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Country Profile: Venezuela

The Facts

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| Location | Northern South America, bordering the Caribbean Sea and the North Atlantic Ocean, between Colombia and Guyana |
| Languages | Official – Spanish Spoken – numerous indigenous dialects |
| Nationality | Venezuelan |
| Religions | Roman Catholic – 96% Protestant – 2% Other – 2% |
| Government | Federal Republic |
| Head of Government | President |
| Legislature | Unicameral National Assembly |
| Constitutional Document | The Constitution of the Bolivarian Republic of Venezuela |
| Economy | The economy of Venezuela is largely based on the petroleum sector and manufacturing. Revenue from petroleum exports accounts for more than 50% of the country's GDP and roughly 95% of total exports. Venezuela is the fifth largest member of OPEC by oil production. Major industries include petroleum, construction materials, food processing, iron ore mining, steel, aluminum; motor vehicle assembly, real state, tourism and ecotourism, etc. |
| Currency | Venezuelan Bolívar (VEF) |
| GDP (2012) | Total – VEF 1,640.33 billion Per capita – VEF 55,573 Real GDP growth – 5.7% |
| Population | 28,459,100 (approx.) |
| Percentage of population | Mestizo – 68% European – 21% Blacks – 9% Amerindian and others – 2% |
| Area | 912,050 km ² |
| Time zone | VET (UTC-4.30) |
| Public Holidays | 11 |
| Climate | Tropical; hot, humid; more moderate in highlands |



Sources: Central Intelligence Agency, International Monetary Fund, Encyclopedia of the Nations, Wikipedia

Venezuela

The Venezuelan economy is based principally on the exploitation of oil and its derivatives. During the last decades there has been a move towards diversification through exporting minerals such as iron, aluminum, coal, cement, and non-traditional products, such as petrochemicals, manufactured steel products, and others. Until the beginning of the 1980's Venezuela enjoyed a high income from foreign oil sales, which allowed the state to constantly raise spending without increasing internal taxation, and people enjoyed a high standard of living with a very noticeable improvement in health and educational services. Domestic industries were developed in order to reduce dependence on imports. Important road, irrigation and hydro-electric infrastructures were built and large public companies were formed. Since 1998 the economic improvements have been highly noticeable, with a focus on the nationalization of companies in key industries of paramount importance for national sustainable development and the promotion and inducement of foreign direct investment in industries such as oil, petrochemicals, gold mining, diamonds, coal, nickel, forestry, tourism, and other sectors.

The Venezuela Business Climate

The Bolivarian Republic of Venezuela has a number of advantages that make it an attractive destination for investment:

- **Valuable natural resources:** Venezuela has abundant natural resources of oil, gas, electricity, gold, bauxite, iron and other non-metallic minerals. It is a very dynamic and modern market with high purchasing power, in addition to a solvent and secure economic framework due to the payment ability of its government. It is a country open to other markets in the Hemisphere, and for that reason also has preferential access to them. A legal framework favorable to investment supports all these features.
- **Strategic location:** Venezuela enjoys a privileged location in the northeast of South America, giving it an opportune access to the Great Basin of the Caribbean and Latin America, and an advantageous connection point to the East Coast of the United States and Europe. Its proximity to the equator gives it a tropical climate with two seasons (wet and dry) and average temperatures of 25.5° C or 78° F.
- **Rapid development of oil related industries:** Venezuela is an oil producing country of great importance worldwide. In the last five years, resources from oil exports generate sufficient revenues to sustain the economic growth of the country. It is the sixth country in reserves of light crude in the world, and first in heavy oil reserves. Its proven reserves are estimated at 147 trillion cubic feet of natural gas, 15 billion metric tons (MT) of iron, more than 8 billion MT of coal reserves and accessible deposits of bauxite, phosphate, zinc, copper, gold and diamonds. It also has 40,000 km² of arable land.
- **Qualified labor force:** Venezuela has one of the most qualified workforces in the region, formed in the great numbers of colleges spread all along the country. Additionally, the government has implemented a series of programs called 'missions' that have reduced the illiteracy rate while adding the historically poor populations to formal educational opportunities at primary, secondary, university, and technical levels of training.
- **Business-friendly policies and environment:** The treatment policy of private investment in Venezuela is based on equal treatment and legal guarantees for domestic and foreign investors. The 1999 Constitution conceives the private investment as a development tool, while expressly stipulates guarantees of property rights; favoring alternative dispute resolution, including arbitration, conciliation and mediation. Venezuela also has significant comparative advantages for future investment that will contribute to the endogenous development such as: Technology, Information and Communication, Food, Mining and Metallurgy, Chemical and Petrochemical, Oil and Gas, Tourism and real estate.
- **Fine infrastructure and connectivity:** Venezuela has 11 international and 36 domestic airports, with the major one in Caracas processing 90 percent of international flights, 84 percent of air cargo, and 40 percent of domestic passengers. The country has a complete and well-paved road and motorway network; of more than 86,000 km (30,000 km are paved).



- **Agribusiness sector investment:** A variety of permanent and semi-permanent annual crops, which heavily depend on weather conditions and the features of their soils, characterizes the National agriculture. Different production systems that range from subsistence farming, and semi-commercial to large-scale plantations for the agribusiness sector express the various Venezuelan agricultural resources. The agricultural area is 21,690 thousand ha, of which 2,650 thousand are tillage land, 800 thousand are permanent crops, and the remainder (18,240) to permanent pasture. The later are used for livestock production and plantations, primarily herbaceous. In recent years, thanks to improved irrigation systems, fertilization and pest control, there have been many modern mechanized annual crops.

Setting up a Business in Venezuela

Below is a detailed summary of the bureaucratic and legal hurdles faced by entrepreneurs wishing to incorporate and register a new firm in Venezuela, RB. It examines the procedures, time and cost involved in launching a commercial or industrial firm with up to 50 employees and start-up capital of 10 times the economy's per-capita gross national income:

- **Reserve company name:** To reserve a company name, founders must buy the name search form (busqueda de la denominación) at the Registro Mercantil.
- **Obtain an approval of the company name:** After reserving the company name, the applicant must pay the cited fee at a bank and return to the Registry 3 days later to show the bank deposit slip and obtain the company name approval.
- **Lawyer must prepare and legalize the company's constitutive documents and social statutes:** Legal assessment is required in the procurement of the company incorporation documents; the assessment must follow all formalities cited in Articles 211 to 215 of the Code of Commerce. The average cost for this procedure would be between VEF 5,000 and VEF 8,000.
- **Open bank account:** The Mercantile Registry requires evidence of a bank account. Although founders commonly deposit 20% of declared capital, there is no minimum amount; by law, the Registrar determines the required amount.
- **Register at the local mercantile registry (Registro Mercantil):** Founders must register with the local mercantile registry. This procedure must be done within 30 days of name reservation. The employer must fill out and submit a registration (derechos registrales) form. The company registration and incorporation fees are linked to a measure called the tax unit (UT), which the government updates at least once a year. The UT was increased from VEF 65 in February 2010 to VEF 76 in February 2011. Fee schedule for company registration and incorporation:
 1. 1% of the total subscribed capital
 2. 2 UT fixed rate plus 0.1 UT per page.
 3. 5 UT fixed rate for fiscal rights plus 0.1 UT per page
 4. 0.02 UT fiscal stamps per page of the original document
 5. 0.02 UT fiscal stamps per page/per copy for the Registry
 6. 0.02 UT fiscal stamps per page/per certified copy for the company
- **Register company books:** Companies must purchase the books and register corporate books (Shareholders' Book, Shareholders' Meeting Minutes Book and, if applicable, Board of Directors Minutes Book) and accounting books (Inventory Book, Daily Book and Ledger).
- **Register at the local Servicio Nacional Integrado de Administración Aduanera y Tributaria (SENIAT) with Registro Unico de Información Fiscal (RIF) to obtain fiscal number:** SENIAT is the National integrated service of customs and tax administration and RIF is the Fiscal Registry. The Company must file an electronic form which is downloaded from SENIAT's Web page (www.seniat.gov.ve). Such form must be filed along with the required documentation. SENIAT now also requires that Company's shareholders, directors and legal representative must be registered with the RIF prior to obtaining the Company's RIF.



- Obtain tax clearance certificate at municipal level (Instituto Municipal de Aseo Urbano): VEF 20 charge.

Types of Business Structures in Venezuela

Every company must be registered in the Mercantile Register and will be subordinated in the case of financial institutions, to the Superintendence of Banks and Insurance. These institutions control and supervise business operations according to the Venezuelan Law. The main business structures used in Venezuela are:

- **Share Capital Corporation (Compañía Anonima ñ C.A.) (Sociedad Anonima ñ S.A.):** Liability is guaranteed by a pre-determined share capital. Shareholders are liable up to the amount of their shares. They are share capital corporations.
- **Limited Liability Partnership (LLP) (Sociedad de Responsabilidad Limitada ñ S.R.L.):** Liability is guaranteed by a pre-determined capital divided into contributing capital quotas not represented by shares of stock or negotiable papers. This form of association includes principles of share corporations and partnerships. Partners are liable up to the amount of their respective capital contributions. Transfer of participation is subject
 - to unanimous approval of partners
- **Limited Liability Co. (LLC) (Compañía en comandita. Simple o por acciones):** One or more partners are jointly and individually fully liable and liability is limited to a pre-determined amount of one or more partners. Capital may be divided in shares of stock.
- **General Partnership (Compañía en n nombre colectivo):** Partnerships in Venezuela are civil organizations that usually associate professionals for the purpose of rendering a professional service, such as accountants, lawyers, architects, etc. Partnerships are organized in the same manner as corporations, and may have any number of partners. Partners are jointly responsible for the partnership's operations and have unlimited personal liability. Except for the recognition of income for tax purposes, in which case partnerships compute using the cash method rather than the accrual method, taxes are paid in the same manner as any form of corporation.
- **Branch:** A foreign corporation may establish a Venezuelan branch, which has to be incorporated in a similar manner as a domestic corporation. Branches also compute income tax in the same manner as corporations in Venezuela, and are entitled to deduct expenses incurred both abroad and in the country, provided that the adequate supporting documentation is obtained. 15% to 34% and, if adequately supported, are deductible for income tax purposes. The percentage of withholding taxes on payments made abroad may vary depending on the tax treaties entered into with different countries.

Taxation

Venezuelan resident or domiciled companies are subject to profit tax on their worldwide income. Non-resident or non-domiciled companies are subject to corporation tax only on Venezuelan-sourced income even when do not have permanent establishment or a fixed base in Venezuela. Foreign resident or domiciled companies who have a permanent establishment or fixed base in the country will exclusively pay taxes by the income of national or foreign source attributable to this permanent establishment or fixed base. Tax is imposed on a current year basis. The tax year adopted is generally that specified in a company's statutory documents with the standard year being a calendar year. However, it should be noted that other periods are also allowed, including periods of 12 months or less. Final tax is payable when lodging the final corporation tax return, usually required within three months of the end of the accounting period.

There is no separate or distinct tax on capital gains. However, capital gains and/or losses from the sale of assets belonging to companies that are situated or located in Venezuela are included in the calculation of the income for the purposes of determining the tax liability of companies (income tax). Under the law, a flat tax of 34% is established for dividends arising from the excess of the dividend payer's net income (on which dividends were declared) over its taxable net income (taxed fiscal net income). Dividends received from companies incorporated and domiciled abroad or incorporated abroad and domiciled in Venezuela are excluded from net income as contemplated in the law but tax paid on such dividends may be applied outside Venezuelan territory.

The VAT is applicable to the transfer of chattels, the rendering of services and the importation of goods, as specified in the law and is applicable throughout the entire Venezuelan territory (the Free Port of the State of Nueva Esparta, Paraguaná Peninsula in the State of Falcón and in the Cultural Scientific and Technological Tax Free zone in the State of Mérida, will be exempt from VAT). It will be paid by individuals and corporations, unincorporated or de facto companies, joint ventures and other public or private legal or economic entities, in their capacity as importers of goods, habitual or not. It will also be paid by manufacturers, producers, assembly plants, independent merchants and service providers who engage in activities that are defined by the law as taxable acts. Certain imports of goods and services are exempt from tax. Exporters who are regular taxpayers are entitled to recover the tax paid upon the purchase of tangible chattels or receipt of services related to their export activities. This also applies in the case of chattels imported for export. The VAT amount accruing is determined by taxation periods of one calendar month, subtracting the aggregate tax credit amounts from the respective aggregate tax debit amount. The result is the VAT to be paid. The standard rate, currently 12%, is charged on the net price of the transaction.

Investment Incentives in Venezuela

Foreign investors are entitled to a full range of investment incentives, including tax exemptions, special credit financing, export incentives and debt-to-equity swaps. The government provides tax incentives for investment in 'strategic' sectors. For regional incentives, there is an exemption from income tax for companies operating in certain areas in 5 undeveloped states and 36 industrial parks. Venezuela also has several industrial, commercial and services free zones. The Free-Trade Zone Law (Gazette No. 34,772 of 1991) provides for free trade zones or free ports. The three existing free trade zones, created in subsequent Gazette decrees, are located in the Paraguaná Peninsula on Venezuela's northwest coast, Atuja in the State of Zulia, and Merida (but only for cultural, scientific, and technological goods). These zones provide exemptions from most import and export duties and offer foreign-owned firms the same investment opportunities as host country firms. The Paraguaná and Atuja zones provide additional exemption of local services such as water and electricity. Venezuela has two free ports that also enjoy exemptions from most tariff duties: Margarita Island (Nueva Esparta) and Santa Elena de Uairen in the state of Bolívar.

Immigration and Visa Requirements

The below are some of the main types of visa you may need for investing in Venezuela:

- **Business Visa (TR-N):** This visa is provided to businesspeople, executives, company representatives and industry leaders as well as SME business owners, that do not intend on migrating, who want to enter the country to carry out profit-based business or financial activities and/or transactions related with their line of business. The required documents are:
 1. Certificate of official trip by traveler's organization (English)
 2. Letter of Invitation by the Venezuelan organization you'll visit (with a signature by the sender)
 3. Copy of Business Registration Certificate (English translation attached)
 4. Itinerary (Air ticket/Departure & Arrival dates)
 5. Application form duly filled with two recent photographs(3x4)
 6. Passport valid for more than 6 months.
 7. Fee US 60 (the fee is to be paid to a designated bank according to the exchange rate established by the Embassy)



- **Investor Visa (TR-I):** This visa is provided to individuals or company representatives who can provide verifiable supporting documents that they have successfully established relationships with local entities and that their intention to invest has been verified and accepted by the local relevant authorities. The required documents are:
 1. Original Round Trip Air Ticket and one copy (Departure confirmed within 72 hours)
 2. Certificate of employment and position in company (with corporate seal) indicating time to be spent in Venezuela and one copy of Certificate of Business Registration (English translation attached)
 3. Last record of official corporate tax returns
 4. Application form duly filled with recent two photographs (3x4)
 5. Passport valid for more than 6 months
 6. Fee US 60 (the fee is to be paid to a designated bank according to the exchange rate established by the Embassy).
- **Entrepreneur/Corporate Visa (TR-E/I):** This visa is provided to individuals who can prove to own companies in their home countries or with subsidiaries in Venezuela and who are travelling to Venezuela to carry out related activities. The required documents are:

Original Round Trip Air Ticket and one copy (Departure confirmed within 72 hours)

Certificate of employment and position in company (with corporate seal) indicating time to be spent in Venezuela and one copy of Certificate of Business Registration (English translation attached)

Last record of official corporate tax returns

Application form duly filled with recent two photographs (3x4)

Passport valid for more than 6 months

Fee US 60 (the fee is to be paid to a designated bank according to the exchange rate established by the Embassy).

Banking Requirements

In order to open a bank account in Venezuela, a person must have an ID card or passport, a reference from their current bank and personal references, a copy of a utility bill which has the current address on it, a completed application form and the minimum deposit required by the bank. The minimum deposit varies from bank to bank, but most will request one. If possible, the personal reference should be provided by a Venezuelan. Some banks may allow you to open the most basic account with a minimum of paperwork, but these accounts will not have debit cards or credit facilities and you may be very restricted with the type of transactions that you are able to carry out.

Unlike most other countries, it is only possible to open current and savings accounts in the local currency. This is due to strict controls on the exchange of foreign currencies. It also means that other currencies being transferred from other countries may be subject to stringent checks and charges. These regulations will vary from bank to bank and it is worth to check the policy in advance.

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