

Baker
McKenzie.

Doing Business
in Venezuela



Doing Business in Venezuela

2026

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Organizing a Company

Industrial and commercial activities in Venezuela may be carried out in virtually any form, ranging from an individual entrepreneur to all forms of legal entities. Regardless of the form adopted, formalities must be complied with to establish a company in Venezuela.

Furthermore, in order for companies to carry out any sort of economic activity, they must be registered with the Sole Registry of Persons that Develop Economic Activities (Registro Único de Personas que Desarrollan Actividades Económicas - RUPDAE) which is carried by the National Superintendence for the Defense of the Socioeconomic Rights (Superintendencia Nacional para la Defensa de los Derechos Socioeconómicos - SUNDDE). The following are specific formalities for various forms.

1. **Corporation (Sociedad Anónima or Compañía Anónima)**

A corporation is a legal entity preferred by commercial enterprises to carry out their projects because its obligations are backed by a stated capital, and the shareholders' liability is limited to their capital contributions.

Any name available in the Commercial Registry may be used for a corporation. The words Sociedad Anónima or Compañía Anónima, or the corresponding initials "S.A." or "C.A." must be added to the desired name of the company. In order to use the name, it must first be reserved in the commercial registry.

Although the initial amount of the capital stock of a corporation is unlimited, it must be subscribed to in full, and at least 20 percent thereof paid in upon incorporation. The capital stock of a corporation must be represented by nominative shares. At least two shareholders, individuals or legal persons, must sign the Articles of Incorporation to form a corporation. The company's Articles of Incorporation are generally drafted with sufficient scope for them to also serve as the company's bylaws.

Furthermore, the Commercial Registry could request additional documents, such as the working or business visa of the foreign directors and/or officers being appointed. Once registered with the Commercial Registry, the Articles of Incorporation must be published in a local daily newspaper. After this, the company is validly incorporated.

The supreme authority and control of the corporation is vested in the Shareholders' Meeting, which has the power to appoint the administrators and/or members of the Board of Directors of the company. The administrators have the powers assigned to them by the Articles of Incorporation and need not be shareholders of the company.

The profits of the company are distributed under a resolution adopted by the Shareholders' Meeting or the Board of Directors. At least 5 percent of the net profits of the company must be set aside annually to constitute a legal reserve.

2. Limited Liability Company (Sociedad de Responsabilidad Limitada)

The limited liability company ("S.R.L.") is an entity whose capital is divided into participations denominated quotas. Under no circumstance may the quotas be represented by shares or marketable securities. The incorporation of limited liability companies is subject to the same rules as corporations. Any name available in the Commercial Registry may be used, and the words Sociedad de Responsabilidad Limitada or the corresponding initials "S.R.L." must be added.

The quota holders are jointly and severally liable for a term of five years for the veracity of the value assigned to contributions in kind in the articles of incorporation. Each quota holder has one vote for each quota owned. The profits of the company are distributed among the

quota holders at the end of the fiscal year under a resolution adopted by the Quota holders' Meeting or the Board of Directors.

The management is subject to the same rules for corporations. The administrators are jointly and severally liable both to the company and to third parties for violations of the law and the Articles of Incorporation, and for any other infringement while in office.

3. General Partnership (Sociedad en Nombre Colectivo)

A general partnership is an organization of persons whose obligations are guaranteed by the unlimited liability of the partners. Although the liability of the partners is unlimited, it is of a subsidiary nature, as no action can be taken against any of them personally without first having exhausted remedies against the partnership. The formalities for the organization of a general partnership are governed by the same rules as those for corporations and limited liability companies, although the Articles of Incorporation are simple and only an extract thereof must be registered and published.

4. Simple Limited Partnership (Sociedad en Comandita Simple)

In the case of a simple limited partnership, the company's obligations are guaranteed by the unlimited joint and several liability of one or more general partners, and by the limited liability of the limited partners. The limited partnership is formed in the same manner as a general partnership, and partners whose liability is unlimited are subject to the same rules as the partners in a general partnership. Partners with limited liability are liable for the partnership's obligations only up to their capital contributions and they are prohibited from managing the partnership.

5. Stock Limited Partnership (Sociedad en Comandita por Acciones)

This limited partnership is one in which the ownership of the limited partners is divided into shares. The rules applicable to limited partners are essentially the same as those applicable to corporations and the rules applicable to the general partners are essentially the same as those applicable to general partnerships.

6. Branches

Establishing a branch of a foreign company in Venezuela is a simple process. The documents required are the Articles of Incorporation and bylaws of the company; an abstract of the corporate law of the country or state where the company is incorporated; a resolution of the Board of Directors of the company authorizing the establishment of the branch and stating the capital to be assigned to the branch, and a general power of attorney authorizing a person in Venezuela to carry out the steps necessary to establish the branch. The above documents must be duly legalized or apostilled and translated into Spanish by a Venezuelan certified public translator, registered and published.

7. Law of Registry and Notaries

On December 2021, the Law of Registries and Notaries was published under Official Gazette No. 6.668 establishing new rates for the registry of corporate documents in Venezuela. Under the law, the price of the registration of legal documents varies depending on the document, its extension and its kind (e.g. powers of attorney, articles of incorporation/bylaws, etc.).

8. Non-governmental and non-profit organizations

The Law for the Control, Operation and Financing of Non-Governmental Organizations and Non-Profit Social Organizations (“Law of Non-Governmental and Non-Profit Organizations”) was published in Official Gazette No. 6,855 of November 15, 2024. The Law regulates the activities of all private Non-Governmental Organizations and Non-Profit Social Organizations operating in the Venezuelan territory, excluding those governed by special laws.

Entities who wish to incorporate any of the Organizations must present before the competent Public Registry Office, regulated by the Autonomous Service of Registries and Notaries (SAREN), the Articles of Incorporation/Bylaws of the organization. Additionally, they must register before the National Registry of Non-Governmental Organizations and Non-Profit Social Organization.

Organizations domiciled outside the country that carry out activities in Venezuela must be registered with the Register of Non-Domiciled Organizations, regulated by the Ministry with competence in foreign affairs. These Organizations will be subject to the supervision and control mechanisms implemented by the National Executive and, in addition, the foreign persons that are members of the Organizations must comply with Venezuelan immigration provisions.

Foreign Investments



Foreign Investments in Venezuela are governed by Decree No. 1,438 with Rank, Value and Force of the Law of Productive Foreign Investments (“LPFI”), published in Official Gazette No. 41,310 dated December 29, 2017. The LPFI was enacted by the President of the Republic in execution of the Enabling Law dated November 19, 2013. The LPFI declared foreign investments as a matter of public interest.

1. Persons/Subjects Governed under the LPFI

Pursuant to the LPFI, the following bodies are subject to the application of the law:

- Foreign companies and their affiliates, subsidiaries or related companies, governed or not by International Treaties or Contracts, and any other form of foreign organization with economic and productive purposes that perform investments in the national territory.
- Great National Companies, which purposes and functioning are subject to the strategic plan of two or more States.
- Private, public or mixed national companies, and their affiliates, subsidiaries or related companies, governed or not by International Treaties or Contracts, and other organizations with economic or productive purposes which are recipient of foreign investment.
- Individuals, either nationals or foreigners, domiciled abroad, who carry out foreign investments in the national territory.
- Foreign individuals domiciled in the country, who carry out foreign investments.

2. Direct Foreign Investments and Foreign Investors

Pursuant to the LPFI, foreign investments are contributions made by foreign investors consisting on tangible and intangible resources

intended to form part of the subjects recipients of foreign investments in the national territory. Such contributions may be:

- Financial investments in foreign currency and/or any other means of exchange or compensations within the Latin-American and Caribbean integration.
- Physical and tangible capital assets, such as industrial plants, new or reconditioned machinery, new or reconditioned industrial equipment, raw material and intermediate products that form part of the productive process of the subject recipient of the investment.

Immaterial or intangible assets consisting on trademarks, product brands, patents, utility models, industrial designs or drawings and copyright, and all rights to intellectual property embodied in the Constitution of the Bolivarian Republic of Venezuela and the laws that govern this area.

3. Import of Technology and Trademark and Patent License

The LPFI maintains the obligation to register “technology transfer agreements” with Cencoex.

4. Inspection Powers, Preventive Measures and Sanctions

Cencoex has wide powers of inspection, to verify compliance with the LPFI and other regulations on foreign investment. Additionally, Cencoex has special powers to issue preventive measures on subjects that are under inspection. It is very likely that the Regulations on the LPFI further elaborate on the preventive measures that may be issued by Cencoex.

Failure to comply with LPFI is sanctioned with a fine of 2% of the investment made, without prejudice to the civil and criminal actions that may be applicable.

5. Tax Benefits or Incentives:

The National Executive together with the National Legislative Assembly, issued the Organic Law of the Special Economic Zones published in Official Gazette No. 6.710 Ext on July 20, 2022, in order to promote the diversification and increase of exports, through the promotion of domestic and foreign productive economic activity in the country, while creating new jobs.

The development of the Special Economic Zones (SEZ) is of a strategic nature, of general interest and public utility; therefore, the legal entities, goods, services and activities that are constituted in the SEZs assume a special regulation in terms of guarantees, incentives and economic, financial, fiscal, legal and commercial protection.

The following SEZs have been announced: Paraguaná, Puerto Cabello, La Guaira, Nueva Esparta State, Isla La Tortuga. It is expected that areas of the State of Táchira and Zulia will be incorporated into the list of SEZs at a later date. The creation of SEZs takes into consideration, among other aspects: (i) geographic importance, (ii) existing infrastructure in the area, (iii) development potential for the production of goods and services, and (iv) existence of natural resources.

The SEZs have 13 main objectives, including those already established for Free Trade Zones, Free Zones and Free Ports, but include some more comprehensive and broad objectives. The SEZs have similarities with the current Special Territorial Regimes in having not only common objectives, but also because they will be managed by a Single Authority, in charge of the operation of the SEZ and responsible for the compliance of the policies, plans and projects destined to the zone it manages, which must coordinate and consult with the State, Municipal or Communal authorities located within the

geographical area of the SEZ and will reflect the results of its management in reports that may be quarterly or shorter if required.

The SEZs will have a legal, procedural and infrastructure framework. In this sense, for the development of the SEZs, the Presidency of the Republic will create the so-called Motor Districts, taking into consideration the geographic potential for sub-regional development. The purpose of the Motor Districts is to articulate and develop production among the SEZs and consequently, among other purposes, make goods and services accessible to the most needy populations. Likewise, the figure of the "Productive Links" is created, which will serve as a means of communication for the development of the activities of the SEZs. Through them, the SEZs will share strategies resulting in a greater production of goods and services. It also orders the creation of the Single Window for SEZs (VUZEE), integrated with the current Foreign Trade Single Window (VUCE) to streamline and unify the procedures inherent to the SEZs. The VUZEE will have an exclusive technological platform for the SEZs.

The SEZs will have (i) tax, (ii) customs, (iii) exchange, (iv) financial, and (v) administrative benefits or incentives, which will be established in the Decree creating the SEZ. The benefits or incentives will be optional, variable and temporary. The maximum limit of the incentives to be granted and their standard of measurement is the amount collected by way of income tax in the previous fiscal year.

The Law specifies certain benefits or incentives for SEZ operators such as: (i) Draw back; (ii) reimbursement of other national taxes; (iii) exceptional and preferential tax regime; (iv) free convertibility, among others. In order to enjoy the benefits or incentives of the SEZs, the developer or investor must have subscribed with SUNAZEE the respective Economic Activity.

6. Investment Protection

The investment protection regime was designed to protect the interests and rights of private and non-public capital investors. Investments made with public capital are usually protected or covered under a different regime. While some authors argue that the exclusion of investments made by publicly owned companies should be included in the treaty invoked for a particular case, in practice very few Bilateral Treaties for the Promotion and Protection of Investments ("BITs") include an exclusion, leaving the interpretation in the hands of arbitral tribunals.

The main purpose of BITs is to attract investments made by investors from each of the contracting parties, and that both the investors and the investments they make are covered by the protection provided by such treaties.

Most BITs are similar in their provisions, however, they include particular definitions of the terms "investment" and "investment", which may vary and are subject to conditions established by each BIT.

Venezuela is party to more than 20 BITs, ranging from treaties with the United Kingdom, Spain, Germany and Chile to treaties with Argentina, Iran, Russia and Cuba. In addition, Venezuela has also entered into 31 Double Taxation Avoidance Treaty with different countries, further benefiting foreign investors.

One of the main advantages of making an investment under a BIT is the possibility of resolving an eventual dispute through an arbitration procedure, in a neutral and international forum. Most of the BITs signed by Venezuela included the International Center for Settlement of Investment Disputes ("ICSID") as the main forum.

However, Venezuela is no longer a party to the ICSID Convention because it denounced it on January 24, 2012, effective July 25, 2012. Therefore, no investor protected by a BIT with Venezuela would have the right to make an arbitration claim against Venezuela before ICSID,

leaving as alternatives the ICSID Additional Facility, and in some cases *ad hoc* tribunals under the rules of the United Nations International Commission on International Trade Law (“UNCITRAL”).

Tax System

1. General Issues

Venezuelan taxes are normally self-assessed and tax returns and other tax documents are covered by a *bona fide* presumption. The Tax Administration is empowered by law to audit taxpayers and to issue deficiency assessments. As a general rule, the statute of limitations for tax liabilities is six years. Tax fraud and other criminal tax offenses are not subject to the statute of limitations. Entities or individuals qualified and designated as special taxpayers¹ are subject to close scrutiny and may be subject to different tax and withholding tax filing duties and to payment dates and places, as determined by the Tax Administration. Income tax rates apply on net taxable income as represented by a construction designated as tax unit, which is a referential value created to allow an annual update for inflation to the monetary amounts that represent the bases for taxes, penalties, among others. Currently, the value of the Tax Unit is VEB 43.00 (i.e., approximately USD 0.28). However, the last reform of the Organic Tax Code ("OTC") included fines and penalties calculated in accordance with the official exchange rate of the highest value currency published by the Central Bank of Venezuela.

2. Income Tax

Under the Venezuelan Income Tax Law, three factors determine a taxpayer's taxable income: operating income from domestic activities minus allowed deductions, inflation-adjusted income from non-monetary assets, liabilities, and net worth, and operating income from

¹ Special taxpayers are the so called "large" taxpayers. The Revenue Service designates special taxpayers based upon their level of income or the activities they carry out. This requires an official designation letter. Special taxpayers are subject to the close scrutiny of the Revenue Service, are VAT withholding agents, and must file their income tax and VAT returns and withholding forms according to the Special Taxpayer's Calendar that the Service publishes annually in the Official Gazette and must pay their taxes and tax withholdings in the specific banks indicated by the Service.

foreign activities minus foreign deductions. These elements combine to form the tax base, upon which various tax rates are applied.

Corporations, limited liability companies, and specific foreign entities are generally subject to progressive tax rates, ranging from 15% to 34% depending on their taxable income expressed in “tax units”. However, certain categories are subject to flat rates: interest from non-domiciled lenders (4.95%), banking, finance, and insurance activities (40%), oil companies (50%), and mining royalties (60%). Non-resident individuals face a flat rate of 34%.

Controlled Foreign Corporations (CFC) rules

The system applies to investments held by taxpayers in branches, legal entities, real or personal property, shares, bank or investment accounts, and any form of participation in entities with or without legal capacity, trust funds, partnerships, investment funds or any other similar legal entity in low tax jurisdictions. The Tax Administration published a list of low tax jurisdictions including a catch-all provision whereby any jurisdiction without a double taxation convention in place with Venezuela, and those with income tax rates lower than 20 percent are low tax jurisdictions for Venezuelan tax purposes. If the tax transparency system applies, the foreign entity is deemed “transparent” for tax and the taxpayer domiciled in Venezuela must report as its own, on an accrual basis, the income, costs and expenses of the entity and pay the corresponding tax. In very broad term, the Venezuelan CFC rules provide for an anti-deferral income tax system.

Transfer Pricing Rules

This system allows the Tax Administration to control the manipulation of the import and export prices of goods and services, and the consideration paid for loans among members of the same economic group. The Income Tax Law defines related parties and sets forth the methods to determine the market price of goods and services among such related parties. The Venezuelan transfer pricing regime is based

on the arm's-length principle and the transfer pricing methods developed by the Organization for Economic Cooperation and Development ("OECD"). Also, Venezuela counts with thin capitalization rules (with a 1:1 equity/debt ratio) for income tax purposes, which limit the deduction of interest paid to related parties.

3. Double Tax Treaties

Treaties for the avoidance of double taxation define the taxing powers of the states. This is done by distributing the taxable matters between the two countries, providing the exclusive right to tax to one of the contracting states, sometimes, or on a shared basis, in other cases. These conventions also regulate the international cooperation between the two tax administrations to fight tax evasion and fraud. Currently, Venezuela has Double Tax Treaties in force with 33 countries².

4. VAT

The Venezuelan Value Added Tax (VAT) system imposes a tax on all purchases and importations of goods and services, including commercial, industrial, and office real estate leases.

Each taxpayer's VAT liability is determined monthly by calculating the difference between their output VAT (VAT collected on sales) and their input VAT (VAT paid on purchases).

The general VAT rate is 16%, but certain items have a reduced rate of 8%, while others face an additional luxury tax of 20%.

² Austria; Barbados; Belarus; Belgium; Brazil; Canada; China; Cuba; Czech Republic; Denmark; France; Germany; Indonesia; Iran; Italy; Korea; Kuwait; Malaysia; Norway; Portugal; Qatar; Russia; Saudi Arabia; Spain; Sweden; Switzerland; The Netherlands; Trinidad and Tobago; Turkiye; United Arab Emirates; United Kingdom; United States; and Vietnam.

Exemptions are granted for specific goods and services, such as basic foodstuffs, public utilities, and exports, though the latter are subject to a zero-rate VAT, allowing exporters to reclaim input VAT.

Special taxpayers are required to withhold 75% of the applicable VAT amount from payments to ordinary VAT taxpayers, increasing to 100% if specific invoice requirements are not met or the supplier is unregistered. This withheld VAT must be remitted to the revenue service, potentially creating cash flow challenges for affected businesses.

5. Financial Transactions Tax

In the past 25 years the Executive has established several bank debits or financial transactions taxes. In those cases, however, taxes were extraordinary taxes created on account of a fiscal emergency and with a limited duration. The financial transactions tax ("FTT"), however, is permanent. In general, the tax rate will be 2% (for transactions settled in VEB) or 3% (for transactions settled in foreign currency) depending on the special taxpayer as determined in Articles 4 and 24 of the Partial Amendment Law of the Decree with Rank, Force and Value of Law of the Large Financial Transactions Tax, on bank debits or settlement of debts outside the Venezuelan financial system.

6. Net worth tax

On July 2019, the Venezuelan National Constituent Assembly approved the "Constitutional Law that created the high net worth tax" ("HNWTL"). The HNWTL created a Tax of 0,25% on all assets of individuals and legal entities that the Revenue Service has designated as special taxpayers. The taxpayers will be the individuals and legal entities designated as special taxpayers whose assets are equal to or greater than 150,000,000 Tax Units (i.e., approximately USD 41,880,400.00). The tax liability will arise from the "ownership" and "possession" of the assets attributed to the taxpayers. Absent an express definition, the Venezuelan Civil Code and special laws will

define ownership and possession. The Tax applies to the taxpayers' global or territorial net worth in function of their condition of residents or not in Venezuela for the Tax. The global net worth comprises the territorial and extraterritorial assets of the taxpayer. The tax rate will be between 0.25% and 1.50% over the value of the assets, when such assets exceed from the threshold set above. The National Executive may establish progressive rates according to the value of the assets. However, the Law set the rate initially at 0.25%.

7. Local Taxes

Inside every municipality there are certain taxes that must be paid, with various rates and purposes according to the activity engaged or its special purpose. The most important ones will be mentioned in this section. **Municipal Turnover Tax on Economic Activities, Industry,**

Trade, Services and Similar Activities: All persons engaged in industrial, commercial or similar activities for profit must obtain a municipal license from, and pay a municipal tax to, the municipality in or from which they perform such activities. **Municipal Property Tax:** A tax on urban real estate must be paid by the owner of real property. This tax is calculated by applying the tax rate established in the ordinance governing the location where the real estate is located to its municipally appraised value, including the value of the land, buildings and industrial or commercial facilities. **Miscellaneous Municipal Taxes:** Additional municipal taxes include the vehicle circulation tax, public services tax, commercial advertising tax, public performances tax, and legal games and gambling tax. All taxes are income-tax deductible expenses.

8. Tax Coordination and Harmonization Law of the States and Municipalities

Venezuela's Organic Tax Coordination and Harmonization Law ("Tax Harmonization Law"), published on August 10, 2023, aims to streamline and standardize tax collection across states and municipalities. The Tax Harmonization Law prohibits state and

municipal authorities from requiring documentation different from those expressly contemplated in the regulations in force regarding the assessment, filing and payment of state and municipal taxes.

Also, the Law provides certain basic rules in order to coordinate the tax system, such as: (a) State and municipal taxes should not be confiscatory or allow double taxation; (b) the payment currency for all state and municipal taxes, as well as their accessories and penalties, must be the legal tender (i.e., VEB), although the Law sets as the “dynamic” currency of account for the calculation of those same concepts the currency of the highest value according to the Venezuelan Central Bank; and (c) the OTC will govern the sanctions regime associated with tax offences under the Law.

Regarding the Municipal Business Tax, the Tax Harmonization Law sets forth that tax rates will not exceed of 3% of the “obtained” gross income. It is worth noting that under article 210 of the Organic Law of the Municipal Public Power, the tax base of the municipal business tax is effectively collected (rather than “obtained”) gross income. The Law does not clarify the meaning of “obtained” by opposition to “effectively collected” and most importantly if this adjustment intends to modify the tax base of the municipal business tax. Exceptionally, the rate may reach up to 6.5%³.

Other Contributions

- (a) Contribution to the National Fund for Science, Technology and Innovation

The Decree establishing the Organic Law of Science, Technology and Innovation published on April 4, 2022 established a special

³ If the economic activity is related to: oil industry services and construction; advertising services; retail and/or wholesale of alcoholic beverages; the sale of food, beverages and entertainment; commercial banks, financial institutions, insurance companies, insurance administrators and similar activities; the sale of jewelry, watches and precious stones; and the fabrication of liquors, tobacco, cigarettes and derivatives.

contribution, determining the obligation for all public and private companies whose income was more than 150,000 times the exchange rate of the currency with the highest value published by the Venezuelan Central Bank to invest in the National Fund for Science, Technology and Innovation the following amounts based upon the respective financial year: 2% of the gross income from the monthly economic exercise when the activity of the company is related to Casinos, Gaming or connected to the commercialization of alcohol or tobacco. 1% for private companies if their activity is included within the Organic Law of Hydrocarbons, the Organic Law of Gaseous Hydrocarbons or the Organic Law on the activities of exploration and exploitation of gold and other strategic minerals. 0.5% for public companies with the same activity of the previously referred to private companies. 0.5% for companies that perform any different activity that was not previously mentioned.

(b) Contribution to the National Antidrug Fund

The Organic Law on Drugs (“Law on Drugs”) published on November 5, 2010, provides for the two following type of contributions:

- Private legal entities, consortia, public entities with entrepreneurial purposes employing 50 or more workers must report and pay to the National Anti-Drug Fund, within 60 calendar days following closing their fiscal year, a special contribution equivalent to one percent (1%) of their net operating profits or gains obtained during the prior fiscal year. Legal entities belonging to economic groups will consolidate their results to comply with this special contribution.
- Legal entities manufactured or importation of alcoholic beverages, tobacco and their mixes must report and pay to the National Anti-Drug Fund, also within 60 calendar days following closing their fiscal year, a special contribution equivalent to two percent (2%) of their operating profits or gains in the prior fiscal year.

The Law on Drugs defines the operating profits or gains as the gross profits derived in the fiscal year less operating expenses, the foregoing determined according to general accepted accounting principles in Venezuela.

(c) Contribution to the National Fund for the Development of Sports, Physical Activity and Physical Education

The Organic Law on Sports, Physical Activity and Physical Education (“Law on Sports”) published on August 23, 2011, established a special contribution intended to fund plans, projects and programs for developing physical activity and sports, and to sponsor sports athletes through the National Fund for the Development of Sports, Physical Activity and Physical Education. The contribution equals one percent (1%) of the net annual accounting profits and must be paid by public or private companies or other organizations engaged in economic activities for profit in the country, whenever such net profits exceed 20,000 tax units (i.e., approximately USD 5,580.00). Taxpayers may invest 50 percent of the contribution to carry out their own projects oriented towards developing physical activities and to sponsor sports, provided they are within the guidelines set by the National Sports Institute.

(d) Contribution to the Protection of Social Security Pensions

On 8 May 2024, the Law for the Protection of Social Security Pensions (the “LPP”) was published in the Official Gazette. Pursuant to article 1 of the LPP, the purpose of the law is the creation of transparent and inclusive mechanisms aimed at protecting social security pensions from the economic impact derived from the sanctions imposed on Venezuela. Taxpayers will be legal entities, including irregular or de facto companies, of a private nature, domiciled or not in Venezuela, that carry out economic activities in the national territory, excluding entrepreneurship duly registered in the National Registry of Entrepreneurships. The LPP establishes that the purpose of the Contribution is to support the special protection of social security pensions. On the other hand, the LPP establishes that

the Contribution is different and independent from the contribution that employers must make to the Venezuelan Social Security Institute in accordance with the Social Security Law. The rate of the Contribution will be fixed annually by the President of the Republic, taking into consideration the type of economic activity carried out by the taxpayer, with a maximum limit of up to fifteen percent (15%) of the total payments made by the taxpayer to its workers for salary and non-wage bonuses. In this first opportunity, the Decree set the rate at nine percent (9%) for all taxpayers. Likewise, it is established that the basis for calculating the payments may not be less than the indexed integral minimum salary established by the National Executive.

(e) Contributions based on the Economic Activity

Sectors such as banking and insurance also have special contributions in accordance with the laws regulating their activity.

The Decree with Rank, Value and Force of Amendment Law of Insurance Activity published on November 29, 2023, creates a special contribution destined to the maintenance of the Superintendence of Insurance Activity, which shall be paid by Insurance companies, reinsurance companies, prepaid medicine companies, risk management companies and premium or quota financing companies. The special contribution shall be the amount between two point five percent (2.5%) and three point five percent (3.5%) of the total amount of:

1. The premiums collected for insurance contracts and the consideration for the issuance of bonds, both net of cancellations and refunds, as well as the income obtained as remuneration for trust contracts.
2. Fees collected on prepaid medical contracts, net of cancellations and refunds.
3. Income obtained as remuneration for risk management and claims management contracts.

4. Interest income collected on financing granted to policyholders and contractors of insurance and prepaid medicine, in the case of companies financing premiums or installments.
5. Premiums collected by insurance and reinsurance companies, net of cancellations and refunds, for business accepted from foreign ceding companies.

The Law for the Institutions from the Banking Sector, published on December 8, 2014, creates a special contribution for private banking institutions that consists of five percent (5%) of the “Gross Profit Before Tax” to the fulfillment of the social responsibility that will finance projects of Communal Councils or other forms of social organization of those foreseen in the current legal framework.

Foreign Trade



1. Imports

Venezuela operates an open import system with minimal upfront requirements. Importers generally do not need permits or registration, but specific goods might require licenses, health permits, or other certifications depending on their nature. Imported goods fall under various categories: taxable, non-taxable, prohibited, reserved, and subject to restrictions.

The Customs Law outlines the import process and establishes import duties based on a product's degree of manufacture and origin (e.g., MERCOSUR members receive preferential treatment). Importers typically pay a 1% customs service fee and Value Added Tax (VAT) on the import value (currently 12%). Consulting the Customs Law, Regulations, and Tariff Schedule is crucial to determine specific requirements and applicable duties for each import.

Key items include:

- Mandatory pre-arrival declaration (DAI) through a customs agent;
- Increased number of items and penalties in the Customs Law; and
- Requirement to obtain “Non-Production Certificates” or “Insufficient Production Certificates” for specific imports.

Additional considerations include:

- Currency exchange control regulations affecting access to foreign currency for imports;
- Registration requirements for specific goods (e.g., health products); and
- Obtaining proper tariff classification from customs authorities.

2. Exports

Venezuela generally encourages exports with minimal restrictions. Most products can be freely exported, however certain exceptions exist. A limited list, including essential food items, strategic goods, and specific agricultural products, require prior licenses or permits. Additionally, exports are subject to health and sanitation certificates for specific categories like agricultural and animal products, alongside a certificate of origin verifying domestic production.

While exports are considered taxable sales, they are subject to a zero VAT rate. Exporters of capital goods and domestic services can recover tax credits on related purchases, but require registration with the tax authorities. As part of foreign exchange control, exporters must sell 20% of their foreign currency earnings to the Central Bank at the official rate.

3. Customs System

The customs authority in Venezuela is the National Integrated Customs and Tax Administration Service (Servicio Nacional Integrado de Administración Aduanera y Tributaria – SENIAT). The operating level of the SENIAT is made up of 17 main customs offices and 27 subaltern customs offices, which are in charge of effecting the perceptive control of the goods declared, their physical inspection and the liquidation and collection of the customs duties and other fees caused by reason of customs operations.

On the other hand, the regulatory level is made up of the National Customs Intendance, the Tariff Management, the Customs Systems Management, the Value Management, the Innovation and Customs Development Management, and the General Management for Customs and Tax Control.

4. General Rules on the Valuation of Goods

Regarding the valuation of goods, Venezuela adopted the valuation rules set in the General Agreement on Tariffs and Trade – GATT of 1994. These method for the valuation of the merchandise are the following: (i) transaction value method (ii) transaction value method of identical goods, (iii) transaction value method of similar goods, (iv) deductive method, (v) computed method and (vi) fall-back method.

The main valuation method is the transaction value method. The other methods apply exceptionally and in strict successive order when the transaction value requirements are not met. The administration must use this method to verify the declared value. When the transaction value method cannot be applied, the value of the goods will be determined by the Administration by using the previously mentioned valuation methods in order until arriving to the fall back method used.

5. Means of Defense to Appeal Against the SENIAT

All actions taken by the Customs Administration that affect or impair the rights and interests of a person in a customs operation or customs regime, or by an administrative decision of a customs nature are subject to the control of the Customs and Tax Administration, through administrative recourses, and before the superior tax litigation courts, through tax litigation appeals or other judicial resources, such as tax protection orders and constitutional protection. If any party is notified of an administrative decision that impairs its rights or interests, it may file an administrative appeal or a tax litigation appeal against said decision; finally the parties may file a constitutional writ (amparo).

6. Foreign Exchange Control in Venezuela

Since the entry into force of the Constituent Decree that Repeals the Exchange Regime and its Illicit Activities" (the "Decree"), which was published in Official Gazette No. 41,452 of August 2, 2018, the

instruments that established the Foreign Exchange Control in Venezuela were revoked, specifically: the Exchange Regime and Illicit Activities Law published in the Extraordinary Official Gazette No. 6,210 on December 30, 2015 (“Exchange Law”), and Article 138 of the Law of the Central Bank of Venezuela, *only* concerning the offenses of negotiation and trade of foreign currency in the country. The rest of the offenses provided under Article 138 (*i.e.*, transfer of funds, imports, exports, trading and gold assessment) remain in force.

Any other provisions that collide with the Decree were also repealed. Furthermore, in Official Gazette No. 41,452 of September 7th, 2018, the Exchange Agreement N°1 (“Agreement”) entered into force, officially establishing free currency convertibility. Nevertheless, the convertibility is subject to the Venezuelan Central Bank which will be in charge of supervising the transactions and determining its exchange rates.

7. Exoneration of certain goods

In the last years, Venezuela has issued decrees of exemptions and benefits for the importation of goods. These decrees exempt certain goods from VAT, import and export taxes for a determined period of time. Please review if the decrees are in force at the time of reading.

Labor Legislation

A high-contrast silhouette of a construction site against a cloudy sky. In the foreground, several workers wearing hard hats are silhouetted against the light. One worker on the left is working on vertical rebar rods. Two workers in the center are standing on a platform. A worker on the right is leaning over. Above them, a large concrete mixer truck is silhouetted, suspended by a crane. The background is filled with various shades of gray and white clouds, creating a dramatic and industrial atmosphere.

The Venezuelan labor legislation contains a set of provisions that, in essence, intends to protect employees and set forth the main rules governing employment relationship. The following is a high level summary of this system.

1. Fundamental Elements

The Venezuelan labor system, in essence, is composed by the following fundamental provisions: (i) a set of fundamental principles (e.g.: the non waiver principle) that could be used to resolve cases; (ii) the sources giving rise to labor provisions (e.g.: employment contracts); (iii) the parties to the employment relationship and their most important rights and obligations; (iv) the various types of employees, including among others employer representatives and upper management employees; (v) independent contractors, independent employees, and rules governing and restricting certain types of outsourcing in the labor field; (vi) the various typical incidences that may occur during the employment relationship (e.g.: changes, suspension); (vii) a set of rules governing the termination of the employment relationship; (viii) workday, workweek, rest days, holidays, and other terms and conditions of employment; (ix) mandatory benefits (e.g.: profit sharing, annual paid vacations and vacation bonus, seniority benefits); (x) a set of rules governing collective labor matters; (xi) a set of rules governing occupational health and safety issues, including among others labor-related accidents and illnesses; and (xii) a set of rules governing the social security system for various contingencies (e.g.: old age, disability, health, maternity, labor risks).

2. Sources of Labor Provisions

According to the Organic Labor and Workers' Law published on May 7, 2012 and currently in effect (the "Labor Law"), labor provisions may derive not only from the Constitution and legal provisions, but also from other sources identified therein (e.g.: the employment contract).

3. Principle of Prevalence of Reality

According to the Constitution, the Labor Law, the Regulations to the former Organic Labor Law (the "Regulations"), which are still in effect to the extent not in conflict with the Labor Law, the facts or reality prevail over forms or appearances for purposes of resolving labor matters.

4. Non-Waiver Principle

Under the Constitution, the Labor Law and the Regulations, labor rights, in principle, cannot be waived and any agreement to the contrary is null and void. However, it is legally permissible for employees, under certain conditions, to enter into binding settlement and release agreements, particularly subsequent to the termination of the employment relationship, provided that certain requirements and formalities are met.

5. Mandatory Benefits and Payments

Under the Labor Law, employees are entitled to payment of a salary, and to certain benefits and payments (e.g.: annual paid vacations, vacation bonus, profit sharing in certain cases (or a year-end bonus in lieu thereof in other cases), seniority benefits, rest days, holidays, overtime or night-work surcharges, indemnities in the event of justified resignation or unjustified dismissal), among other rights.

6. Suspension of the Employment Relationship and Employer Substitution

The employment relationship may be suspended for certain reasons. Though there are exceptions, generally, during the suspension the employee is not legally required to provide services, and the employer is not legally required to pay the employee's salary, unless there is an agreement to the contrary. During the suspension, the employee cannot be dismissed without just cause previously proven before and authorized by the Labor Inspector's Office of the jurisdiction.

When a substitution of the employer occurs, the employment relationships affected, as a general rule, continue, and the new employer assumes the labor liabilities accrued prior to the employer substitution. There are other legal consequences that are worth noting (e.g.: mandatory notices).

7. Termination of the Employment Relationship

Employment relationships may be terminated by resignation (either for cause or without cause), by dismissal (either for cause or without cause), by mutual agreement, or by reasons beyond the parties' will (e.g.: an event of force majeure). In addition, under the Labor Law, there is an absolute labor stability system under which protected employees may not be dismissed without just cause. Dismissal without cause of protected employees is null and void, but the employees have the option to resign, collecting the additional unjustified dismissal indemnity(ies) that may apply.

There are also several cases of special labor protection or "inamovilidad". Special labor protection protects certain employees (e.g.: pregnant employees and the fathers, for a certain period) against dismissals, deterioration of conditions and transfers without just cause previously proven before and authorized by the competent Labor Inspector's Office.

In addition to the individual cases producing special labor protection, there is a Presidential Decree the most recent version of which by the time this work was made was published on December 27, 2024, which grants this protection in favor of most private sector employees, with a few exceptions, until December 31, 2026. It is important to monitor the situation, in order to determine whether this protection will be extended for one or more additional terms.

8. Occupational Health and Safety

There are several provisions governing occupational health and safety matters in Venezuela. In addition to the Labor Law and many other

regulations and provisions, there is the 2005 Organic Law Occupational Prevention, Conditions and Environment (usually known as "LOPCYMAT"), and the Partial Regulations to the LOPCYMAT enacted in 2007.

Under the LOPCYMAT, non-compliance with the employer's obligations in this area may give rise to severe civil, administrative and even criminal liabilities and sanctions. Employees also have a series of mandatory obligations they must comply with.

9. Collective Matters

According to the Labor Law, employees and employers have the right to organize and create unions. Moreover, employees, subject to certain rules, may exercise their right to negotiate collective bargaining agreements and resort to collective conflicts, and even to strike.

10. Social Security and other Mandatory Contributions

Under certain conditions, employers and employees must contribute financially to social security, the housing and habitat benefit system, the employment benefit system, and the system for education and training of workers carried out by the state through the National Institute of Socialist Training and Education (INCES). More recently, a special contribution for the protection of social security pensions was created, establishing a mandatory contribution payable by employers.

11. Employment Litigation Proceedings

Under the Organic Procedural Labor Law ("OPL"), employment litigation proceedings are predominantly oral, and are governed by several principles, including, among others, the principles of immediacy, concentration and expeditiousness. The OPL presents certain characteristics, such as early submission of evidence, a

mandatory mediation phase, and oral debates in all instances, including the cassation phase before the Supreme Court.

A panoramic view of a city skyline, likely Caracas, Venezuela, featuring numerous high-rise buildings of varying architectural styles. In the background, a massive, rugged mountain range stretches across the horizon. The sky is a clear, vibrant blue, dotted with wispy white clouds.

Mergers and Acquisitions

1. Legal Environment

Statutory mergers, though provided for by the Venezuelan Commercial Code, have, in practice, been used sparingly, if at all. This is due to the inadequacy and ambiguity of the statutory rules and to the absence, until the amendment of the 1991 Income Tax Law, of any tax rules governing the cost basis of assets acquired through statutory merger. As a result, acquisitions are normally made in Venezuela through either asset or share purchases, which are governed by general principles of contract law. Statutory mergers have generally been confined to intra-company transactions and have not been extended to use in arms' length transactions. This is probably due to the fact that, although the transfer of assets and liabilities in the case of a statutory merger does not generate a taxable gain or loss for the transferor or the transferee, and the assets and liabilities are reflected on the books of both parties to the transaction on the same basis, there is no tax-free treatment granted to the shareholders of the merged corporation upon receipt of shares in the surviving corporation. Besides the Commercial Code rules on statutory mergers and the rules governing public offers in general, transfer of employment contracts, bulk sales and competition rules prohibiting certain economic concentrations, there is very little legislation governing mergers and acquisitions in Venezuela. It must be pointed out that the Antimonopoly Law (which repealed the Law to Promote and Protect the Free Exercise of Competition of 1992) establishes that the notification, evaluation and approval procedures regarding economic concentration operations will be instituted in the respective Regulation that must be enacted.

2. Shares versus Assets

Besides the buyer and seller's specific commercial considerations, the choice between a share transaction and an asset transaction is influenced mainly by tax considerations and the need, if any, to avoid the assumption of hidden liabilities by operation of law.

Share Purchase

The seller normally prefers a share purchase since it usually provides more latitude for tax minimization. From the buyer's perspective, a share purchase may be attractive if the target company has significant tax loss carry forwards. Such losses continue to be available to offset the income of the target company after the acquisition. The absence of a value-added tax in the case of a share transaction may also be regarded as an advantage by the buyer.

Asset Purchase

The buyer will typically find an asset transaction more advantageous. This is because the buyer may obtain a stepped up tax cost basis for depreciable or amortizable assets, including goodwill, equal to the purchase price and through proper use of bulk sales rules, avoid exposure to certain liabilities not otherwise expressly assumed in the purchase agreement. To the extent that the asset transaction has been taxed, there is no tax on dividends distributed by the seller to its shareholders. This means that the shareholders of the seller will not have an additional tax burden when ultimately receiving the proceeds of an asset transaction. In the case of an asset transaction, however, the selling company's tax loss carry-forwards are not available to the buyer.

The buyer must withhold, at the source, 5 percent of the purchase price of both asset and share acquisitions unless payment is made in kind, for example in marketable securities, or the seller is able to take advantage of a full exemption set out under a double taxation convention. Additionally, in the case of asset acquisitions, a value added tax applies to the portion of the purchase price allocable to tangible personal property, which may create a cash flow problem for the buyer unless the buyer's existing or projected sales volume is relatively high.

In the absence of statutory publications under the bulk sales regulations, the transferee becomes jointly and severally liable for all

the transferor's liabilities. The responsibilities of the transferee, however, may be limited to those expressly assumed in the asset acquisition agreement, provided that the statutory publications required under the bulk sales regulations have been made. The transferee will be jointly and severally liable for the pending tax liabilities of the transferor on the date of the transaction. The transferee's joint liability will cease one year after the notification of the bulk sale to the relevant Tax Authorities. Notwithstanding the statutory publications, the transferee will be liable for any violations of environmental regulations by the transferor that have not been sanctioned prior to the asset transaction.

+3.02948

-2.1

Securities Market

+8.20384

-4.59405

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1. General Overview

The Venezuelan securities market system is broadly regulated in Venezuela and its activities are subject to the strict control and supervision of (i) the Superior Body of the National Financial System (“OSFIN”); and (ii) the Superintendency of National Securities (“NSS”), formerly denominated as the National Securities Commission.

The Securities Market Law, published on Extraordinary Official Gazette No. 6.211 dated December 30, 2015, (“SML”) establishes that issuers of publicly offered securities, brokerage firms, securities brokers, investment advisers, stock exchanges and transfer agents, among others, are subject to the control and supervision of the authorities previously mentioned.

The conduction of (i) the public offering of securities; (ii) securities brokerage and intermediation; and

(iii) investment advice, which includes the distribution of research reports containing recommendations in connection with the purchase and sale of securities issued in Venezuela or abroad, are restricted activities, subject to NSS’s regulations and prior authorization from the NSS.

The public offering of securities in Venezuela is subjected to prior authorization from the NSS. Private offerings of securities are beyond the scope of the SML and, hence, not subject to prior authorization from the NSS. Unauthorized public offering of securities in Venezuela is subject to the following sanctions: (i) fines ranging between 5,001 to 10,000 tax units; and (ii) imprisonment ranging from two to six years. The conduction of activities governed by the SML in breach of the regulations issued by the NSS is sanctioned by fines ranging from 5,001 to 10,000 tax units. The value of a Tax Unit is adjusted periodically as per inflation.

Issuers of securities, securities operators and investment advisors are also subjected to the control and regulatory powers of the NSS; and

required to comply with several reporting requirements and other detailed restrictions and obligations, among others.

2. **Securities Brokerage**

The performance of securities brokerage activities within Venezuela is restricted. It may only be carried out by authorized securities brokers duly authorized by the NSS. Those are individuals or legal entities authorized to carry out, on a regular or habitual basis, intermediation activities with securities in the primary and secondary securities markets in (i) their own name, on their own behalf or on behalf of third parties, or (ii) in the name and on behalf of third parties.

3. **Investment Advisory Services**

The rendering of investment advisory services within Venezuela is an activity that should only be conducted by investment advisers licensed under the SML. Investment advisers are defined by the law as individuals or companies (ii) that conduct studies regarding securities and the issuance thereof and (ii) regularly offer advice, opinions and assistance related to the opportunities for the investment and the purchase and sale of securities in the securities market.

4. **Rules on Tender Offers**

The Venezuelan SML, the Rules on Public Offers to Acquire, Exchange and Take Over Public Companies and the Rules on the Purchase of Shares through the Public Offering of Shares, Tender Offers and Public Exchange Offers are the main regulations on tender offers in the Bolivarian Republic of Venezuela. Under these regulations, any person or entity ("Introducer") that intends to acquire, complete or increase, in a single or successive acts, either directly or indirectly, 10 percent or more of the capital stock ("Significant Participation") of a public company ("Target Company") must comply with the procedures set for a public acquisition offer ("PAO"), a public exchange offer ("PXO"), or a public takeover offer ("PTO"), as the case may be.

The procedures established by the NSS for PAOs, PXOs, and PTOs are mandatory, notwithstanding (i) the mechanism used for the acquisition of the Significant Participation in the Target Company, including private negotiations and acquisitions through the stock exchanges; (ii) that the acquisition is made in a single act or in successive acts; and (iii) the legal structure used for the acquisition of the Significant Participation in the Target Company, be it purchase, assignment, usufruct, participation, contractual pacts regarding voting rights or any other having an equivalent effect. Such procedures also apply to cases of acquisition of shares or rights of any nature abroad that directly or indirectly allow reaching a Significant Participation in a Target Company organized or domiciled in Venezuela, without impairing the compliance with the requirements set by the laws of the country where the acquisition is made.

The NSS has a period of five stock exchange business days to authorize the disclosure of the report, starting on the date the report is filed by the Introducer. The report shall be confidential until its disclosure is authorized by NSS.

Finally, the PAOs, PXOs, and PTOs of Venezuelan financial institutions are subject to additional rules issued by the Banking Regulatory Agency.

5. National Public Debt Brokerage

Individuals or companies habitually conducting brokerage activities with securities in the securities market, if previously authorized by the NSS, may conduct brokerage activities with national public debt securities and keep such securities in their portfolio.

A photograph of several oil pumps (pumpjacks) silhouetted against a vibrant sunset. The sky is filled with orange, yellow, and purple clouds. The pumps are positioned in the foreground and middle ground, with one pump on the far right partially visible. The overall mood is industrial yet dramatic.

Energy and Natural Resources

1. Oil Activities

The current oil policy is based on the consideration that certain oil activities can only be performed by either wholly-owned state entities or mixed companies (*empresa mixta*), in which only a limited private participation is allowed under the 2001 Organic Law of Hydrocarbons (“OLH”), as amended by law re-printed in the Official Gazette No.

38.493 of 4 August 2006. This is also the case of the activities related to the primary activities under the Organic Law Reserving to the State the Goods and Services related to Primary Hydrocarbon Activities (“OLR”), published in the Official Gazette No. 39.173 of 7 May 2009.

Reservation of Hydrocarbon Activities

The mixed company system established by the OLH with respect to oil activities reserves some activities and eliminates the pre-existing reserve over other activities. The purpose of the OLH is to regulate all hydrocarbon-related activities, for which it differentiates four types of activities: (i) primary activities, (ii) refining of natural hydrocarbons, (iii) industrialization of refined hydrocarbons; and (iv) marketing.

Private participation and investments are allowed in carrying out primary activities with State participation and control, if the National Assembly has approved the terms and conditions under which the activities will be conducted. The National Assembly maintains the power to modify the proposed terms and conditions or establish the new ones at its convenience. Primary activities include the exploration for natural hydrocarbon reservoirs, the extraction of hydrocarbons in their natural state, and their initial collection, transportation and storage.

2. Income Tax

According to the Income Tax Law, the income tax rate applicable to companies engaged in the exploitation of hydrocarbons and related activities is 50 percent. Companies that engage in the exploitation of non-associated natural gas and the processing, transportation,

distribution, storage and marketing of natural gas pay income tax at the corporate rate of 34 percent.

3. Special Contribution Based on Extraordinary and Exorbitant Prices in the International Market

The law that establishes the Special Contribution based on Extraordinary and Exorbitant Prices in the International Hydrocarbons Market (the “Law”) was published in the Special Official Gazette No. 6.022 of 18 April 2011, on which date it became effective. It was amended by the National Assembly as published in the Official Gazette No. 40.114 of 20 February 2013.

4. Taxable Event

Operations related to the international exportation for the purpose of selling liquid hydrocarbons (natural or improved) and some byproducts thereof shall be subject to a special contribution (the “Contribution”).

The Contribution is based on: (i) extraordinary prices, *i.e.*, prices whose average monthly international quotations of the Venezuelan liquid hydrocarbons basket are higher than the price established in the Annual Budget Law each year, but are equal to or lower than the threshold price of US\$80 per barrel, and so forth; or (ii) exorbitant prices, those whose average monthly quotations in the Venezuelan international liquid hydrocarbons basket are higher than the price of US\$80 per barrel.

5. Taxpayers

The obligation to pay the Contribution remains with the exporter of liquid hydrocarbons or byproducts for the purpose of selling them abroad, including mixed companies that sell such products to PDVSA or any of its subsidiaries.

Time of Payment

Article 10 of the Law establishes that the payments shall be made on a monthly basis.

Exemptions

The following are exempt from paying the Contribution: (i) Mixed companies selling liquid hydrocarbons (natural or improved) and their byproducts to PDVSA or its subsidiaries as a consequence of the execution of new oilfield development projects, and the quantities associated with improved recovery projects or production remediation projects, declared as such by the MPPP; and (ii) The exportation of quantities in performing International Cooperation or Financial Agreements.

Exonerations

The executive branch of the government shall be entitled to exonerate, in whole or in part, the payment of the Contribution. Exonerations are for the purpose of benefiting certain exports and must remain within the framework of the economic policies and international cooperation. However, contrary to the provisions of Article 74 of the Organic Tax Code, the Law does not set forth the conditions for enjoying the tax benefit.

6. The Gaseous Hydrocarbons Sector

The 2006 modification of the OLH confirms that activities related to gaseous hydrocarbons (besides those associated with petroleum) are to be governed by the Organic Law of Gaseous Hydrocarbons ("Gas Law"), published in the Official Gazette No.36,793 of 23 September 1999, and its regulations ("Gas Law Regulations"), published in the Special Official Gazette No. 5,471 of 5 June 2000. The Gas Law Regulations contain a great deal of substantial rules that, together with the Gas Law, govern the gaseous hydrocarbons industry. One of the main purposes of the Gas Law is to separate the production of

natural gas from the production of oil, thus releasing non-associated gas exploration and production and natural gas processing and refining from the ties of the Hydrocarbons Industry and Trade Law. One of the main benefits of the Gas Law is that it opens the entire industry to national and international private investment.

The Gas Law purports to create a competitive environment for the development of the industry: it orders the functional separation of production, transportation and distribution activities, establishes a regulatory entity to be named the National Gas Entity (*Ente Nacional del Gas*), and allows access to other operators, under equal conditions, to the facilities for storage, transportation and distribution.

Exploration and Production of Non-Associated Gas

The exploration and exploitation activities of non-associated gas may be undertaken directly by the State or indirectly through state-owned companies, either alone or with the participation of national or foreign private investors, or by national or foreign private investors on their own. Private investors who wish to engage in exploration and exploitation activities, on their own or with the State's participation, must obtain a license issued by the MPPP.

Licenses may be granted for a maximum term of 35 years, extendable for a term that cannot exceed 30 years. The license confers upon its holder the exclusive right to engage in exploration and exploitation activities under the terms established therein. The rights conferred through the licenses are not subject to encumbrances or foreclosures, but may be assigned with the prior approval of the MPPP.

Controversies between the Republic and the license holder may be settled by arbitration. If the parties agree to submit the controversy to arbitration, Venezuelan courts will not have jurisdiction. However, the courts may provide assistance in the arbitration proceedings if, for example, the arbitration panel issues precautionary measures of attachment or another similar measure.

Natural Gas Processing and Refining

The rules pertaining to processing and refining activities apply to all gaseous hydrocarbons, without distinction regarding their origin. Private investors who wish to invest in processing or refining projects must obtain a permit from MPPP. According to the Gas Law, permits for processing and refining activities will not have a specific term and the operating assets will not be subject to reversion.

Tax Treatment of Activities Subject to the Gas Law

The income tax rate applicable to the profits arising from the sale of non-associated natural gas is 34 percent.

7. Water Regime

Venezuelan water use falls under the public domain, governed by the Constitution, the Law on Waters, and the Law on Quality of Waters and Air. These regulations require permits for water usage depending on the purpose. Public entities obtain “assignments” for water development, while private individuals or entities need “concessions” for similar purposes, including hydroelectricity, industry, commerce, and even mining. Notably, concessions cannot be transferred.

Additionally, the Law on Quality of Waters and Air sets limits for water discharge and waste disposal. Individuals and entities involved in water management have specific obligations like minimizing waste generation, implementing reduction technologies, and ensuring proper disposal. The state even incentivizes practices that reduce pollution and promote responsible waste management. This framework ensures responsible water resource management, protecting the environment while allowing for controlled development activities.

8. The Electricity Sector

The legal system applicable in Venezuela to the electricity sector has undergone a profound transformation in recent years.

In fact, on 14 December 2010, the Organic Law on the Electric System and Service (the “Electricity Law”) became effective, upon being published in the Official Gazette No. 39.573. This legal instrument enacted by the National Assembly expressly derogated the Organic Law on the Electric Service published in the Special Official Gazette No. 5.568 dated 31 December 2001, and brought a major change to the Venezuelan regulations on this matter, since it considerably limited the participation of private companies in the electricity sector.

Besides the Electricity Law, there are other legal provisions in Venezuela that are closely related to the electricity sector. Among those provisions, there is Resolution No. 76 issued by the Ministry of the People’s Power for Electric Power (“MPPE”) (Official Gazette No. 39.694 dated June 13, 2011), which was partially amended by Resolution No. 034, published in Official Gazette No. 40,236 dated August 26, 2013; the Law on the Rational and Efficient Use of Power (Official Gazette No. 39.823 dated 19 December 2011), the Organic Law for the Reorganization of the Electricity Sector (Official Gazette No. 39.493 dated 23 August 2010); the Resolution that issues the Quality Standards for the Electricity Distribution Service (Special Official Gazette No. 5.730 dated 23 September 2004); Resolution No. 014 issued by the MPPE (Official Gazette No. 40.166 dated May 14, 2013) (“Resolution No. 014”); the Special Regulation on Security Zones of the National Electricity Service and System (Official Gazette No. 40.220 dated August 2, 2013) and Resolution No. 098 issued by the MPPE (Official Gazette No. 40.479 dated August 20, 2014) (“Resolution No. 098”) which establishes the Exceptional Regime of Electricity Supply for High Demand Users.

9. The Electricity Law

The Electricity Law is divided into six titles that go from the rules on competence and activities to the rules on rates and penalties. The following is a review of the most relevant provisions.

(a) Main Provisions

The purpose of the Electricity Law is to set the provisions that regulate the electricity system and the provision of electricity services in the national territory, and the international electric power exchanges, through generation, transmission and dispatch, distribution and marketing activities, according to the Plan for the Development of the National Electricity System and the Plan for the Nation's Economic and Social Development.

The works and properties that are directly related to the electricity system in the national territory were declared as being of public and social interest by said law, and the activities for the generation, transmission, dispatch, distribution and marketing of electricity were declared to be public service.

Among the new provisions of the Electricity Law, it is worth mentioning Article 10, which provides that the Venezuelan State, through the operator of the electricity service, may form mixed companies for the construction of works, the production and supply of goods and services that serve as inputs for the activities of the National Electricity System. In this regard, the Electricity Law provides that the state will reserve for itself the control and decision-making power thereof, by maintaining a participation of not less than 60 percent of their capital stock.

(b) Self-Generation

The Electricity Law allows “self-generation,” which is understood as the generation of electricity to be used solely for the consumption of the individual or legal entity that produces it, operates independently from the National Electricity System and is subject to the limitations set in said law.

(c) Infractions and Penalties

The Electricity Law also contains a title especially devoted to the types of infractions and offenses, with their relevant penalties. The monetary penalties, which are independent from civil or criminal liability, may go from 5 tax units for infractions perpetrated by users of the electricity service, up to 100,000 tax units for owners of self-generation facilities of more than two mega watts (2 MW), if they should refuse to supply electricity in a state of exception declared by the executive branch of the government.

Environmental Law

A wide-angle, aerial photograph of a city, likely Caracas, Venezuela, during sunset or sunrise. The city is densely packed with buildings of various heights, including several skyscrapers. In the background, a range of mountains is visible, their slopes covered in lush green vegetation. The sky is a deep blue, filled with scattered white and grey clouds. The lighting creates a dramatic effect, with the city and mountains silhouetted against the bright sky.

Venezuela's constitution enshrines environmental rights, guaranteeing citizens a healthy and balanced environment and placing the responsibility for its protection on the state. This includes protecting biodiversity, natural resources, and designated areas of ecological importance. Additionally, environmental and social impact studies are mandatory before undertaking any activity that could potentially harm the environment.

The National Assembly dictated the Organic Law of the Environment, which is enforced by the Ministry of the People's Power of Ecosocialism and Waters (MPPEA). Violations of provisions established in the Organic Law of the Environment can lead to administrative and criminal sanctions, potentially alongside the obligation to repair any environmental damage caused, regardless of criminal charges.

Recognizing the potential for economic and social benefits, the Organic Law of the Environment empowers the MPPEA to conditionally authorize certain environmentally impactful activities, provided the damage can be repaired. This framework seeks a balance between environmental protection and controlled development, allowing for responsible economic activity while minimizing environmental harm.

1. Supervising Agencies and Authorities

The Ministry of the People's Power of Ecosocialism and Waters (MPPEA) not only authorizes potentially harmful activities, but also monitors and enforces environmental regulations. This "post-environmental control" takes various forms in the practice:

- Environmental Care: Representatives of the public power can take appropriate measures to guarantee environmental protection and sustainable development, responding to both criminal offenses and administrative infractions.

- Environmental Audits: These audits assess compliance with environmental regulations and identify potential issues.
- Environmental Monitoring: This ongoing process tracks environmental conditions to detect and address problems.
- Environmental Police: This specialized force assists environmental judges in enforcing the Criminal Law of the Environment and preventing environmental crimes. They can take precautionary measures, conduct investigations, and make arrests.

This comprehensive approach seeks to ensure continuous monitoring and enforcement, promoting responsible development alongside environmental protection.

2. Criminal and Administrative Sanctions; Civil Liability

While criminal courts handle environmental crime, the consequences vary depending on whether individuals or companies are involved. Individuals face imprisonment, civil arrest, fines, and community service for environmental damage. Companies, on the other hand, can receive fines or even have their facilities dismantled, depending on the severity of the damage caused. Judges can also impose additional sanctions and precautionary measures.

The Ministry of the People's Power of Ecosocialism and Waters (MPPEA) also has the authority to impose administrative sanctions. These can include:

- Temporary or permanent closure of facilities causing contamination.
- Prohibition of activities causing damage.
- Modifications or demolition of buildings involved.

- Requiring the liable party to restore the affected area.

The authorization from the MPPEA for carrying out a potentially harmful activity for the environment can act as a valid and important defense against sanctions if a damage occurs within the permitted parameters of the authorization. Additionally, such authorization serves as a defense when facing criminal or administrative complaints.

Finally, it is important to state that individuals are responsible for compensating third parties, including the state, for any environmental damage they cause.

Telecommunications



Telecommunications has become one of the best developed areas in Venezuela. The spiraling growth in telecommunications, especially through mobile telephony and the need to receive and send different types of content, and the growth of this sector worldwide, have made telecommunications a strategic sector for private investors and for the Venezuelan government. The Venezuelan government has an important participation in the telecommunications market by the State-owned companies Compañía Nacional Teléfonos de Venezuela (“CANTV”) and its mobile telephony subsidiary MOVILNET.

CANTV is the largest provider for national and international fixed telephony and Internet in Venezuela. CANTV was founded in 1930 and nationalized in 1973, then privatized again in 1991 and finally nationalized in 2007 through the purchase of the entirety of its shares by the Venezuelan State.

However, in the Venezuelan market, there are nationwide providers of fixed and mobile telephony, Internet and subscription TV, wholly owned by private capital.

1. Telecommunications Regulations

In Venezuela, the law that governs the exploitation of telecommunications networks and services is clearly differentiated from the law that regulates content. The regulations regarding the establishment, exploitation of networks and the provision of telecommunications services are contained in the Organic Law of Telecommunications (“OLTEL”), and the regulations on the content are in the Venezuelan Law on Social Responsibility in Radio, TV and Electronic Media.

According to the OLTEL, the establishment and exploitation of telecommunications networks and the provision of telecommunications services require an “administrative authorization.” Additionally, if any of these activities involve the use of the radioelectric spectrum, the interested party must apply for a “concession.” The administrative authorization and the concession are

granted by the National Telecommunications Commission (“Comisión Nacional de Telecomunicaciones”) (“CONATEL”).

Applicants for administrative authorizations must be domiciled in the country. Foreign investments in the telecommunications sector are only restricted in the area of radio and TV broadcasting.

2. Administrative Authorizations and Concessions System

An administrative authorization is the instrument granted by CONATEL authorizing the establishment and exploitation of networks and the provision of telecommunications services. The specific activities and services that may be provided under an authorization are named “attributes of the administrative authorization.” CONATEL grants only one administrative authorization per operator, including all the attributes requested and granted by CONATEL.

The concession is a unilateral administrative decision whereby CONATEL grants or renews the right to use and exploit a specific portion of the radioelectric spectrum. The relationships derived from a concession are regulated by legal provisions and by the respective concession agreement. The granting of the concessions will be made through public bid or by direct award.

3. CONATEL

CONATEL is an autonomous institute having jurisdiction over the field of telecommunications, ascribed to the Ministry of Telecommunications. The main functions of CONATEL are: (i) to issue the rules and technical plans to promote, develop and protect telecommunications, (ii) to grant, revoke and suspend administrative authorizations and concessions, except in cases pertaining to the Ministry in charge, (iii) to authorize and certify telecommunications equipment, and (iv) to penalize the failure to observe the law.

4. Interconnection

Telecommunications network operators have the obligation to interconnect with other public telecommunications networks to establish inter-operative and continuing communications among the users of their services over time. Any operator may request interconnection from another operator and the parties will have a negotiation period of not more than 60 calendar days. The parties may fix interconnection charges by mutual agreement; however, if they do not reach an agreement within the stipulated period, CONATEL may order the interconnection requested to be implemented and stipulate the technical and economic conditions for the interconnection. The parties must settle disputes on interconnection matters under the terms of the respective agreement; otherwise, either party may submit the controversy to be decided by CONATEL.

5. Approval and Certification of Equipment

Telecommunications equipment and devices are subject to approval and certification. In the case of equipment and devices manufactured or assembled in Venezuela, these must be approved and certified by CONATEL, through national or foreign certification entities recognized for this purpose. Imported equipment approved or certified by an internationally renowned entity in CONATEL's opinion will not require new approval or certification in Venezuela. To this end, CONATEL will keep a public register of the national and foreign entities recommended to certify and approve telecommunications equipment. Additionally, CONATEL will publish a list of approved trademarks and models and their use, which will be considered automatically approved if the assigned use is observed.

6. Amendments to the OLTEL

The OLTEL sets forth taxes for those who exploit orbital resources and portions of the related radioelectric spectrum and provide satellite

capacity for profit to operators authorized by CONATEL to provide telecommunications services in Venezuela.

The tax is 0.5 percent over the amounts invoiced or paid to the persons providing the services for the satellite capacity. This tax will be calculated and paid annually within 45 consecutive days following the end of each calendar year. The satellite capacity providers will only be liable for this tax.

Consumer Protection

Please don't leave children un

Consumer protection is an area of law currently regulated under the Law on Fair Prices, published in Official Gazette No. 40,787 dated November 12, 2015.

The Law on Fair Prices expressly derogated the Law for the Defense of People's Access to Goods and Services, which was published in the Official Gazette No. 39.358 dated 1 February 2010 (the "Law of Indepabis") that was enacted to defend, protect and safeguard the individual and collective rights of persons in their access to goods and services. The Law of Fair Prices created the National Superintendence for the Defense of the Socio-Economic Rights ("SUNDDE").

The Law on Fair Prices was intended mainly to protect the consumer's incomes and salaries through the determination of fair prices for goods and services via the analysis of cost structures, the setting of a maximum profit percentage and the effective supervision of the economic and commercial activities. However, the law contains a few provisions regarding consumer protection.

Article 10 of the Law on Fair Prices sets forth the catalog of rights granted in favor of the consumers in relation to the access to goods and services. Article 10 of the Law on Fair Prices also regulates the "right of return and refund," whereby those who acquire goods or services by telephone, catalog, television, electronic means or at home shall have the right to return the product and obtain the immediate refund of the price. Article 11 of the Law on Fair Prices incorporates the provider's obligation to provide guarantees to cover deficiencies in the manufacture and operation of any vehicle, machinery, equipment or appliances and other durable goods possessing mechanical, electrical or electronic systems susceptible of failures or malfunctions.

In Article 54 of the Law on Fair Prices, which refers to the generic offenses, it is established that any subject that infringes, diminishes or impedes the exercise of people's rights will be sanctioned with a fine of 200 to 20,000 tax units. The specific rights are listed in such article.

Currently, there are no express provisions mandating recalls or regulating the recall process in Venezuela.

Broadly, the aforementioned laws establish the rights of consumers to (a) receive good quality products that do not endanger their life, health and security, (b) have guarantees from the supplier in cases of manufacturing or functioning deficiencies and (c) receive replacements and be entitled to repair and compensation in the case of damages suffered through receipt of defective and poor quality products.

Despite the repeal of Law of Indepabis, governmental authorities continue to apply the recall process regulations established therein. Article 11 of the Law of Indepabis expounds on the procedure for the recall of products or services. When those involved in the *“distribution, manufacturing and consumption chain”* notice that a product or service, even if used correctly, poses a danger or risk to health, they must recall, substitute or replace the products or services and must bear the costs of this procedure.

Accordingly, once a product is received by consumers and an unexpected risk or danger to health is identified by the producer, manufacturer, importer, transporter, distributor or seller (the “Subjects”), such Subjects must carry out the following measures:

- Immediately notify the competent authorities, which includes SUNDDE and the competent authority that regulates the specific product
- Inform the public in general through adequate media and other alternative information methods
- Recall the defective products

Notifications to the competent authorities and the general public must specify the products with the detected issue that is the subject of the recall, inform concerned parties of how the recall will be carried out

and acknowledge the issues that the product has and give recommendations on how to avoid damages.

A photograph of three business men standing in a modern office lobby. They are silhouetted against a large window that looks out onto a city skyline at sunset. The man on the left is holding a smartphone and looking at it. The man in the middle is gesturing with his hands as if speaking. The man on the right is looking towards the left. The floor is reflective, and the overall atmosphere is professional and modern.

Dispute Resolution

The Venezuelan Constitution establishes that the power to administer justice flows from the citizens and is exercised through the System of Justice, composed of, among others, the Supreme Court, other courts as provided by the law, alternative means of justice (arbitration and mediation), auxiliaries participating in the administration of justice and lawyers authorized to practice law in the country.

Furthermore, the Constitution establishes that justice must be free, accessible, impartial, suitable, transparent, autonomous, responsible, equitable and expeditious, without undue delay, and without undue bureaucracy, with the right to due process and the right to defense being inviolable principles in all stages of the process.

The Constitution also guarantees the right of all people to be protected by the courts in the enjoyment and exercise of constitutional rights; in the event of violation of these rights, the constitutional relief procedure has been established. This proceeding is oral, public, brief, free and without undue bureaucracy. In these cases, the competent authority is empowered to reestablish a violated juridical situation. Thus, if a constitutional right is violated during the course of a lawsuit, the injured party may resort to another judge to order the judge hearing the case to reestablish the violated constitutional right.

1. Public Treaties

Venezuela has signed, among others, the following treaties in the area of dispute resolution. It is important to mention that public treaties have priority over the laws of the Republic.

- The Code on International Private Law (*Bustamante Code*) (Cuba).
- The Protocol on Uniformity of Powers of Attorney that are to be Utilized Abroad (Washington Protocol).
- The Inter-American Convention on the Legal Regime of Powers of Attorney to be Used Abroad (Panama).

- The Inter-American Convention on Extraterritorial Validity of Foreign Judgments and Arbitral Awards. (Uruguay Convention).
- The United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York Convention).
- The Convention on the Settlement of Investment Disputes between States and Nationals of other States (Washington Convention). On 24 January 2012, Venezuela gave notice to the World Bank denouncing this treaty.
- The Inter-American Convention on International Commercial Arbitration (Panama Convention).
- The Inter-American Convention on Letters Rogatory (Panama).
- The Inter-American Convention on the Taking of Evidence Abroad (Panama).
- The Inter-American Convention on Proof of and Information on Foreign Law (Uruguay).
- The Inter-American Convention on Conflicts of Law Concerning Commercial Companies (Uruguay).
 - The Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial matters, November 15, 1965, La Haya.
 - The Convention on the Taking of Evidence Abroad in Civil or Commercial Matters, March 18 1970, La Haya.

2. Commercial Dispute Resolution Procedure

The procedure for commercial dispute resolution in Venezuela is governed by the Code of Civil Procedure along with some special rules in the Commercial Code. It is a written procedure in which the

judge must rely only on what was alleged and proven in the court proceedings.

The court hierarchy for dispute resolutions begins with commercial courts, which are trial courts that hear the cases, followed by superior courts of the commercial jurisdiction, which are appellate courts, and finally, the Supreme Court of Justice, the highest court of the republic, which is divided into six Chambers: civil, criminal, social, political-administrative, constitutional and electoral. Judges are not required to follow judicial precedents (case law), however, decisions issued by the Constitutional Chamber of the Supreme Court of Justice are binding and must be adhered by all judicial organs. Additionally, Article 321 of the Venezuelan Code of Civil Procedure establishes that judgments made by courts can be appealed under certain circumstances, particularly if there has been a substantial violation of due process or procedural rules. This article ensures that judicial decisions can be scrutinized, allowing for the correction of errors that could lead to unjust outcomes. Decisions of a judge in a particular lawsuit only affect the parties of that lawsuit and are not applicable to the resolution of other similar cases, except for case law of the Constitutional Chamber of the Supreme Court of Justice.

Commercial lawsuits are tried in two instances: trial and appeal. In lawsuits exceeding 3,000 tax units the decisions of the superior court judges (second instance) may be appealed before the Supreme Court, but only when the superior court judge, in a decision, has failed to apply or has misinterpreted a legal rule, or when the form of the procedure has been violated. In these cases, the Supreme Court may void the decision of the superior court judge and issue a new judgment. The Supreme Court does not hear the merits of the action (although there may be some exceptions). The tax unit taken as reference to establish the amount necessary in order to resort to the Supreme Court is established annually by the Tax Administration, taking into consideration the inflation of the immediately preceding year.

Currently, a well-advanced draft reform of the Code of Civil Procedure is under discussion. This reform aims to transform civil procedures into a much faster and more efficient oral process, significantly enhancing the quality of the justice administration system.

3. Enforcement of Foreign Judgments

Judgments of foreign courts can only be enforced in Venezuela after obtaining the corresponding *exequatur* from the Supreme Court. The Supreme Court may deny the *exequatur* in the event the judgment deprives Venezuelan courts of exclusive jurisdiction or when any of the reasons to deny it provided for in the Act on Private International Law are present, for instance, if such judgment is contrary to Venezuelan rules of strict public policy, if process was not duly served on the defendant, or if the defendant's right of defense was not guaranteed.

4. Court Costs

Pursuant to the Constitution, justice is free. Therefore, there are no direct court costs. However, losing parties are sentenced to reimburse lawyers' fees and expenses for an amount that may not exceed 30 percent of the amount involved in the litigation.

5. Arbitration

Pursuant to the Constitution, arbitration is one of the alternative means to solve conflicts. Commercial arbitration is ruled by the Law on Commercial Arbitration and may be institutional or independent. Institutional arbitration is carried out before or through an arbitration center with its own regulations, while in independent arbitration there is no intervention by an arbitration center.

The Venezuelan courts have acknowledged the validity of arbitration, thereby excluding their jurisdiction in cases where the parties have chosen arbitration as their preferred mechanism for resolving disputes.

Arbitration in Venezuela can be conducted either at law or in equity, and the location of the arbitration can be selected by the parties involved. The parties have the liberty to choose their arbitrators, and in the event of a disagreement, there are established mechanisms to resolve the issue and appoint the arbitrators.

In Venezuela, there are three primary arbitration centers for institutional arbitration. Two of these centers are located in Caracas: the Caracas Chamber of Commerce Arbitration Center (“CCC”) and the Business Center for Conciliation and Arbitration (“CEDCA”). The third center is situated in Maracaibo and is known as the Arbitration and Mediation Center of the Maracaibo Chamber of Commerce (“CACCM”).

The current Arbitration Rules of the CCC came into effect on May 26, 2022. These rules largely follow the Rules of Arbitration of the ICC. In their formulation, input was considered from the Lima Chamber of Commerce, the Bogotá Chamber of Commerce, and the Madrid International Arbitration Center, as well as the Procedural Rules of the InterAmerican Commercial Arbitration Commission.

The current CEDCA Arbitration Rules were implemented on February 19, 2020, and they include amendments to facilitate online proceedings. These rules provide for a simplified and expedited procedure.

The current CACCM Arbitration Rules were approved on July 9, 2020, and have been in operation since July 15, 2021. These rules incorporate several aspects, such as third-party intervention and third-party financing, and they were developed with reference to the Code of Best Practices in Arbitration of the Spanish Arbitration Club.

Under the three arbitration rules mentioned herein, parties can request precautionary measures even before the claim notification or the constitution of the arbitral tribunal. Additionally, these 3 arbitration centers have successfully managed both local and international

arbitration proceedings under their own rules, as well as other rules chosen by the parties, such as the ICC Arbitration Rules.

6. Enforcement of Foreign Arbitral Awards

Foreign arbitral awards are enforceable in Venezuela without the need for an *exequatur*. The enforcement of awards may only be denied for reasons provided for in Article V of the New York Convention or in Article 49 of the Commercial Arbitration Law, e.g., if they are contrary to Venezuelan rules of strict public policy, if the parties have not been notified of the appointment of the arbitrators, or if the parties' right to defense has not been guaranteed.

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