

Venezuela Announces National Tax Harmonization Agreement

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The vice president of the Republic on Aug. 9, 2020, announced the execution of the *National Agreement on Municipal Tax Harmonization* prepared by the Bolivarian Council of Mayors of Venezuela. The action follows the execution of the ruling of the Constitutional Chamber of July 7, 2020, which suspended for 90 days the application of the taxes of the states and municipalities, while rules were established to harmonize and coordinate the taxes of these territorial political entities.

It is worth mentioning the fact that the aliquots of the tax on economic activities demanded by the municipalities had increased significantly, affecting the economic development of the Venezuelan business sector.

The Agreement contains several items. The most important aspects, include:

1. Creation of a single registry of municipal taxpayers, working as a digital tool for consultation, information exchange and real-time monitoring of companies with branches in different municipalities, to avoid double taxation of the industrial sector and verify any declaration presented.
2. Prohibition of collection of taxes in foreign currency. The use of the Venezuelan cryptocurrency Petro is approved as a unit of account for the calculation of taxes and sanctions, charging exclusively from its equivalent in Bolívares.
3. Simplification of the Unique Classifier of Economic Activities, in which bands are established for minimum and maximum rates, and the codes are reduced for tax purposes.

Constitutional Chamber Action

On Aug. 18, 2020, the Constitutional Chamber, in response to the signed Agreement, resolved the following:

1. Order the mayors who sign the Agreement, to proceed within a period of 30 continuous days to adapt their municipal ordinances relative to the tax rates and the aliquots of the taxes inherent to the economic activities.
2. To urge the mayors who are not subscribers to said Agreement to show their adherence to it before this Chamber.



Although in a few cases, the bands provided for in the Agreement would mean a relief or reduction of the heavy tax burden imposed on taxpayers in the different municipalities. In general terms, the Agreement does not correct the structural problems of municipal taxation.

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