allowances, pensions, perquisites, commissions and other similar remunerations for services rendered to the taxpayer, as well as the expenditures for non-mercantile professional services received in the fiscal year;
2. Interest from capital received on loan and invested in the production of the income;
3. Taxes paid by reason of economic activities or on income-producing assets, with exception of the taxes authorized by this Law. In the cases of consumption taxes and when pursuant to the respective laws, the taxpayer can neither transfer the tax nor be reimbursed therefor, such tax shall be imputable by the taxpayer as an item of the cost of the good or service;
4. The indemnities corresponding to workers on occasion of their labor, determined pursuant to the Law or to labor contracts;
5. A reasonable amount for depreciation of permanent assets and the amortization of the cost of other items invested in the production of the income, provided that said assets are situated in the country and such deduction has not been imputed on the cost. For the calculation of the depreciation, assets having the same probable duration may be grouped together. The Regulation may fix the bases for determining the applicable rates of depreciation or amortization by means of tables.
6. Losses sustained on assets intended for the production of the income which have not been compensated by insurance or other indemnities, when said losses are not imputable on the cost;
7. Moving expenses of new employees, including the spouse and minor children, from the last port of embarkation to Venezuela, and those of return, except when they are transferred to a parent enterprise, affiliated or connected enterprise;
8. Losses for uncollectible debts when they meet the following conditions:
 - a) That the debts derive from transactions proper to the business;
 - c) That their amount has been taken into account for computing the gross declared income, save in the cases of losses of capital given on loan by credit institutions or losses deriving from loans granted by enterprises to their workers,

d) That they have been written off in the taxable year due to the insolvency of the debtor and of his guarantors or because their amount does not justify the expenses of collection;

9. Reserves that the Law imposes upon insurance and capitalization enterprises;

10. The cost of constructions that taxpayers must pay in respect to the Organic Labor Law or health provisions;

11. Administration and maintenance expenses actually paid on real estate given on lease, provided that the taxpayer supplies the data required in his declaration of income for purposes of tax audit;

12. The rates or installments corresponding to the lease of assets intended for the production of the income;

13. Transportation expenses, incurred or paid within the taxable fiscal year, realized in benefit of the taxpayer who pays therefor for the purpose of producing the income;

14. Commissions to intermediaries in the sale of real property;

15. Film exhibition duties and similar fees for cinema or television;

16. Royalties and other similar participations, as well as remuneration, fees and similar payments for technical assistance or technological services utilized in the country;

17. Expenses of ordinary repair of assets intended in the production of the income;

18. Insurance premiums that cover the risks to which assets and persons other than the taxpayer are exposed, considered individually, employed in the production of the income and other risks that the business incurs by reason of those assets, or for the action or omission of those persons, such as fire and connected risks, civil liability, those relative to the personnel on the job and those for which said personnel are covered pursuant to collective labor contracts;

19. Publicity and advertising expenses incurred or paid within the taxable fiscal year, realized in benefit of the taxpayer who pays for them himself;

20. Research and development expenses actually paid within the taxable fiscal year, realized in benefit of the taxpayer who pays for them himself;

21. Payments made by enterprises to their directors, managers, administrators or other employees as reimbursement of representation expenses, provided that said expenses are individually supported by the respective vouchers and are realized in benefit of the paying enterprise;

Eighth Paragraph: The deductions authorized in numerals 1 and 14 of this article, paid to any beneficiary, as well as those authorized in numerals 2, 13, 15, 16 and 18 paid to beneficiaries who are neither domiciled nor resident in the country, shall be the object of the withholding of tax; in accordance with the rules that are established in this Law and in its regulatory provisions.

Ninth Paragraph: Only depreciation reserves of real property invested as permanent assets in the production of the income or of real property given in lease to workers of the enterprise shall be deductible.

Tenth Paragraph: Expenditures for depreciation and expenses on small airplanes, airplanes, helicopters and other similar ships or airships, shall only be admissible as a deduction or imputable on the cost up to 50%, when the use of such assets do not constitute the principal object of the business of the taxpayer and without prejudice to the requirement that such expenditures must be normal, necessary and paid in the country.

Eleventh Paragraph: In the cases of royalties and other similar participations, paid to beneficiaries domiciled or with a permanent establishment or fixed base in the country, only the administration expenses actually paid may be deducted, up to 5% of the earnings received and a reasonable amount to amortize their cost of obtainment.

Twelfth Paragraph: Gifts made in fulfillment of purposes of collective utility and social responsibility of the taxpayer and donations made in favor of the Nation, the States, the Municipalities and Autonomous Institutes may also be deducted from gross income.

The gifts must pursue purposes of benefit, assistance, religious, cultural, educational, artistic, scientific, conservation, defense and improvement of the environment, technological, athletic or improvement of urban or rural workers, as well as be direct expenses of the taxpayer or contributions thereof made in favor of institutions or associations that do not pursue profit-making purposes and be intended to the fulfillment of the stipulated purposes.

The deduction provided in this paragraph shall proceed only in the cases in which the beneficiary is domiciled in the country.

Thirteenth Paragraph: The deduction of the gifts and donations authorized in the preceding paragraph shall not exceed the following percentages of the net income calculated before the deduction is taken:

a) 10% when the net income of the taxpayer does not exceed 10,000 U.T. (Tax Units) and 8% for the portion of net income that exceeds 10,000 U.T.

b) 1% of the net income in all those cases in which the taxpayer is dedicated to carrying out any of the economic activities provided in letter d) of article 7 of this Law.

Fourteenth Paragraph: Neither the deduction nor the imputation to the cost of the expenditures for technical assistance or technological services paid in favor of foreign enterprises shall be allowed, when such services are rendered or could be rendered in the country at the time of their causation. For these purposes, the taxpayer must file the documents and other records that demonstrate the actions carried out to procure the contracting of those services in the country.

Fifteenth Paragraph: The deductions provided in the twelfth and thirteenth paragraphs of this article shall not be allowed in those cases in which the taxpayer has sustained losses in the fiscal year immediately preceding that in which the gift or donation was made.

Sixteenth Paragraph: In order to obtain the net income from foreign sources, only the expenses incurred abroad shall be allowed when they are normal and necessary for the operation of the taxpayer who is taxed on his worldwide income, attending to factors such as the relationship that exists between the sales, services, expenses or the gross earnings and disbursements dealt with in the same or similar manner, of taxpayers who carry on the same or similar activity in Venezuela. These expenses shall be verified with the corresponding documents issued abroad in accordance with the legal provisions of the respective country, provided that they at least show the identity and domicile of the supplier of the service or of the vendor of the goods acquired, as the case may be, the nature or object of the transaction and the date and amount thereof. The taxpayer must file a Spanish translation of those documents.

Seventeenth Paragraph: In order to determine the net income of the permanent establishment or fixed base, the deduction of the duly proven expenses realized for the purposes of the transactions of the permanent establishment or fixed base, including the expenses of management and general administration, also duly proven, for the same purposes, shall be permitted, whether they are paid in the country or abroad. Nevertheless, payments made, if applicable, by the permanent establishment to the central office of the enterprise or any of its other branches, affiliates, subsidiaries, parent company or in general related enterprises, for royalties, fees, technical assistance or similar payments upon exchange of the right to utilize patents or other rights or as a commission for services rendered or for actions done, with exception of the payments made for reimbursement of actual expenses, shall not be deductible. The provisions in Chapter III of Title VII of this law shall apply to interest paid.

Eighteenth Paragraph: The regulation of this law shall establish the controls necessary to assure that the deductions authorized in this article are effectively justified and respond to expenses realized.

TITLE III. TABLES OF RATES AND THEIR APPLICATION AND THE PROPORTIONAL TAXATION OF OTHER INCOME (Income Tax Law)

(Editor's Note: Though only the provisions of the sole paragraph of article 55 in reference to worldwide income will come into effect on January 1, 2001, we present the entire text of this Title for the sake of clarification)