

Decree Exempts Value Added Tax and Other Taxes on Sale of Gasoline, Fuels and Additives

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By means of Decree No. 4,220, published on May 29, 2020, in the *Official Gazette* of the Bolivarian Republic of Venezuela No. 41,890, President Nicolás Maduro issued the exemption of the payment of Value Added Taxes, Import Taxes and Customs Valuation Taxes, as well as any other enforceable tax, rate or contribution in accordance with the applicable legal system, to definitive imports and sales carried out in national territory, of hydrocarbon-derived fuels. The Decree also covers tax exemption of inputs and additives utilized to improve gasoline quality, directly carried out by the state, or by state-owned companies, or by public-private partnership companies with any given proportion of public and private equity, and by private companies, in accordance with the provisions of Article 58 of the Organic Hydrocarbons Law.

It should be noted that the gasoline subsidy scheme that Venezuela had for many years did not significantly impact the aforementioned taxes. However, as a result of the gasoline shortage crisis and its substantial price increase in Venezuela, the aforementioned taxes will severely impact fuel transactions, particularly gasoline. More precisely, the impact this will have on consumers should justify the tax benefit granted.

The aforementioned Decree also exempts the payment of tax on large financial transactions, sales operations carried out in the national territory of hydrocarbon-derived fuels, as well as the inputs and additives destined for the improvement of gasoline quality, directly carried out by the state, or by state-owned companies, or by public-private partnership companies with any given proportion of public and private equity, and by private companies, in accordance with the provisions of Article 58 of the Organic Hydrocarbons Law. In this sense, by means of an administrative order, the National Integrated Customs and Tax Administration Service (SENIAT) will regulate the terms by which this exception will be executed.

Individuals who do not comply with the obligations established in the Constitutional Decree set forth in Organic Tax Code, the Constitutional Decree of the Partial Reform of the Decree with the Status, Validity and Force of Law of the Value Added Tax, the Constitutional Decree of Reform of the Decree with the Status, Validity and Force of Law of the Organic Customs Law, its Regulations and other applicable tax or customs regulations shall lose the exemption benefit.

The maximum duration of the exemption benefit established in this Decree shall be one year as of May 29, 2020.

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