



National Assembly Approves Foreign Currency and Cryptocurrency Transaction Tax Law

By Holland & Knight

The Venezuelan National Assembly approved on Feb. 3, 2022, the Large Financial Transactions Tax Law (Law). This Law authorizes a new tax on foreign currency transactions carried out in banks and stores. Tax rates will vary between 2 percent and 20 percent, depending on the type of transaction and the parties involved. This Law only establishes the percentage range of the new tax rate, but a final value must be established soon by the executive branch. In addition, the Law aims to provide preferential treatment to the national currency to encourage and strengthen its use, according to the explanatory memorandum. Article 4 of the Law establishes the individuals and transactions subject to this new tax, while Article 13 determines the tax ranges.

The regulation establishes the following ranges for each type of transaction:

- a tax rate between 2 percent and 8 percent will be applied to payments made in foreign currency or cryptocurrencies or cryptoassets different from the official currency, without the intermediation of a foreign banking correspondent, to individuals, legal and economic entities that do not have a legal capacity. The exact value of this tax is still to be determined by the government.
- a tax rate between 2 percent and 20 percent will apply for payments made in foreign currency or cryptocurrencies or cryptoassets that are not issued by the state to individuals, legal and economic entities that qualify as special taxpayers and do not have a legal capacity. The exact value of this tax is still to be determined by the executive branch.

Article 24 of the Law establishes that an additional 2.5 percent tax will be imposed temporarily on the above transactions. However, the executive branch must define an exact value in the near future within the above ranges. Furthermore, this Law also outlines legal tax exemptions and other exemptions that may be granted by the executive branch through exoneration decrees.

The tax exonerations are permanent and include:

- the Republic and other territorial political entities
- the Central Bank of Venezuela
- public entities that qualify as taxpayers, and
- exchange operations carried out by authorized exchange operators

Additionally, this Law establishes that this tax will not be deductible from income tax. The Law also includes a tax between zero percent and 2 percent that will apply to other transactions involving special taxpayers. It is expected that this new tax will impact the trade of goods and services because of the



de facto dollarization that has been taking place in the Venezuelan economy. The magnitude of its impact will depend on the final percentages fixed by the executive branch.

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