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# Doing Business Venezuela

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## Doing Business Venezuela:

Venezuela, a country with immense natural and cultural wealth, is undergoing a unique process of economic development. As the global picture changes, so do the business dynamics in our country and, therefore, we must understand this scenario to continue working towards a prosperous Venezuela that generates interest for local and foreign investment.

At PwC Venezuela we firmly believe that, despite the current challenges, there are significant opportunities for those companies and individuals that are willing to invest and contribute to the sustainable development of the country.

Venezuela's energy wealth and its people have historically been its greatest asset. In addition, the country's vast mineral resources, exceptional biodiversity and agricultural potential have a lot to offer from a sustainable perspective. In this context, economic diversification becomes a factor of special attention and, at the same time, an opportunity for investors seeking new horizons.

Doing business in Venezuela is not exempt from challenges, and this is where expert support can make a difference. At PwC we offer a comprehensive approach, combining our local expertise with the support of a global network.

One of our strategic objectives is to accompany entrepreneurs in this complex environment, providing them with the tools and knowledge necessary to make informed decisions and implement diverse solutions.

We invite you to consider Venezuela as a viable destination for your investments. With proper planning and a strategic approach, it is possible to turn challenges into opportunities and contribute to the country's economic growth.

At PwC Venezuela we want to build, together with you, a path towards sustainable development and a bright future for the country.



**Luis Manuel Freites**  
Country Senior Partner  
PwC Venezuela

Our purpose

To build trust in society and solve important problems.



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# Venezuela



Capital City	Caracas
Area and Population	916.445 sq KM; population 26.700.00
Official Language Co-official language	Spanish Indigenous languages
Currency	Bolívar (Bs.; VES)
International dialling code	+58
Working hours	8:00am - 5:00pm
Banking hours	8:30am - 3:30pm
Time zone	VST (UTC-4)
Date format	dd/mm/yyyy

## Country Overview

### Stock Exchanges

BVC - Bolsa de Valores de Caracas  
 BPVB - Bolsa Pública de Valores Bicentenaria  
 BDVE - Bolsa Descentralizada de Valores de Venezuela  
 BOLPRIAVEN - Bolsa de Productos e Insumos Agropecuarios de Venezuela, C.A.

### Economic Statistics (estimated by IMF)

GDP Total 2024 USD 106,327 million  
 Exports USD 13,513 million  
 Imports USD 14,807 million

### Venezuela Bolivarian Republic

23 states, Capital District and Federal Dependencies

### Political Structure

Bolivarian Republic, incorporated in a democratic, social State of law and justice

### Executive power

President of the Republic

### Legislative power

National Assembly

### Judiciary Power

Supreme Court of Justice

### Citizen Power

Republican Moral Council

### Electoral Power

National Electoral Council

## Market Opportunities

Venezuela's economy has been historically focused on the exportation of raw materials: mainly crude oil, but also natural gas as well as other derivatives. Through the income generated by these activities over the years, high-quality infrastructure was built, connecting the main cities with a complex system of highways, ports and airports, and providing power through large hydroelectric plants. However, the country suffered an economic contraction during the second decade of 21th century, reducing its oil production. This changed the political and commercial dynamic, given rise to new operating schemes.

As the Venezuelan economy regains a path of economic growth from 2021 onwards, there is an opportunity to fill the gaps created by the departure of traditional companies as well as for accessing sectors that had long remained restricted to the public sector. The country maintains a base infrastructure that can support the development of different business activities in line with some economic reforms, having an opportunity to capture early-mover advantage.

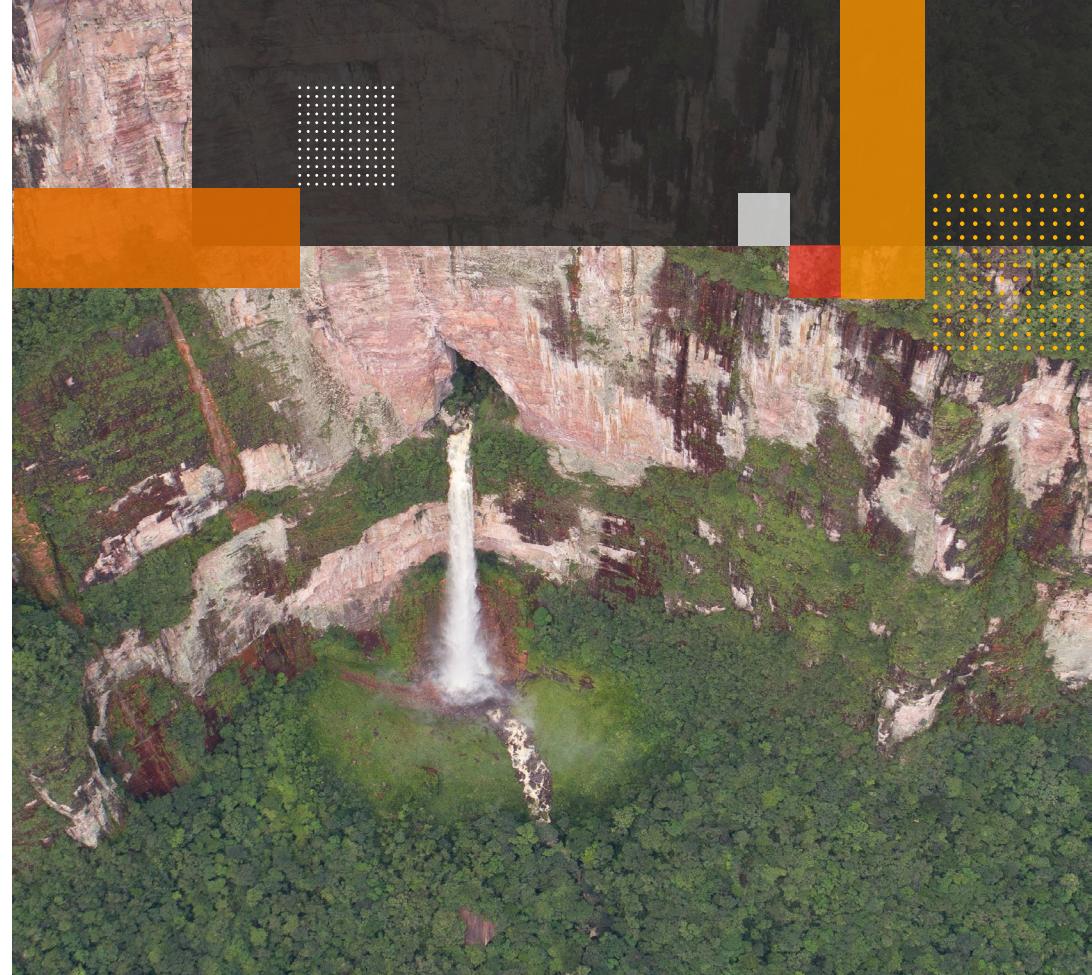
## Economic Growth Expectations

Venezuela has shown a slow but continuous recovery since 2021.

The lifting of some control schemes over the economy and the reorientation towards a more pragmatic vision of economic policies have fostered the reactivation of some productive sectors. Especially notable is the flexibilization of foreign exchange policy. Furthermore, geopolitical factors have led to an increase in oil income, which has a cascading effect on the rest of the economy.

Although it is still necessary to carry out structural reforms, there is a range of opportunities with long-term growth potential for businesses models that limit exposure to the inherent risk of operating in the country.

A set of challenges still prevail for the daily operations in the national market, such as the need to maintain a multi-currency operation and closely monitor the behavior of the inflation-devaluation pairing as well as the exchange rate dynamic. However, companies that continue to operate in a short - term strategy will fall behind those that have a clear long-term growth one.



The key aspects of the general change in expectations are the economic openness, the granted licenses over the US Sanctions (specially for the O&G sector), the encouragement of private economic activity and greater competition in a market with general gaps and needs. However, for 2025 the main factor of uncertainty is related to the continued validity of the licenses over US sanctions, considering the international policy changes under the US government.

## Gross Domestic Product (GDP)

During the first decade of the 21th century, the gross domestic product (GDP) suffered the biggest contraction in the history of the country. However, global institutions such as the IMF expect that in the next few years it will continue the path of growth, albeit facing several challenges, both external and internal, including economic policy decisions.

The space for economic growth created by the loosening of controls enables a rebound effect to take place in the coming years, as the opportunities created by market vacancies are taken up.

Given its nature as an oil producer, Venezuela's growth expectations are highly supported by the recovery of the O&G industry and by the scope of O&G licenses granted by the United States on the economic sanctions imposed over PDVSA since 2019. Some of these licenses authorize multinational companies as Chevron, Repsol, and Maurel & Prom, among others, for joint ventures with PDVSA for the production, sale and export of oil and gas into the international markets.

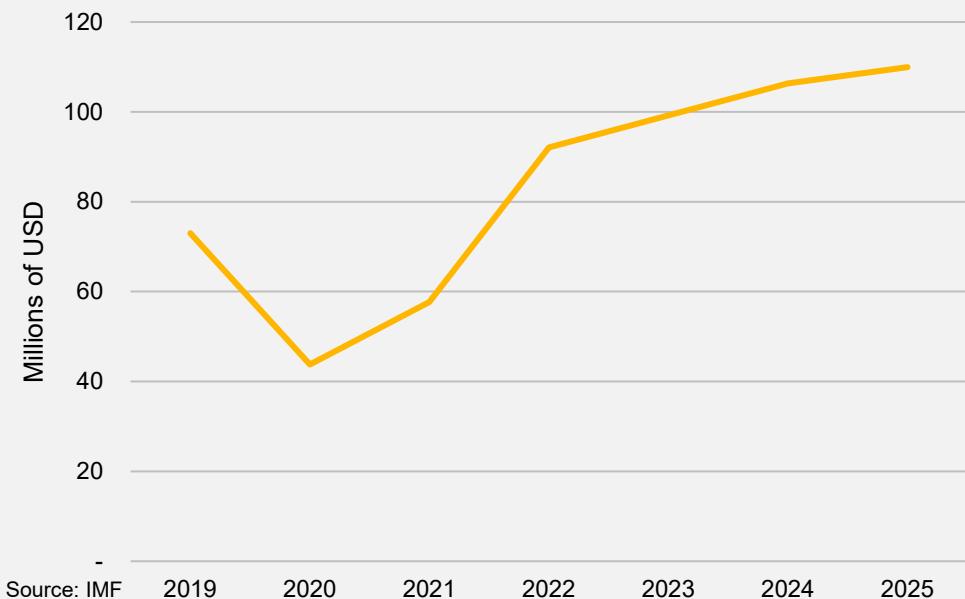
Although the operating model within the industry was efficiently consolidated and expanded throughout 2024, the licenses are granted for a limited period of time and automatically renewed. The expectation of its continued renewal during 2025 will depends on US foreign policy.

**Table 1: Economic Growth (%)**

	IMF	ECLAC / UN	UCAB
2022	8%	12%	7.2%
2023	4%	5%	4.6%
2024	4%	6.2%	4.0%
2025	3%	3.1%	--



**Chart 1: Economic Growth (MM USD)**



## Exchange Rate and Inflation

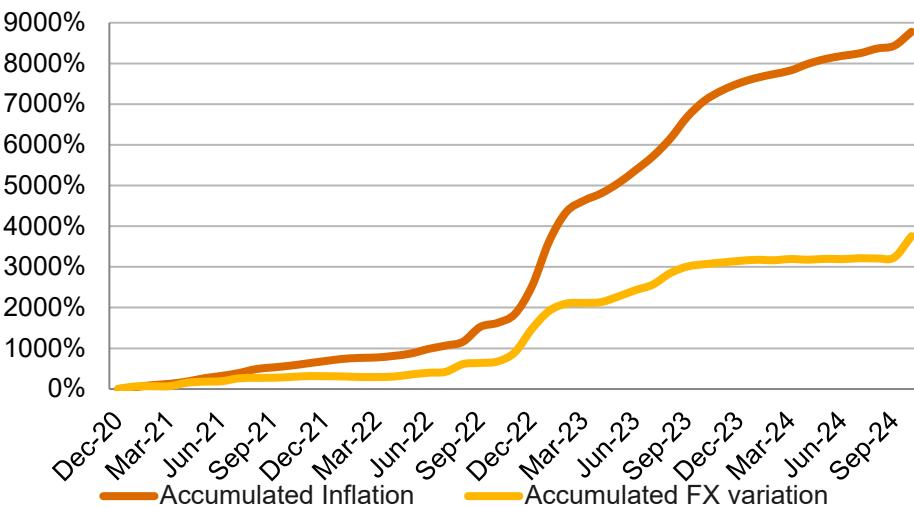
Venezuela has experienced long periods of inflation, reaching hyperinflation in 2018, after some years of crisis and contraction. Since 2021, the annual inflation rate has been reduced and the hyperinflationary cycle ended. During 2024, inflation was the lowest in the last 10 years.

The currency exchange market is governed by the Exchange Agreement No. 1 which provides for the free convertibility of the currency through authorized agents (public and private banks) and determination of the exchange rate from the balance between supply and demand for foreign exchange.

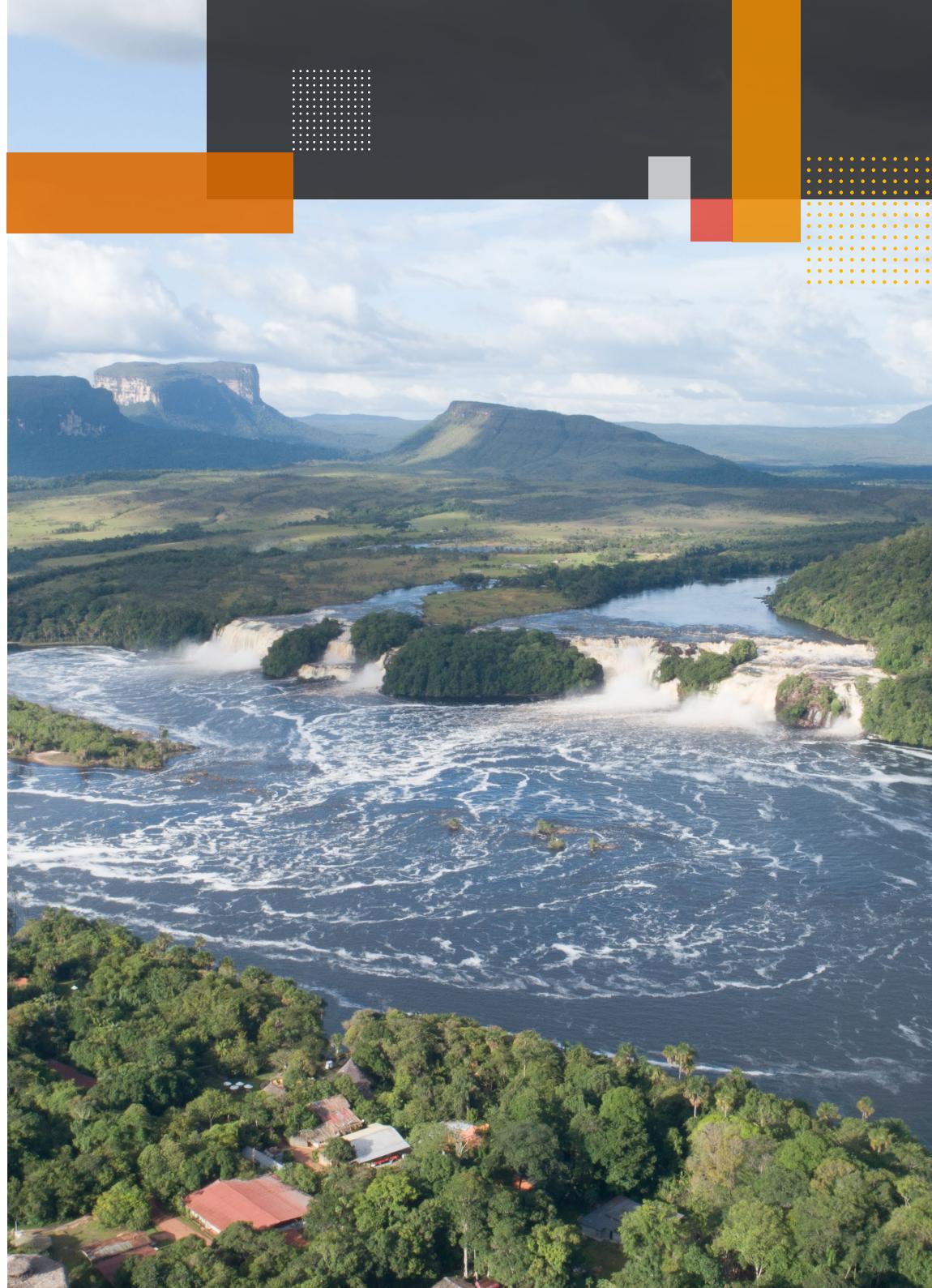
As of 2020 and onwards, the increase in prices has been greater than the growth in the exchange rate, generating an appreciation of the real exchange rate (ergo, more dollars are needed to acquire the same amount of goods), which is why foreign currency has lost purchasing power in the country.

It is important to constantly monitor these two variables' behavior (inflation and currency exchange rate) and how they affect the treasury and cash flow of companies. It is also important to monitor the liquidity of foreign currency in the exchange market, since the volume of foreign currency supply may be limited.

**Chart 2: Inflation and Exchange Rate Accumulated Variation 2020-2024**



Source: BCV



## Investment and Financing

In the current Venezuelan economic context, financing is a crucial factor to consider and one of the biggest obstacles to overcome. Even though some sources of financing have increased, access to corporate credit in Venezuela remains limited.

Bank credit, securities and stock market and foreign funds and investment are the three main paths to obtain financing in Venezuela. Access to financing is limited and competitive, but organizations that have the necessary corporate governance, financial and operational requirements will have an advantage over other companies when it comes to obtaining external financial resources that allow the growth and development of the company.

Venezuelan banking for December 2024 reports a gross credit portfolio of USD 2,37 Bn, which represents a 65% of growth in the last 12 months, according to the National Bank Superintendency (SUDEBAN).

Access to bank credit requires a series of legal, financial, and operational prerequisites to be analyzed by the banks, but in general these are only short-term loans for working capital requirements. The high legal reserve requirement established by the Central Bank as part of its monetary policy, limits the capacity of the Banking System to grant credits and reduces the total banking credit portfolio to approx. 2% of GDP despite the credit growth achieved.

The stock market, through its debt instruments, offers companies an alternative form of financing, with options in both Bolivars and foreign currency at short and medium-terms. To issue debt on these markets, companies must fulfill additional requirements related to corporate compliance. However, being an issuer on the Stock Exchange increases the credibility of the company, inspiring transparency and confidence in stakeholders.

With the appropriate advice, it is not hard to issue debt instruments in the stock market mainly for working capital requirements. However, the market is still shallow, with large growth potential. By December 2024, a total amount of USD 46 millions were traded on the Caracas Stock Exchange.

Finally, Venezuela has attracted the attention of international investors, both for capital and debt, thanks to its great capacity for development and the business opportunities that arise as the country overcomes the economic crisis. Investors from different sectors such as O&G, agriculture, alcohol, food, and automotive, have recently resumed or started equity investments within the country. It is through this type of private funds that the main means of accessing long-term financing is configured.

In summary, companies that operate in Venezuela must have a robust corporate, legal and financial governance that not only grants them advantages to obtain financing through banks or the stock market but also makes them attractive to new investors and/or shareholders thus allowing the growth of these companies.



## Foreign Investment

According to the Constitutional Law of Foreign Productive Investment, the constituent value of the foreign investment must be represented in assets that are one hundred percent (100%) in the country. Internal financing resorted to by foreign investors, for the establishment of their investments, may not exceed 15% of the total amount of the investment.

To obtain the registration of a foreign investment, the contributions must be constituted at the official exchange rate in force, for a minimum amount of 800,000 euros or 6,500,000 renminbi or its equivalent in another foreign currency. A minimum permanence of two (2) years from the time the investment is made is required. The responsible authorities may establish alternative minimum amounts under certain limitations.

Foreign investors will have the right to remit abroad up to 100% of the proven profits or dividends derived from their investment, provided that such investment is duly registered and restated in freely convertible foreign currency, and that the purpose of the investment has already been fulfilled.

In the same way, foreign investors may remit to the country of origin, totally or partially, the monetary income obtained from the sale within the country of their shares or investment, as well as the amounts resulting from the reduction of capital, provided that the requirements established in the Law have been complied with.

The governing body People's Power Ministry of Tourism and Foreign Trade oversees centralizing the Foreign Investment Registry.

Technology transfer agreements must be approved by the governing body by means of a contract registered with the aforementioned body, following the established procedures, requirements and conditions.

The Anti-Blockade Constitutional Law for National Development and the Guarantee of Human Rights enacted in 2020 establishes, among other actions, the creation of the International Center for Productive Investment, responsible for evaluating, approving and promoting productive projects as a strategy aimed at promoting investments and foreign trade.

With the purpose of promoting investments, the Law of Special Economic Zones, which provides tax, customs and other incentives for various sectors, such as industrial, technological, agri-food production, and financial and non-financial services was approved in 2022.

Venezuela has signed Bilateral Conventions for the Incentive and Reciprocal Protection of Investment with several countries (\* means ratification pending):

Argentina	Costa Rica	Palestine
Barbados	Cuba	Paraguay
Belarus	Czech Republic	Russia
Belgium-Luxembourg	Denmark	Spain
Brazil	Ecuador	Sweden
Canada	France	Switzerland
Chile	Germany	United Kingdom
China	Iran	Uruguay
Colombia*	Lituania	Vitenam

## Investment vehicles: Choice of entity

With regard to the corporate structure, investment and operation modalities that can be considered by national and foreign investors, mercantile legislation provides for forms of business organizations that can be evaluated for purposes of structuring, raising capital and expanding operations based on the particularities of the business or project.

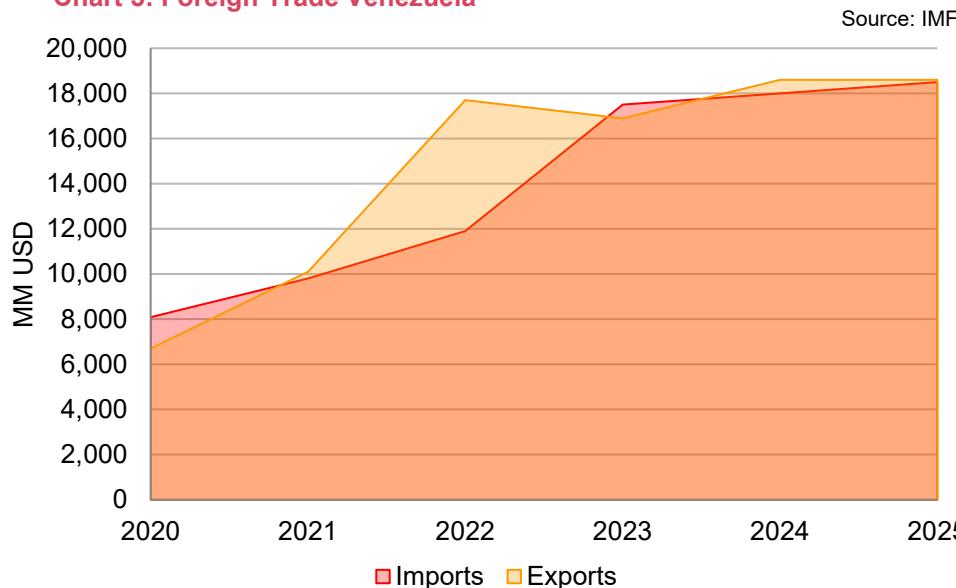
There are various forms of business entities in Venezuela which are useful vehicles for foreign investments:

- Corporation (Compañía Anónima or Sociedad Anónima)
- Limited Liability Company (Sociedad de Responsabilidad Limitada or SRL)
- Partnership (Sociedad en nombre colectivo)
- Limited Partnership (Sociedad en comandita)
- Consortia
- Joint venture contracts (Contrato de cuentas en participación)
- Branches of foreign companies.

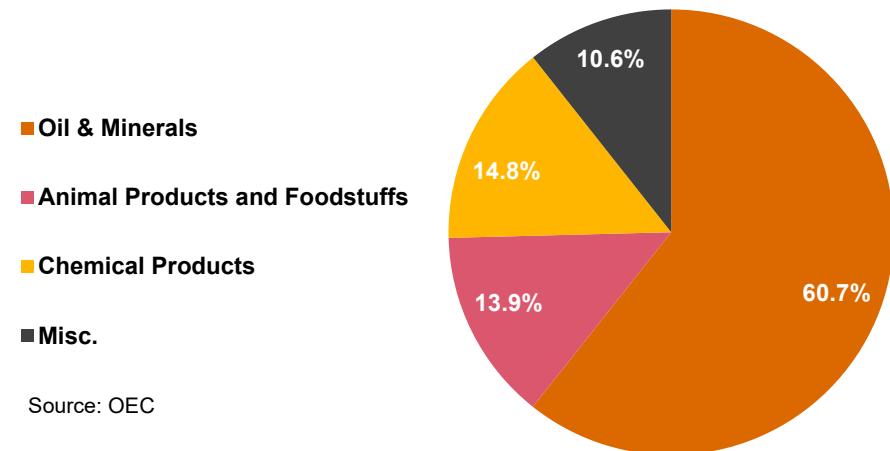
## Foreign Trade

The lifting of some central controls in the Venezuelan economy created an operating space that allowed an initial growth powered by the private sector (mainly through the tertiary sector of the economy), but a set of deeper reforms are needed to promote the increase of value-added activities, production and sustained development.

**Chart 3: Foreign Trade Venezuela**



**Chart 4: 2022 Annual Exports**



The productive sectors with export capacity are oil, mining, animal and food products and chemical products, which together capture 89% of total exports for the year 2022 with a value of USD 6.7 billion. It is expected that in 2025 exports will reach USD 18.6 billion. Venezuela's main export destinations are United States, China and Spain (according to the OEC).

A fundamental determinant of foreign trade for Venezuela is the oil sector, since it makes up the vast majority of its exports and income. It is oil income that largely finances imports into the country. Although this is the most developed export, there are still opportunities in other sectors due to the advantages offered by the country's geographical position, climate and soil conditions. Smaller markets, such as those for food and animal products, chemical products, and spirits, have nevertheless shown promising growth in the past few years.

Due to its geographical position, natural resources, infrastructure and human capital, in Venezuela there is a great diversity of sectors with potential for economic growth that have not been exploited due to the economic context to which they have been subjected to over the past few years. But with the change in landscape, the doors are open to the entry of financial and non-financial resources to generate value through sectors such as agribusiness, tourism, mining, power generation, among others, that were historically overshadowed by the oil sector.

## Corporate Taxation

In Venezuela there are three main territorial levels with taxing powers: Republic, States and Municipalities and the Capital District. Most of the taxing powers are granted to the National (Federal) government. States and Municipalities have been granted limited and specific powers.

Federal taxes are collected and controlled by the National Integrated Customs and Tax Administration Service (SENIAT). States and Municipalities collect and control taxes separately via the corresponding authorities.

Corporate contributions are collected by separately designated authorities.

- **Corporate Income tax**

Corporations resident in Venezuela are subject to corporate income tax (CIT) on their Venezuelan and foreign-source income, whereas corporations resident abroad with a permanent establishment (PE) in Venezuela are levied CIT only on their Venezuelan and foreign-source income attributable to said PE.

Corporations are able to claim any similar taxes paid abroad on foreign source income as a tax credit. Non-resident corporations without a PE are subject to CIT only on Venezuela-source income.

- **Value Added Tax (VAT)**

Federal VAT, is a one-time tax payable by the ultimate consumer of all types of products and services. In general, VAT is payable on all sales, rental, and importation of goods, and rendering of services executed or used in the country, although a number of significant exceptions are provided by law. The rate may change every year, within the range of 8% to 16.5%. The current general rate is 16%. An additional 15% VAT applies to the sale and imports of luxury products.

## Applicable CIT rates

Rate
15%   22%   34%
50%
15%   22%   34%
60%
4,95%
10%
40%
General rate: 34% Hydrocarbon and associated activities: 50% Mining activities and royalties: 60%

- **High Net Wealth Tax**

The high net wealth tax applies to the net worth of taxpayers qualified as Special Taxpayers (ST) by the tax authorities. The tax shall be determined on an annual basis on the sum of the total assets' value less liabilities and excluding the value of burdens and encumbrances, as well as tax-exempt assets and rights. Individual and corporate ST are subject to tax when their worth is equal to or higher than one hundred fifty million Tax Units (TU) (VES 1,350\* million, approx. USD 25.9 million\*\*). The current applicable rate is 0.25%.

- **Custom Duties**

As a general rule, the importation of goods into Venezuela is subject to customs duties. These duties are generally levied on the cost, insurance, and freight (CIF) value of the product being imported, excluding VAT. Custom duty rates generally range from 5% to 35%. The duty rates vary depending on the product involved.

\* Based on the current TU value of VES 9

\*\*Estimated at the official exchange rate of December 31, 2024 (VES 52,0271 per USD).

- **Tax on Large Financial Transactions (TLFT)**

The TLFT is applicable, among other transactions to debits made in bank accounts or any other deposits held in financial entities, settlement of obligations out of the financial system and cross border payments. This tax applies mainly to Special taxpayers (ST) and their related parties. In addition, in some cases, ST must collect the tax from other payers as well. The applicable rates are 0% and 3%, depending on the currency and type of transactions.

- **Gift tax**

The Inheritance and Donations Tax Law stipulates the taxes attributable to inheritances left by individuals and provides regulation about donations, which are significant to corporations. A progressive rate of up to 55% applies to the beneficiaries of gifts in the form of movable or real property, rights, or shares located in the country. Forms of presumed donations include debt forgiveness and transfer of goods when the price does not reflect the real value of the property being transferred.

- **Municipalities taxing powers**

Business license tax: Companies and business entities are subject to municipal tax on gross income from industrial or trade activities carried on in the municipality during the fiscal year. The rates range depending on the activity and the municipality.

Other municipal taxes include urban property tax, taxes on commercial advertisement, vehicles and legal gaming, among others.

- **States taxing powers**

States can create and collect stamp duties which vary in accordance with the type of transaction and the jurisdiction.

- **Coordination and harmonization of taxing powers of states and municipalities**

Regulations aimed at harmonizing taxing powers among states and municipalities and optimizing some tax and control processes have been issued in August 2023. States and Municipalities were granted a period to adapt their current tax instruments according to the landmark regulations.

- **Registry and notaries tax**

This transactional tax has been enforced by a landmark Law which provides for the Petro (the Venezuela state cryptocurrency) as the reference value to set forth the maximum amounts of payments for some services, such as:

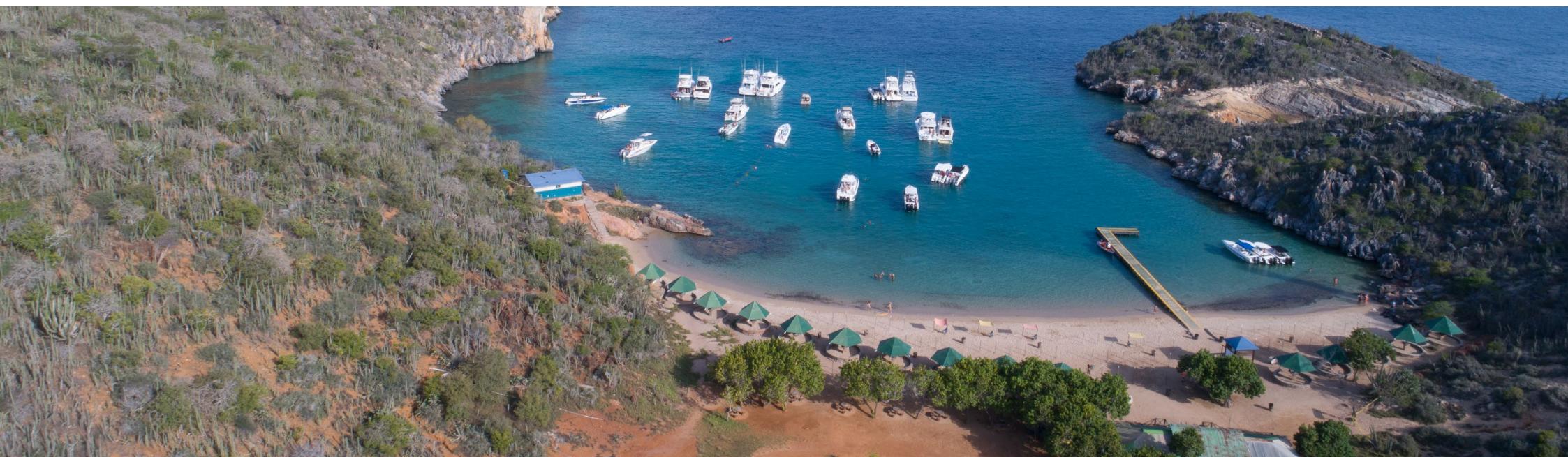
- i. authorization,
- ii. fees for the provision of services by the Autonomous Service of Registries and Notaries (SAREN) and the offices of Principal Registries and Public Registries, and
- iii. processing rights.

- **Corporate contributions**

	Rate and taxable basis
Science, Technology and Innovation Contribution	Applicable to gross income General rate: 0.50% Hydrocarbon or mining activities: 1% Bingos and casinos, alcoholic drinks and tobacco: 2%
Anti-drugs contribution	Applicable to operating profit General rate: 1% Manufacture or import of alcohol beverages, tobacco, or their mixtures: 2%
Contribution provided in the Master Law on Sports, Physical Activity and Physical Education	Applicable to annual net or accounting profit general rate: 1%
Special contribution for the protection of pensions	9% of total payments to workers for salaries and non-salary bonuses
Monthly contribution applicable to private legal bodies and partnerships, including irregular or de facto ones, whether or not domiciled in the Bolivarian Republic of Venezuela, which carry out economic activities in the national territory	

• Payroll taxes	Employer's contribution	Employee's contribution
Social Security	From 9% to 11% of normal salary depending on risk qualification of the employer	4% of normal salary
Employment benefit Regime Contribution	2% of normal salary	0.5% of normal salary
Housing Policy contribution	2% of total or integral salary	1% of total or integral salary
Contribution to the National Institute for Socialist Training and Education (INCES)	2% of total salaries	0.5% of the annual profit sharing bonus

• Excise taxes	Activity and applicable tax
Alcohol and alcoholic beverages	<ul style="list-style-type: none"> <li>• Tax on the national production and importation of alcohol and alcoholic beverages on the basis of TU per litre and depending on the type of product</li> <li>• Additional excise tax per litre for national and imported beer and for other alcoholic beverages levied on the sale of those products to the public. Also provided on the basis of TU per litre and depending on the type of product</li> <li>• Excise tax imposed on the importation or local sale of national and imported alcoholic beverages to the public, which is levied on the sales price and provided on the basis of a percentage on the price of sale to the public depending on the type of product, as follows: 15% for beer, 35% for natural wines, and 50% for other beverages up to 50 grade on the Gay-Lussac scale.</li> </ul>
Cigarettes and manufacturing of tobacco	Applicable to the imports and national production of cigarettes and tobacco, fine cuts, and other tobacco derivatives to be consumed in Venezuela. 70% proportional tax is levied on the retail price of cigarettes, tobacco, and its derivatives.



- **Other taxes and contributions by activity**

Activity	Applicable tax
Regulations on telecommunications activities	<ul style="list-style-type: none"> <li>• Tax on telecommunication activities: i) 1% on gross income from sound and television broadcasting; ii) 2.3% on gross income from other telecommunications activities; iii) 0.5% on the amount billed or collected for supply of satellite capacity</li> <li>• Contribution to the National telecommunications Commission (CONATEL): i) 0.5% special contribution on gross income generated from telecommunications activities; ii) annual maximum contribution of 0.5% on gross revenues for user of the radio electrical spectrum. A maximum of 0.2% for users engaged in rendering sound and television broadcasting services</li> <li>• Contribution to the Universal Service Fund: 1% on gross revenues for telecommunications services providers, except sound and television broadcasters</li> <li>• Contribution to the Telecommunications Research and Development Fund (FIDETEL): 0.5% on gross revenues for telecommunication services providers, except sound and television broadcasters</li> <li>• Social responsibility in radio, television and electronic means: 4% of gross revenues for suppliers of sound and television broadcasting</li> </ul>
Regulations on oil activities according to the Master Hydrocarbons Law	<ul style="list-style-type: none"> <li>• Royalties: 30% of the volume of hydrocarbons extracted</li> <li>• Surface tax: TU 100 for each square kilometre or portion of a square kilometre for every elapsed year of surface area granted that is not under development. This will increase annually by 2% during the first five years and 5% during the following years</li> <li>• Own consumption tax: 10% of the value of each cubic meter of hydrocarbon by-products produced and consumed as fuel in wholly-owned operations, based on the price of the end consumer</li> <li>• General consumption tax: Between 30% and 50% of the final consumer price for each litre of derivative product sold in the domestic market</li> <li>• Extraction tax: One third of the value of liquid hydrocarbons extracted</li> <li>• Export registry tax: 0.1% of the value of exported hydrocarbons</li> </ul>
Special contributions for oil companies (Windfall tax)	<ul style="list-style-type: none"> <li>• Contribution on extraordinary oil prices: 20% tax on the difference in price when the internationally quoted price per barrel exceeds the budgeted price per barrel (for purposes of the Venezuelan Annual Budget Law), provided that the quoted price per barrel is equivalent or lower than USD 80 per barrel (i.e. the maximum basis is the difference between USD 80 per barrel and the budgeted price for a given tax year)</li> <li>• Contribution on exorbitant oil prices <ul style="list-style-type: none"> <li>i. 80% tax on income generated by quoted oil prices between USD 80 and USD 100 per barrel (i.e. 80% on the range from USD 80 to USD 100 quoted price per barrel)</li> <li>ii. 90% tax on the difference in the quoted oil prices between USD 100 and USD 110 per barrel.</li> <li>iii. 95% tax on the difference over the threshold of USD 110 per barrel.</li> </ul> </li> </ul>
Regulations on gas activities According to the Gaseous Hydrocarbons Law	<ul style="list-style-type: none"> <li>• Royalties: 20% of the volume of gaseous hydrocarbons extracted from any deposit and not re-injected.</li> </ul>

## International Tax Matters

Domestic income tax legislation provide for international provisions that must be considered for purposes of foreign investments and cross border transactions:

- Taxation of foreign persons carrying out transactions in the country through a permanent establishment (PE) on profits connected to such taxable presence
- Worldwide taxation for tax resident persons and application of foreign tax credit to mitigate double taxation
- International fiscal transparency applicable to income from investments on Low Taxed Jurisdictions
- Transfer pricing regime based on arm's length standards
- Thin capitalization rules that limit the deduction of interest from debt with related parties in excess of a 1:1 debt-to-equity ratio plus a subjective test

Venezuela is not a member of the OECD / G20 Inclusive Framework taking measures pursuant to the Benefits Erosion and Profits Shifting (BEPS) Plan and the OECD Pillars I and II initiatives, therefore, none of these actions has been implemented to date.

## Tax treaties

The benefits of the treaties to avoid double taxation entered into between Venezuela and other countries will only be applicable when the taxpayer shows, at any given time, that it is a resident of the country in question, and the provisions established in the respective treaty are complied with.

There are currently comprehensive treaties for the avoidance of double taxation with the following countries:

Austria	Denmark	Malaysia	Sweden
Barbados	France	Netherlands	Switzerland
Belarus	Germany	Norway	Trinidad and Tobago
Belgium	Indonesia	Portugal	Turkey
Brazil	Iran	Qatar	United Arab Emirates
Canada	Italy	Russia	United Kingdom
China	Korea	Saudi Arabia	United States of America
Czech Republic	Kuwait	Spain	Vietnam





## Labor Regulation

Venezuelan workers and employees are granted benefits and protections, including maximum work weeks, minimum wage requirement, the right to unionize, and numerous fringe benefits. The provisions of this Law are public in nature, that is, they cannot be waived and their effect may not be lessened by means of individual agreements. Moreover, the scope of these provisions is territorial, i.e., they are applicable to both Venezuelans and foreigners with regard to the work executed in the country.

The Law establishes the conditions and minimum benefits to be conferred to employees. No labor agreement may offer benefits which lie below the minimum conditions set forth in the Law. Nonetheless, collective or individual labor contracts may establish more favorable conditions for employees.

The labor system in Venezuela is governed by the principle of the primacy of reality, which has been extensively developed by the National Constitution.

The risks of non-compliance with labor regulations can seriously affect labor relations, finances and corporate reputation, so early legal advice is essential to identify labor legal risks, timely compliance with employer, occupational health and safety obligations, implement policies that minimize the impact of potential risks on the company and its employees.

Foreign nationals who aim to develop commercial, profitable and business activities in Venezuela do require a business transient visa issued in a Venezuelan consulate office located overseas. This kind of visa does not allow the expatriate to work in Venezuela. Its expiration time is up to one year, with a stay time up to 180 calendar days with multiple entries and departures.

## Price & Profit Regulation

Commercial activity must comply with the profit margins rules established for the determination of prices of goods and services. All this within the regulatory framework established through the Law on Fair Prices and the Administrative Ruling 070/2015, which establishes three categories for pricing products: (i) Maximum Selling Price of the Manufacturer or Importer and (ii) Maximum Retail Price; (iii) Fair Price, determined and set by the National Superintendence for the Defense of Socioeconomic Rights.

## Radio and Telecommunication Regulation

The National government is responsible for the entire telecommunications and radioelectric spectrum regime. An administrative authorization, concession or license is required to provide services through exploitation of telecommunications networks.

## Oil & Gas Regulations

The oil and gas fields in the country are state-owned. The National Public Power (not the State or Municipal Public Power) is responsible for the production, value added and administration of oil and gas fields. All activities related to the commercialization of fossil fuels is regulated by the Hydrocarbons Law.

The operation, management, refining, industrialization and, in general, the commercialization of fossil fuels is regulated in the Hydrocarbons Law, which defines "primary activities" as those related to the exploration in search of fossil fuel deposits, the extraction of such deposits in their natural state, their collection, transportation and initial storage.

Companies engaged in primary oil activities are "operating companies", which require authorization from the State to carry out their activities, restricted to the State. The execution of said activities may be carried out either directly by the National Executive or through companies of its exclusive property. It may also do so through companies where the State has control of its decisions by maintaining a participation of more than 50% of the capital stock through the "joint venture corporations", whereas the private equity share has to be lower than the State's.



The incorporation of such joint venture corporations and the conditions governing the performance of primary activities will require the prior approval of the National Assembly.

The activities related to the distillation, purification and transformation of natural fossil fuels carried out for the purpose of adding value to such substances and the commercialization of the products obtained, comprise refining and commercialization activities and may be carried out by the State and private parties, jointly or separately.

For gas related activities, the performance of exploration and exploitation activities requires obtaining a license. Such license confers the right to carry out exploration and exploitation activities as well as the activities inherent to the project to which such hydrocarbons are destined, without prejudice to the registration of the project. Activities are not reserved to the State neither a minimum ownership or control on ventures with private companies is required.

## Corporate Governance

Business activities will face periodic control and supervision, and some sectors must have an authorization from a public institution to start operating. There are different government bodies enacted to prevent and avoid fraudulent practices, money laundering, misuse of chemical and hazardous materials, proper handling of food and environment care, among other subjects.

The due diligence within the life of a business is crucial and it goes from the required standards to open business, the filing of the board updates, the tax ID information updates, to the annual report to be submitted before the Mercantile registry where the company is incorporated.

The timely application of corporate governance rules can prevent risks, sanctions and debarment by government agencies. These rules were developed mainly in administrative rulings and regulations (Special Laws). Some control and supervisory entities such as the one in charge of the banking and financial system (SUDEBAN), insurance and reinsurance (SUDEASEG), and securities market (SUNAVAL) sectors, among others, have unified their own rules for each of the regulated subjects.

The main sectors that have developed and applied corporate governance practices are banking, finance, insurance, reinsurance and the securities market to avoid the risks of corruption, money laundering, among others, through current legislation.

## Sustainability

The adoption of sustainable practices with focus on environmental, social and good corporate governance standards pursues the generation of increasingly sustainable and reliable companies. Issues such as the effects of climate change, the proclamation of equality and social inclusion, and ethical and corruption-free business activities must be taken into account to guide organizations towards a future based on transparency and sustainability.

The incorporation of sustainability criteria into the corporate culture, through a strategy adapted to its reality, results in the generation of financial and reputational benefits.

An organization that rethinks the way in which it meets its value proposition may come to identify new opportunities to reduce its operating costs and increase its international competitiveness. Companies can achieve this by improving water management, innovating in the use of waste and opting for the use of clean energy.



Simultaneously, sustainability initiatives allow companies to reduce or eliminate legal and reputational risks. If a tax on carbon emissions is approved, those organizations that have reduced their carbon footprint preemptively would have a competitive advantage over competitors that act reactively and those that proactively identify and eliminate human rights violations in their supply chain do not have why fear a scandal.

Combating environmental and social impacts attracts the best talent and increases the sense of belonging and the productivity of workers. On the commercial side, consumers increasingly reject companies that do not share their values and are loyal to brands that operate responsibly.

When setting up a company in Venezuela, it is essential to develop good corporate governance, since it protects the rights of shareholders, supervises compliance with local and international regulations, and allows easier access to financing.

Good corporate governance is a differentiating factor in the competitive bank credit market, and a requirement in the stock market, which is one of the main sources of financing in Venezuela.

For an investor, it is also important to assess the sustainable performance of their potential investments. In this way, you can ensure that the company is not involved in practices that create unexpected reputational, legal or operational risks. Good corporate governance is essential to ensure that you can effectively exercise your rights as a shareholder.

Considering the awareness of sustainability as corporate strategy and the international reporting standards implemented to date, the Venezuela Federation of Chambers of Public Accountants (FCCPV) have issued Framework Agreement for the Issuance and Application of Venezuelan Standards on Disclosures of Sustainability Information (VEN-NS0). The aforesaid network regulates the process of issuing the compliance framework that Venezuelan entities not subject to the control of a regulatory body must use to disclose information on sustainability.

# PwC Venezuela | Our Services



## Contact Us

Our multidisciplinary team has extensive experience in helping companies to understand their best alternatives and priorities to consider the Venezuelan market



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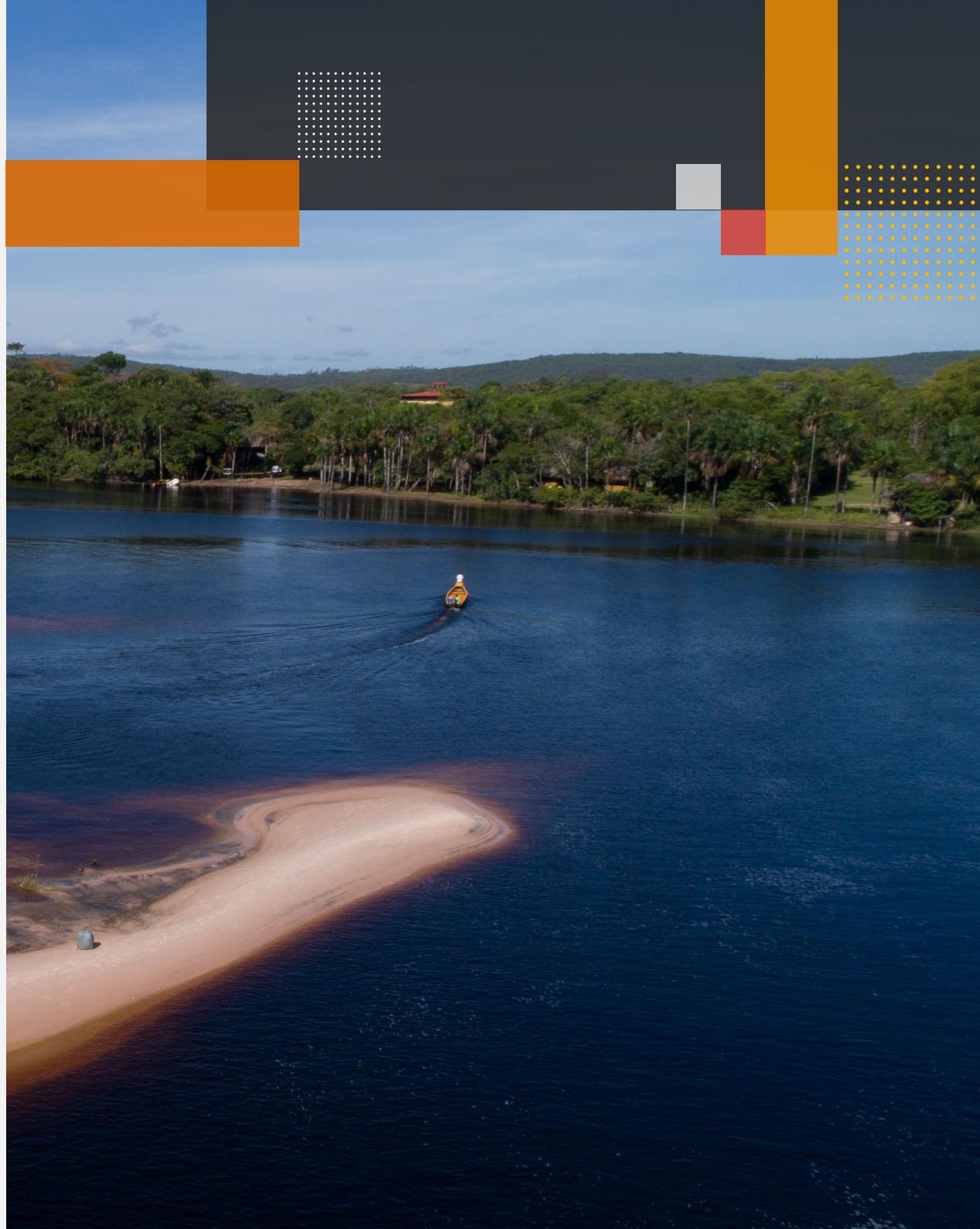
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