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payments for these services in the month following that in which they pay for the services.

The rates of withholding tax are:

- for income tax purposes, 30% on 10% of the amount paid for the services; and
- for VAT purposes, 23% on 90% of the amount paid for the services.

The new withholding tax regime applies to services provided from 1 August 2000.

Reference: LA, C, 8.01.

VENEZUELA

Reports from our correspondent Mr Ronald Evans, Baker & McKenzie, Caracas

VAT exemption for imported scientific equipment

Decree 861, published in Official Gazette No. 36,974 of 16 June 2000 and effective from that date, grants a VAT exemption for imports of scientific equipment required by state-operated foundations engaged in research.

In order to obtain the exemption, foundations must submit a list of all of the goods to be imported and disclose to the tax administration the relevant information regarding each item imported, attaching a certificate which demonstrates that the item is not produced in Venezuela or a certificate of temporary unavailability of a Venezuelan-produced item. In both cases, the certificates must be issued by the Ministry of Production and Trade. The tax administration are required to decide if the exemption applies within 5 days of receiving the application of a foundation for the exemption.

The exemption is available for a period of 5 years, but this period may be extended on the request of a taxpayer in accordance with the terms of the decree. Failure to comply with the provisions set out in the decree results in the loss of the benefit of the exemption.

Reference: LA, C, 8.01.

Law on free port of Margarita-Venezuela adopted

The Law of the Free Port of the State of Nueva Esparta (Margarita-Venezuela) was published in Official Gazette 37.006 of 3 August 2000 and applies from that date. The law repealed Decree No. 3,144 under which the Regulations of the Free Port of the State of Nueva Esparta (Margarita-Venezuela) were issued. It provides for

the same rules as in the Decree, except that the rules now have the force of law.

The significant benefits provided for by the law include that the import of goods into the free port and the sale of goods and services supplied in the free port are exempt from VAT (currently 14.5%) and import taxes (customs duties). Goods imported to the free port are also exempt from excise taxes, such as cigarette and tobacco manufacturing taxes and the excise taxes on alcohol and distilled spirits. Similarly, Venezuelan products brought into the free port are not subject to these excise taxes. All of these exemptions only apply if the goods imported or brought into the free port are to be used in the free port or are to be exported or re-exported.

In order to operate in the free port, an importer must be registered in the Importers Registry which is to be maintained by the State of Nueva Esparta (Customs Department (El Guamache)).

Reference: TNS-284, 355 (2000); LA, C, 8.01, 8.02, 10.04.

CONFERENCE DIARY

DECEMBER

International Fiscal Association – Joint Meeting with Inland Revenue International Division, the United Kingdom, 1 December 2000 (English):

IFA British Branch, attn. Karen Spring, 79 Connaught Avenue, North Chingford, London E4 7AP, the United Kingdom, Tel./Fax: 44-20-8529 9115, E-mail: karenspring@ifa-uk.org

Sixth International Tax Planning Conference – 2000, Taj Mahal Hotel, Mumbai, India, 1-2 December, 2000 (English):

Bombay Management Association, 9 Podar House, 'A' Road, Churchgate, Mumbai, India. Tel.: 91-22-288 6164, Fax: 91-22-202 4743. E-mail: bma@bom5.vsnl.net.in

Transfer Pricing of Intangibles (advanced). Amsterdam, the Netherlands, 7-8 December 2000, (English):

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