

International Assignment Services Taxation of International Assignees

Venezuela



Country: Venezuela

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Additional Country Folios can be located at the following website: www.pwc.com/ias/folios

Introduction: International assignees working in Venezuela

This folio was prepared by PricewaterhouseCoopers to provide international assignees planning to work in Venezuela with a general background of the Venezuelan tax law and other relevant issues. It reflects tax law and practice as of February 2010.

This folio traces a Venezuelan assignment through seven steps. These steps address the specifics necessary prior to arriving in Venezuela, during the Venezuelan assignment, and subsequent to the assignment. Familiarity with these issues should help to make any Venezuelan assignment easier and more enjoyable.

This folio is not intended to be a comprehensive and exhaustive study of Venezuelan tax law, but should be used as a guide to prepare for an assignment in the Venezuela. Any decisions regarding an assignment should be made only after obtaining professional advice. This folio should provide the preliminary information necessary to define the issues relevant for each situation.

Further information can be obtained from any PricewaterhouseCoopers office.

The PricewaterhouseCoopers organization is one of the world's leading providers of professional services including accounting, auditing, tax, and consulting services. The organization comprises national and international practice entities that are members of a limited liability association incorporated in Switzerland, and which serve clients on a globally integrated basis in approximately 139 countries.

The growing need for companies to expand globally has greatly increased the necessity for companies to transfer personnel between countries. As both the cost of such transfers and the need to encourage the mobility of executives increase, timely global tax and social security planning become even more important.

PricewaterhouseCoopers has assembled a team of International Assignment Services (IAS) specialists from the network of offices worldwide to ensure the ability to provide comprehensive service to executives as they move throughout the world.

This folio is part of a series of folios on International assignees working in various countries and provides an introductory guide to clients. Further advice can be sought from any of the IAS contacts listed at the end of the folio.

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Step 1: Understanding basic principles

The scope of taxation in Venezuela

1 Individuals rendering services in Venezuela will be, in principle, subject to income tax. Taxation on individuals depends on their tax residence status. Tax resident individuals are taxed on their worldwide income whereas non-residents are only taxed on Venezuelan source income. For income tax purposes, employment income is deemed Venezuelan source when it relates to services performed in Venezuela regardless of the domicile of the entity paying the wages.

2 In addition, foreign nationals employed in Venezuela will be subject to social security contributions and other payroll taxes, which will be explained further below on this booklet.

3 There is also a general sales tax (VAT) on the sale of goods and services, which is charged to the buyer at a rate of 12%.

4 Also if applicable, The Estate and Gift Tax is imposed on persons that are beneficiaries of an estate, inheritance or gift of property (movable or immovable), rights or shares located within Venezuela.

The tax year

5 The Venezuelan tax year generally is the same as the calendar year, or January 1st through December 31st.

Husband and wife

6 Spouses are required to file jointly unless there has been separation of property arrangements. Spouses may report their income separately if they have declared a separation of property or if the spouse earns income as an employee or as a professional (for instance a doctor, attorney or accountant). If there has been no separation of property or the spouse does not work, all income from either spouse is to be reported in one tax return.

7 Separation of property is a legal division of property that a husband and wife own. It must be completed before the marriage takes place (i.e., a pre-nuptial agreement).

8 Venezuela does not differentiate its tax rates based upon filing status like other countries.

Determination of residence

9 According to the provisions of the VITL and the Venezuelan Organic Tax Code, an individual will be considered a resident for income tax purposes in any of the following circumstances:

10 When the individual has been physically present in Venezuela for a continuous or discontinuous period of more than 183 days during the calendar year or the immediately previous calendar year.

11 If an individual who has established his / her residency (i.e. permanent home) in Venezuela, except when he / she has been in another country for a continuous or discontinuous period of more than 183 days during the calendar year and has proof from the foreign tax authorities that they are resident for tax purposes in that other country. For these purposes the Venezuelan tax authorities require evidence issued by the tax authorities of the other country demonstrating that the individual's tax residency was acquired there.

12 Venezuelan Nationals are presumed tax residents in the country unless there is proof of the contrary. Local regulations do not clearly define the proof requested in this case; however, taxpayers are strongly advised to obtain tax residency certificates.

13 In the event of double resident conflicts with countries with whom Venezuela entered into a tax treaty to avoid double taxation, the "tie-breaker" provisions of the tax treaty may be applied to define the tax resident status of the individual. According to the VITL, the benefits of the tax treaties are only applicable if the taxpayer can prove that he/she is a tax resident of the other country, and that the conditions set forth in the corresponding tax treaty are met, for the purposes of proving resident status, a certificate issued by the corresponding foreign authorities shall be sufficient, if officially translated and legalized.

14 Please refer to Appendix A for the list of countries with which Venezuela has concluded a tax treaty.

Methods of calculating tax

15 For residents, Individual income tax rates are progressive, with a top rate of 34% on annual income in excess of approximately US\$76,744 in 2010 (at an average exchange rate of VEF 4.30 /US \$1).

16 For the 2010 annual tax rates, please refer to Appendix B. Such tax rates are expressed in tax units (TU). A tax unit has an equivalent value in local currency (Bolivares Fuertes) and it is adjusted yearly based on the inflation of the previous year. For 2010 the value of the tax unit is VEF 65.

17 Non resident individuals are taxed at a 34% flat rate.

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Step 2: Understanding the Venezuelan tax system

General remarks

18 Foreign nationals may be taxed as residents or as non-residents. Resident and non-resident individuals are subject to Venezuelan income tax on their Venezuelan source of income, regardless of their nationality.

19 In October 1999, the Venezuelan Income Tax Law was reformed. The reform entered into effect as of January 1, 2001. It is worthwhile mentioning, that the reform of the Venezuelan Income Tax Law, included important changes with respect to income tax for individuals, such as taxation on world-wide income. As of the year 2001, residents will be subject to tax on income of any source, whether the activities are carried out in the country or abroad; whereas non-residents will pay taxes on income generated in the country. Additionally, non-residents with a permanent establishment will pay taxes on national or foreign income attributable to said permanent establishment.

Taxpayer registration

20 Individuals required to pay income tax in Venezuela must be registered with the Venezuelan Tax Administration (SENIAT). This applies to both residents and non-residents. A valid visa authorising business activities is a prerequisite. (Please see Step 3: What to do before you arrive in Venezuela).

Residents

Taxable income

21 The Venezuelan Income Tax Law provides that individuals are taxable on income received in cash or kind, or credited to their account by the debtor. Most types of income, including wages, are taxable at the time the income is received and not just when it is earned. Deferred compensation is taxed when actually received.

22 As previously mentioned, taxation on individuals is based on the calendar year. As a general rule, the income tax has to be determined on the net and available income obtained during the taxable year. However, the regulations shall specify the cases in which, exceptionally, the tax based on income obtained in periods of less than one (1) year shall be determined.

23 Tax losses may, in principle, be carried forward up to three (3) years. Foreign losses may only be offset against foreign source income.

Income of resident employees

Remuneration as employee

24 Taxable employment income includes wages, salaries, bonuses, commissions, and allowances of all types, including those for housing, living expenses, removal expenses and tax reimbursements.

Items that are not usually considered taxable

25 Reimbursement made by the employer of business-related travel and transportation expenses is not considered taxable in the hands of the employee.

26 Properly supported business travel expenses, such as lodging, meals and transportation, are not usually considered income in the hands of the employee. These expenses are tax deductible for the employer, subject to certain maximum limits for foreign travel. A per diem rate for business travel is treated as a non-taxable allowance, regardless of whether the expenses are declared in a later stage with the employer or supported by receipts from third parties.

27 In addition, employer reimbursements of moving and travel expenses incurred as part of a transfer into or out of Venezuela are not considered income in the hands of the employee. These expenses commonly include transportation, lodging and meals for both employees and their families incurred during the settling-in period. If they are properly supported by official receipts from third parties, they may be deductible by the employer, subject to certain restrictions.

Tax-exempt remuneration

28 There are certain exemptions and other favourable tax treatments for individuals for the following contributions and payments:

- Contributions paid by an employer to a qualifying Venezuelan retirement and a qualifying Venezuelan pension funds of its employees;
- Payments received by employees from qualifying Venezuelan retirement or disability funds;
- Interest earned from qualifying Venezuelan saving deposits and other saving instruments;
- Payments received from investments made in Venezuelan mutual funds or Venezuelan public offering investment funds.

Income tax-exempt employees

29 The employment income of employees of embassies or consulates of foreign nations who are nationals of such countries is in principle tax-exempt.

Tax withholding obligation on remuneration of employees

30 As to the tax withholding obligation, we would like to mention that the current withholding regulations are still based on the former Venezuela's (territorial) tax system. These regulations are under reform in order to align it with the world-wide income tax system. It is not clear when the regulations will be reformed, therefore, the current regulations are applicable.

31 Resident individuals who received remuneration in the form of cash are subject to withholding by the employer. Please note that according to the Venezuelan Income Tax Law and its regulations, the withholding obligation should be accomplished by the debtor or payer of the remuneration. These withholdings must be paid to the Tax Administration (SENIAT) within the first three business days of the following month.

32 If the debtor or payer of the remuneration is a non-Venezuelan company and no charge-back will be made to a company in Venezuela, in practice, it is not clearly stated in the Venezuelan Income Tax Law and its regulations whether a company not domiciled in Venezuela is obliged to withheld the income tax and remit the payment. On the other hand, it may be assumed that the non-Venezuelan company can designate the local entity (if there is one) to remit the corresponding tax withheld to the local tax authorities.

33 The monthly withholding tax returns must be filed and paid directly to the SENIAT or through an authorised Venezuelan bank. All tax payments must be made in the Venezuelan currency (the Bolivar), either in cash or by a cashier's check drawn on a Venezuelan bank.

Other income of residents

34 Residents will be subject to tax on income of any source, whether the activities are carried out in the country or abroad.

Dividends and interest

35 Dividends to be received by individuals from Venezuelan or foreign corporations will be subject to income tax at a flat tax rate of 34% payable via withholding at the moment of payment or credit to account.

36 Interest will be subject to income tax at a progressive tax rate (Tariff N°1, see Exhibit II) payable via withholding at the moment of payment or credit to account. Interest paid by Venezuelan banks, and, in some cases, by government bonds, are tax-exempt and therefore not subject to withholdings.

Capital gains

37 Residents are taxed on their capital gains.

38 Capital gains realised on the sale of Venezuelan stock, registered with the Venezuelan National Securities and Exchange Commission, through a Venezuelan stock exchange are not taxable as ordinary income; however a 1% flat withholding tax on the sale price is payable. The losses on the sale of Venezuelan stock are not tax deductible.

39 In calculating the gain on the sale of an asset, the historical cost of the asset may be adjusted (increased) for inflation based on the fluctuations in the Consumer Price Index over the period the asset has been held. Adjustment for inflation may also be applied to the sale of capital stock of Venezuelan companies which are not listed on the Venezuelan Stock Exchange.

40 A capital gain from the sale of the main residence are tax exempt if reinvested in another residence within one year prior to, or two years after the sale.

41 The resulting capital gain, as ordinary income, will be subject to Tariff N° 1. Capital losses may be used to offset capital gains, and other taxable income realised within the calendar year.

Rental income

42 Residents must also report the amount of their world-wide rental income received from real estate. They may deduct administrative expenses incurred in connection with the rented property up to 10% of the rental income for the fiscal year. Additionally, the following expenses are deductible: maintenance, interest on loans for the purchase or construction of rented property, and property taxes.

Professional and other fees

43 The fees of independent professionals and other resident individuals rendering personal services are taxable under Tariff N° 1, see exhibit II; these individuals may deduct their professional or business expenses, when paid, following rules similar to those for business enterprises. The total of such deductions may exceed the income declared, and loss carry-forwards are permitted, only for resident individuals, for up to three fiscal years.

Business activities

44 All income earned by individuals from business activities carried out as a sole proprietor is to be reported in the annual tax return and is subject to the same tax rate applicable to individuals obtaining other income.

45 Taxable income and the resulting income tax from the business activities of individuals are usually determined in a manner similar to that of corporations.

46 Independent business taxpayers are required to make periodic advance payments of income tax, calculated as eighty percent of the net taxable income of the prior year. This estimated tax liability must be included in the estimated tax return, which must be filed in the ninth month of the following year, and the tax liability must be paid in up to four equal instalments (the first instalment is paid upon filing the estimated tax return and the remaining instalments are paid consecutively on a monthly basis).

Income from other sources

47 This classification includes, amongst others, gifts. Assets subject to the gift tax can be taxed at a maximum rate of 55%.

48 Income derived from gambling is taxed against a flat tax rate of 34%; however prizes from lottery and horse races are taxed against a flat tax rate of 16%.

Deductions commonly available to resident individuals

49 Resident individuals enjoy the following deductions, if payments were made to companies domiciled in Venezuela:

- Payments for the education of the taxpayer and his/her descendants under 26 years of age. There is no age limit in cases of special education;
- Payments for medical services (including insurance premiums) for the taxpayer and his/her dependants (ascendants, descendants or spouse), e.g. payments for hospitalisation, surgery, maternity, dental work, etc.;
- Interest payments on loans acquired by the taxpayer to purchase his/her main residence, or rent paid on the residence which serves as his/her permanent home. Such deductions may not exceed 1,000 tax units (TU) per fiscal year in the case of interest paid, or 800 TU in the case of rent payments.

50 The receipts related to the deductions mentioned above should be attached to the taxpayer's income tax return. These receipts must include the issuer's RIF (Tax Registration) number in order for the payment to qualify as a tax deduction.

51 In lieu of claiming the above-mentioned deductions, resident individuals can claim a standard deduction equivalent to 774 TU.

International tax transparency regime

52 Taxpayers who maintain and control investments in jurisdiction of low taxation (tax havens) will be subject to the international tax transparency regime.

53 An annual *information* tax return is required on investments held in a tax haven. Together with the return any document that supports the acquisitions or disposal of the investment should be submitted.

54 As a rule of thumb, you can regard the countries that do not tax personal income or apply rates less than 20% as tax havens. Please see Appendix D for a list of the international tax havens according to the Venezuelan legislation.

Tax credits

55 A personal tax credit of 10 TU is available to resident individuals, plus 10 TU for each dependant.

Non-residents

Remuneration paid to non-resident employees overview

56 Non-residents of Venezuela, i.e. neither physically present in Venezuela for a continuous or discontinuous period of more than 183 days during the calendar year or the immediately previous calendar year, nor established his / her residency (i.e. permanent home) in Venezuela, are liable to pay tax on their Venezuelan source income.

57 This comprises amongst others the following: income from employment in Venezuela performed in Venezuela and outside Venezuela (as long it is relating to the Venezuelan source), income from other activities performed in Venezuela (e.g., freelance work); gains from self-employment in Venezuela, dividend and interest income from a Venezuelan company in which the taxpayer has a participating interest, income from immovable property located in Venezuela, etc.

58 Non-residents are also taxed on their fees received for serving on the board of directors of a Venezuelan company, regardless where the services are physically rendered.

59 Non-residents with a permanent establishment in Venezuela will pay taxes on national or foreign income attributable to said permanent establishment.

60 The wages, salaries and other remuneration earned by non-resident employees for services rendered in Venezuela are taxed against a flat rate of 34% by withholding. Non-residents can not claim any deduction or personal allowance.

Tax withholdings obligation on remuneration of non-resident employees

61 The remuneration received by non-residents is subject to withholding tax, if it is relating to their Venezuelan employment activities, paid by a Venezuelan entity (or a non-resident entity with a permanent establishment in Venezuela to which the income relates), and if it is paid in the form of cash.

62 Please note that according to the Venezuelan Income Tax Law and its regulations, the withholding obligation should be accomplished by the debtor or payer of the remuneration. These withholdings must be paid to the Tax Administration (SENIAT) within the first three business days of the following month.

63 In some cases, the Venezuelan entity may pay the SENIAT the non-resident's tax on behalf of his/her foreign employer. This is possible, even though the non-resident individual does not receive payment from a Venezuelan entity and is not employed by them.

64 This is practice common in multinational companies located in Venezuela, which often host non-residents who carry out employment activities in the country, but who are not employed by the Venezuelan subsidiary of the multinational company.

Investment income of non-residents

65 Dividends and interest to be received by individuals from Venezuelan corporations will be subject to income tax at a rate of 34% payable, via withholding, at the moment of payment or credit into account.

67 Capital gains of non-residents are subject to Venezuelan tax only if the gains arise from sales of real estate located in Venezuela (including, under certain circumstances, stock of foreign companies that own real estate in Venezuela) or from sales of stock of Venezuelan companies, regardless of where the sale takes place.

68 As mentioned above, there is a special tax treatment for residents as well as non-residents who sell stock registered with the Venezuelan National Securities and Exchange Commission, through Venezuelan stock exchanges; these transactions are only subject to a flat tax of 1% over the sale price.

Tax treaty benefits for non-resident individuals

69 Tax treaties to avoid double taxation may reduce or eliminate the Venezuelan tax payable by individuals who are residents of a Contracting State with whom Venezuela concluded a tax treaty. The provisions of the applicable tax treaty should be carefully analysed. Venezuela has concluded tax treaties with a number of countries which are listed in Appendix A.

70 Most of Venezuela's tax treaties follow the OECD guidelines and provide, in principle, complete exemption for employee remuneration, as long as the following conditions are met:

- The individual is in Venezuela for no more than 183 days in a calendar year; and
- The salary is paid or borne by an employer who does not reside in Venezuela; and
- The individual's salary is not deducted as a salary expense in computing the profits of a permanent establishment in Venezuela.

71 These tax treaties also usually provide provisions for a lower withholding tax rate on interest, dividends and royalties paid to residents of the other Contracting State, and reduce the number of taxable transactions for the non-residents in Venezuela.

Social security contributions and other payroll taxes

72 The Master Law of Social Security (LOSSS by its Spanish capital letters) was published on December 30, 2002 and entered into force as of the aforementioned date. The Integral System of Social Security comprises the following subsystems: Subsystem of Health, Pensions, Welfare and Housing. However, social contributions' rates applied under the previous system will be provisionally applicable until regulations concerning the new system are published.

Social security contributions for Health Care

73 Social security contributions for Health Care are made to fund a variety of benefits, principally health care. Each benefit has its own funding rate and maximum contribution base. The contribution rates vary significantly depending on the level of income. The maximum contribution basis changes periodically, since they are fixed in terms of Venezuela's monthly minimum wage (currently VEF 967.50). The cap of the calculation basis for the social security contributions is equivalent to five (5) minimum salaries.

74 Both employers and employees make contributions to the Venezuelan Social Security Institute (IVSS). Employee contributions are substantially less than those of the employer and are paid by payroll withholdings.

75 The Social Security Law and its Regulation set forth the various types of contributions an employer must make. Employer contributions are classified according to the risk an industry may be exposed to. The applicable tax rates are as follows:

Minimum risk	9%
Medium risk	10%
Maximum risk	11%

The employee's contribution is only 4%.

Unemployment relief benefit

76 Both contributions are calculated based on the employee's actual salary, up to ten times the minimum wage (the current minimum wage for calculation purposes is VEF 967.50 per month). Hence, the contribution basis (cap) is ten times the minimum wage.

77 Additionally, the rate applicable to the employer's mandatory unemployment relief benefit contribution is 2% of the employee's salary up to a maximum of 10 minimum wages (VEF 9,675.00) per month, whereas the employee's contribution is 0.5%, which is paid by withholding.

House policy law

78 The housing policy law is a mandatory housing saving plan for both the employer and employee. The housing policy law is special legislation with the purpose to create funds in order to finance construction of low up to medium-priced housing.

79 The monthly contribution will be transferred to a special personal account of the employee.

80 The current employer contribution is 2% of monthly remuneration, and the employee's contribution is 1%. It is important to note that a new law regarding the Housing Subsystem was published and entered into force on July 2008, and it revises certain aspects of the legislation, mainly concerning the basis of calculation of the housing contributions, which now considers as its calculation basis the "Integral Salary", instead of the previous "total monthly income". The Integral Salary is a concept established in the Master Labor Law, and it comprises the following payments: commissions, gratifications, profit sharing bonuses, vacation bonus as well as surcharges for holidays, overtime, night shifts, among others, all of which are made to the employee and correspond to the services rendered by the individual.

Employee training program - National Apprenticeship Training Institute (INCES)

81 The INCES provides technical training to employees throughout the country.

82 Employers with five or more employees, as well as all employees, are liable to these contributions.

83 Employers must contribute quarterly 2% of the total wages and salaries paid to employees, excluding annual profit sharing (no cap). The quarterly employer contribution must be paid within 5 days after the end of each quarter. The employer contributions are deductible for corporate income tax purposes.

84 Employers who pay for employee courses or school attendance approved by the Ministry of Education and the INCES, other than those related to elementary education as required by the Labour Law and its Regulations, have the right to deduct the cost of these courses or school attendance from these contributions.

85 Employers are also required to withhold 0.5% of the annual profit sharing paid to their workers as employee contributions to help finance INCES activities. The employee's contribution (profit sharing withholding) must be paid to the INCES in the month following profit sharing payment to the employee.

Other regulations

86 As part of the new social security regime, a new law on the working environment (LOPCYMAT law by its Spanish Capital letters) is in place since July 2005. According to the Law, every employer has the obligation to contribute with a percentage ranging from 0.75% to 10% of each worker's salary; however the institutions in charge of administering this tax have not been created yet. This contribution will apply only for the employer, which means that no employee contributions are imposed.

87 In addition, other laws regarding social security have been published. These laws are the Master Law on Science, Technology and Innovation, and the Law against Illegal Dealing and Consumption of Narcotics and

Psychotropic Substances. The aforementioned laws only establish social contributions for the employer and there are no employee contributions applicable.

88 The Master Law on Science technology and Innovations stipulates a mandatory contribution to be made by companies with a gross income exceeding 100,000 Tax Units. The percentage of contributions based on gross income obtained in the national territory varies depending on the company's activity: 2% in the case of companies engaging in Hydrocarbon-related activities; 1% in the case of companies on the electrical sector and mining; and 0.5% in the case of companies engaging in other productive sectors. This contribution is to be complied with by means of financial contributions to programs and projects contained in the National Plan for Science and Technology.

89 The Law Against Illegal Dealing and Consumption of narcotics and Psychotropic Substances stipulates a contribution equivalent to 1% of net annual income for those companies hiring 50 or more employees. This contribution is made to programs aimed at integral social prevention against illegal dealing and consumption of drugs, for workers and their families. In this regard a 0.5% of this contribution will be devoted to integral protection programs in favour of children and adolescents.

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Step 3: What to do before you arrive in Venezuela

General overview of the formalities to be observed by foreigners arriving in, living in and departing from the country

90 Venezuelan legislation grants foreigners basically the same rights and duties as are applicable to Venezuelans, with certain restrictions or limitations set forth by the Venezuelan Constitution and its laws.

91 Visas must be obtained prior to entering Venezuela. In order to gain access to Venezuela, international assignees must have a valid visa issued by the Venezuelan Consulate.

92 Obtaining a visa can take several months, so applications should be submitted well in advance. Please also note that visa applicants must have a valid passport that should not expire for at least six (6) months from the application date.

93 The Venezuelan Government issues various types of visas (in total 13 various types of visas), the most important are: Transient Work Permit Visa (TR-L), the Transient Family Visas (TR-F) and Resident Visas.

94 Any foreigner unable to renew his/her visa or unable to get a new type of visa, must leave the country immediately.

Living and working in Venezuela

95 Foreigners who wish to enter the country for business or work purposes can apply for the following types of visa, depending on the particular nature of the activity to be performed:

Work permit (TR-L)

96 Companies or individuals wishing to hire a non-resident foreigner for work must apply for a work permit (TR-L). To obtain the TR-L visa, the foreigner must prove his/her work qualifications.

97 Companies or individuals wishing to hire a non-resident foreigner for work must apply for a work permit (TR-L). To obtain the TR-L visa, the foreigner must prove his/her work qualifications by means of study certificates and/or degrees, proof of work experience, besides he/ she must obtain the corresponding work permit from the Ministry of Labour of Venezuela.

98 In order to apply for this work permit, the contracting employer must submit the following documents to the Ministry of Labour:

- Job Offer Form;
- Job Declaration Form, including hours worked and salary paid for the last quarter, before the Ministry of Labour;
- In the case of Transfer of Qualified Personnel, a Letter of Transfer issued by the Headquarters must be submitted. It must state the motive for the transfer and a job description;
- In the case of Direct Contract of foreign personnel outside Venezuela, a document explaining the motives for contracting foreign personnel must be submitted, along with a job description;

- Notarised work contract;
- Résumé of the foreigner;
- Full face photograph of the foreigner;
- Copy of the passport of the applicant;
- Study Certificates and/or Degrees (legalised before the respective Consulate or with the Apostille from The Hague Convention);
- Certification of existence of employer (Registry of Commerce or By Law);
- Power of Attorney or authorisation issued by the employer to the person in charge of requesting the Work Permit;
- Tax stamps.

99 Once the Work Permit has been granted, the entry of the foreigner into the country with the TR-L visa must be requested from the Ministry of Internal Affairs and Justice of Venezuela. The following documents must be attached to the application:

- Application Form for entry of foreigner;
- Document explaining motives for contracting foreign personnel, along with job description;
- Notarised work contract;
- Work permit from the Ministry of Labour;
- Full face and profile photo of the foreigner;
- Copy of the passport of the applicant;
- Study Certificates and/or Degrees (legalised before the respective Consulate or with the Apostille from The Hague Convention);
- Certification of existence of employer (Registry of Commerce or By Law);
- Income Tax Return of the employer;
- Power of Attorney or authorisation issued by the employer to the person in charge of requesting the Work Permit;
- Tax stamps.

100 Once the TR-L visa has been issued, the Ministry of Internal Affairs and Justice will inform the respective Consular Section of the Embassy or the Consular office of the Republic of Venezuela about the granting of the authorisation. This visa will be stamped on the passport of the person wishing to enter the country legally. This authorisation will be valid for six (6) months from the reception date.

101 The TR-L visa is valid for one (1) year, with multiple entries, and will allow permanence in the country for the same period. It can be extended in the country by the Ministry of Internal Affairs and Justice, for the same period, upon ratification of the Work Permit by the Ministry of Labour.

Transient Family Visa (TR-F)

102 On the other hand, the foreign employee with a TR-L visa can apply for a transient family visa (TR-F) visa for his spouse, non-emancipated children under 18 years of age, parents and in-laws, upon certified proof of the family tie and economic dependency. He then must present the following documents:

- Entry Application Form of the foreign family member;
- Marriage license of the spouse;
- Birth certificates of the children;
- Full face and profile photo of the applicant;
- Passport copy of the family member;
- Power of Attorney or authorisation issued to the person in charge of requesting the TR-F visa;
- Tax stamps.

103 The TR-F visa is valid for one (1) year, with multiple entries, and will allow permanence in the country for the same period. It can be extended in the country by the Ministry of Internal Affairs and Justice, for the same period, upon ratification of the Work Permit by the Ministry of Labour.

Resident Visa

104 The foreigner, who has remained in Venezuela for at least one uninterrupted year with a TR-L or TR-F visa, may apply for residency with the Ministry of Internal Affairs and Justice. Resident visas are valid for five (5) years and can be renewed every five (5) years.

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Step 4: What to do when you arrive in Venezuela

Taxpayer registration

105 Individuals required to pay income tax in Venezuela must be registered with the Venezuelan Tax Administration (SENIAT). This applies to both residents and non-residents. A valid visa authorising business activities is a prerequisite. (Please refer to Step 3: What to do before you arrive in Venezuela).

Venezuela Social security obligations

106 Normally, the registration process with the corresponding Venezuelan social security authorities is done by the employer on behalf of the individual. Also, Venezuelan salary is subject to social tax withholding as previously mentioned above.

Opening bank accounts

107 It is possible to open a bank account in Venezuela, if the individual has a passport with a valid visa, among other requirements. Nevertheless, because of the exchange control in force, some restrictions may apply. (Please refer to Step 7: Other matters requiring consideration).

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Step 5: What to do at the end of the year

Obligation to file an annual income tax return in Venezuela

108 All resident individuals who realise income during the calendar year are required to file an annual Venezuelan income tax return, except in certain cases such as individuals earning Venezuelan bank interest only or whose gross income is less than 1,500 tax units (TU) or their net annual income is less than 1,000 TU.

109 Each individual must file his/her own return, but, as it was explained before, spouses must, in principle, file jointly their returns, even if they have personal income arising from their own activities. Nevertheless, they can file separately their income tax returns if the conditions mentioned previously in this booklet are met.

110 Please refer to Appendix B for an example of the Venezuelan annual income tax calculation.

Deadline for filing the annual income tax return

111 The Venezuelan income tax return should be filed by March 31 of the next calendar year. This period cannot be extended.

112 Late filing of the return will give rise to fines and interests.

Filing the annual tax return and paying the amount due.

113 The tax payable must be paid upon filing the return. Since there are no filing extensions allowed, payments on account cannot be made without filing the return. The tax liability computed on the return may be paid in full when the return is filed or it may be paid in three equal installments (the first when the return is filed, the second 20 calendar days after the filing deadline and the third 40 calendar days after the filing deadline).

114 Annual tax returns must be filed directly with the SENIAT or with a Venezuelan bank authorised by the SENIAT. Payments must be made in the Venezuelan currency (Bolivar Fuerte), either in cash, by check or through a local bank transfer.

Change of tax resident status

115 Individuals who move to Venezuela will qualify in the beginning as non-residents and will be taxed against a flat rate of 34% on their Venezuelan source income. Individuals who become residents after having been taxed as non-residents during part of the year, can treat the tax withheld by his / her employer as an advance on account for the final tax payable.

116 The SENIAT may require Venezuelan residents who move out of the country during a calendar year, to file an annual income tax return before their departure.

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Step 6: What to do when you leave Venezuela

Reporting the departure to the tax authorities

117 As per the Venezuelan legislation there is no formal procedure to report an individual's departure to the authorities, nevertheless, a tax return should be filled in accordance to the general rules, which means it should be done before March 31st of the year after the departure (for further information refer to Step 5: What to do at the end of the year).

Non-residents

118 For non-residents individuals, taxes should be withheld according to the applicable rate, as explained previously. Nevertheless, an individual will be required to file a return as a non-resident in order to pay for additional income earned in Venezuela or if he was subject to an inferior withholding rate.

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Step 7: Other matters requiring consideration

Other Venezuelan taxes

Value added tax

119 Value added tax (Impuesto al Valor Agregado – VAT) is levied on the sale of goods and the supply of services within Venezuela, as well as on the import of goods and services, unless a transaction is otherwise extended, VAT is imposed at each stage of production based on the value added at that stage. Generally, VAT paid on purchases and imports is creditable against the tax collected on sales. VAT is currently levied at a rate of 12%.

Inheritance and gift taxes

120 The estate and gift tax (Impuesto sobre Sucesiones y Donaciones – EGT) is imposed on all persons that are beneficiaries of an estate, inheritance, or gift of movable or immovable property, rights or shares located within Venezuela. The EGT is territorial in the sense that is levied on Venezuelan states and gifts, irrespective of the residence, domicile, or nationality of the beneficiary. EGT is imposed on the value of all inherited or received from the descendant or donor (less certain liabilities and expenses), which must be appraised based on current market values at the time of the death of the descendant or at the time of the gift. The tax rate varies depending in the degree of kinship between the descendant of the donor and the beneficiary.

Customs duties

121 As a general rule, the import of goods into Venezuela is subject to customs duties. These duties are generally levied on CIF value of the product being imported, excluding value added tax (VAT). Customs duty rates generally range from 5% to 20%.

Taxes on the consumption and production of specific goods (Excise taxes)

122 There are several taxes on the consumption and production of specific goods, such as alcohol and liquors, cigarettes and tobacco, matches, minerals and hydrocarbons (exploration, exploitation and transport).

Payroll taxes

123 For a description of the various payroll taxes levies on employers and employees, please see section 2 of this folio.

Currency issues - Exchange control

124 In January 2003, the Venezuelan Government and the Venezuelan Central Bank restricted foreign currency trade and established an Exchange Control Regime, which is characterized by the following aspects:

125 A Government Office (CADIVI) is the only entity entitled to authorize purchases or sales of foreign currency at the current rate of VEF 2.60 per 1USD for priority imports such as food, health care and the public sector, and VEF 4.30 per 1USD for the remaining of the authorized transactions. Once authorized, any sale of foreign currency in Venezuela must be traded through the Venezuelan Central Bank at the foreign exchange rate indicated above.

126 It has been established that all foreign currency derived from the export of goods, services and technology have the obligation of selling the acquired currency to the VCB through the financial system and at the official exchange

rate. Exporters are to be registered in the User's registry, and they have to consign documentation which certifies its proper fiscal status.

127 Likewise, the sale of all foreign currency introduced in the country for various concepts, including direct foreign investment, to the VCB is Mandatory. In such cases, the aforementioned currency is to be registered in the Superintendence of Foreign Investment (SIEX, for its Spanish acronym) for re-exportation and remittance purposes.

128 The acquisition of foreign currency for imports is also subject to the mentioned foreign currency authorization, which is also bound to certain conditions.

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Appendix A: Taxation treaties

Venezuela has tax treaties with the following countries:

Country	Physical presence rule (1)	Maximum number of physical presence days for treaty qualification (more than)
Austria	1	183
Barbados	0	183
Belgium	0	183
Brazil (*)	1	183
Canada	2	183
China	0	183
Cuba	1	183
Czech Republic	0	183
Denmark	1	183
France	1	183
Germany	2	183
Indonesia	0	183
Iran	1	183
Italy	2	183
Korea	1	183
Kuwait(*)		183
Malaysia	1	183
Mexico (*)	0	183
Norway	0	183
Portugal	0	183
Qatar(*)		183
Russia (*)	1	183
Spain	1	183
Sweden	0	183
Switzerland	1	183
The Netherlands	1	183

Trinidad and Tobago	1	183
United Kingdom of Great Britain and Northern Ireland	0	183
United States of America	0	183

(1) Physical presence rule:

0 = Twelve-month period

1 = Fiscal year

2 = Calendar year

* This treaty has not entered into force as of January 2010.

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Appendix B: Annual income tax rates applicable to resident individuals

Annual income tax (Tariff N° 1):

Taxable income range	Tax rate (%)	Deduction (TU)
Up to 1,000 TU	6%	0 TU
1,000 TU - 1,500 TU	9%	30 TU
1,500 TU - 2,000 TU	12%	75 TU
2,000 TU - 2,500 TU	16%	155 TU
2,500 TU - 3,000 TU	20%	255 TU
3,000 TU - 4,000 TU	24%	375 TU
4,000 TU - 6,000 TU	29%	575 TU
6,000 TU - and over	34%	875 TU

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Appendix C: Annual individual tax calculation for 2010

Assumptions:

1 - Foreign resident who earns a salary and is married with two children.

2 - Wife and descendants have no income

3 - Husband earns US\$ 100,000.00

4 - Tax unit (TU) value VEF 65

5 - Remuneration:

Salary, allowances, profit sharing, vacation bonus, and other income US\$ 100,000.00

Exchange rate applicable VEF 4.30/1 US\$

6 - Allowable deductions include the following:

Standard Deduction (774 TU) VEF 50,310

Tax computation	TU	\$
Gross income		430,000
Deductions		
Standard deduction	(774 TU)	(50,310)
Taxable income	(5,841 TU)	379,690
Income tax	(1,119 TU)	72,735
Tax credits		
Personal tax credit	(10 TU)	(650)
Credit for spouse	(10 TU)	(650)
Credit for children	(10 TU each)	(1,300)
Income tax		70,135
(-) Income tax withholdings (tax advances)		(40,000)
Income tax payable		30,135

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Appendix D: List of international havens

American Samoa	Hashemite Reign of Jordan	Republic of Djibouti
Anguilla	Hong Kong	Republic of Cape Verde
Antigua & Bermuda	Ind. State of Western Samoa	Republic of Guyana
Archipelago of Svalbard	Island of Christmas	Republic of Honduras
Aruba	Island of Norfolk	Republic of Liberia
Ascencion	Island of Qeshm	Republic of Nauru
Belize	Island of San Pedro and Meguelon	Republic of Panama
Bermuda	Islands of Coconut or Kelling	Republic of Seychelles
British Virgin Islands	Jamaica	Republic of Tunisia
Brunei Darussalam	Kingdom of Swaziland	Republic of Vanuatu
Campione D'Italia	Kiribati	Republic of Yemen
Cayman Island	Labuan	Sacred Elena
Channel Islands (Islands of Guernsey, Jersey, Alderney, Great Sark, Herm, Little Sark, Brechou, Jethou, Lihou)	Lebanese Republic	Saint Vincent and the Grenadines
Commonwealth of Dominique	Macao	Solomon Islands
Commonwealth of The Bahamas	Malta	Serence Republic of San Marine
Cook Islands	Malvine Islands	Special area of Canary Islands
Dem. Socialist Rep. of Sri Lanka	Marshall Islands	Sate of Bahrain
Dominican Republic	Montserrat	State of Kuwait
Free area Ostrava	Niue	State of Qatar
Free Assoc. State of Puerto Rico	Oriental Republic of Uruguay	Sultanate of Oman
French Polynesia	Pacific Islands	Tokelau
Gabonese Republic	Palau	Tristan da Cunha
Gibraltar	Pitcaim	Turks and Caicos Islands
Granada	Principality of Andorra	Tuvalu
Great Dukedom of Luxemburg	Principality of Liechtenstein	United Arab Emirates
Greenland	Principality of Monaco	Virgin Islands of the USA
Guam	Republic of Cyprus	

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Appendix E: Venezuela contacts and offices

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