



Legal and Tax Outlook for Venezuela's New Monetary Reconversion

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The President of the Republic published on Aug. 6, 2021, Decree No. 4,553 in *Official Gazette* No. 42,185, which establishes the issuance of the digital bolívar and the norms related to the issuance thereof.

Monetary Restatement: As of Oct. 1, 2021, the expression of the unit of the national monetary system is the equivalent of 1 million bolívares. The bolívar will continue to be represented with the symbol "Bs," being divisible in 100 cents. All amounts expressed in local currency before said date should be converted to the new unit, dividing its sum by 1 million.

Rounding Off: The Central Bank of Venezuela (BCV) is the competent entity to regulate rounding off; therefore, through the Resolutions of its board of directors, it shall establish the rounding off rules.

Obligations: As of Oct. 1, 2021, any obligations incurred in local currency shall be expressed in the new bolívar soberano system. Likewise, as from this date, payment obligations in local currency must be settled with the new bolívar soberano. Similarly, prices, salaries and other social benefits, taxes and any amounts in local currency must be outlined according to the bolívar soberano at its new exchange rate in financial statements or other accounting documents, debt instruments and any transaction or reference of local currency.

Legal Acts and Businesses: Any legal instrument, action or transactions expressed in bolívares soberanos executed until Sept. 30, 2021, which shall remain in force after such date, will be automatically understood to be expressed in the new expression beginning Oct. 1, 2021. Therefore, it will not be necessary to grant or execute a new instrument or perform any procedure to such effects before the Autonomous Service of Registries and Notaries (SAREN).

PRINCIPLES

- a) **Nominal Equivalence:** Any amount expressed before Oct. 1, 2021, shall be equivalent to the monetary sum expressed in bolívares soberanos as soon as the new expression becomes effective.
- b) **Fungibility:** The expressions in any medium or instrument shall maintain their validity and effectiveness once expressed in the new exchange rate according to the equivalence.
- c) **Free of Charge:** The operations established in this Decree shall be free of charge for consumers and users.

Powers of the Central Bank of Venezuela: BCV is hereby empowered to regulate by means of a Resolution everything related to the execution of the new monetary expression in this Decree, as well as to carry out all activities for the circulation of the new cash equivalents.



Sanctions for Noncompliance: Those who refuse to carry out the new expression or fail to comply with any of the obligations established in this Decree, affecting the regular operation of the national payment system, shall be administratively sanctioned by the BCV, pursuant to Article 135 of the Law of the Central Bank of Venezuela.

TAX EXEMPTIONS

a) Value Added Tax

1. Activities or operations that constitute a taxable event must be performed to produce and distribute the new cash equivalents to be issued.
2. Sale of goods, service provision and imports necessary to manufacture the new cash equivalents.
3. Activities necessary for the formulation and execution of the informative strategy.

b) Income Tax

1. Net income obtained by persons supplying goods and services exclusively destined for executing the new monetary expression.

Validity of the Currency Sets: The bills and metallic coins issued by the BCV, representing the monetary unit in force before this Decree, will circulate simultaneously with the new cash equivalents until the BCV determines otherwise.

Goods and Services Offering: As of Sept. 1, 2021, and until the BCV indicates otherwise, all instruments that establish the prices of goods and services will jointly include in their reference the current and the new monetary expressions.

Validity: From the publication date hereof, this decree was executed in the *Official Gazette* of the Bolivarian Republic of Venezuela on Aug. 6, 2021.

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