



## Venezuela Approves Organic Law for Harmonization of Tax Powers of States and Municipalities

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The Organic Law for the Harmonization of the Tax Powers of the States and Municipalities (The Bill) was approved in first discussion on Aug. 25, 2022. The purpose of this Bill is to avoid double taxation and tax overload of taxpayers by establishing principles, parameters, limitations, tax rates and aliquots to guarantee the coordination and harmonization of the tax powers corresponding to the states and municipalities. The main points of the Bill are:

**Legality and Proportionality of Taxes.** The Bill prescribes that taxes, rates or contributions not provided for in state laws or ordinances may not be levied, respecting the limits set in the Constitution and the Law. Consequently, the collection of amounts required under different concepts, such as contributions, duties, consideration and similar or equivalent items, will be null and void. Likewise, it is established that taxes may not be confiscatory in nature, nor allow multiple interjurisdictional taxation or become an obstacle to the harmonious development of the national economy.

**Collection and Calculation of Taxes, Sanctions and Interest.** Regarding collection, taxes, their accessories and sanctions may only be collected in bolívar soberanos. However, the states and municipalities may use as a dynamic unit of account for the calculation of taxes, accessories and sanctions, the exchange rate of the highest value currency published by the Central Bank of Venezuela (BCV). With respect to the sanctions, such penalties may not exceed the maximum limits set in the Organic Tax Code. Regarding interest, the states and municipalities may not apply an interest rate higher than the average rate applicable to commercial credits, established by the BCV, in the determination and collection of late interest fees.

**Duration of Licenses to Carry out Economic Activities.** The licenses or authorizations for the exercise of economic, industrial, commercial, service and similar activities subject to this law, shall have a minimum term of two calendar years, counted from the date of their issuance by the corresponding authority.

**Aliquot of the Tax on Economic Activities, Harmonized Classifier and Undertakings.** The Bill determines an aliquot for the tax on economic activities of industry, commerce, services or of a similar nature, which may not exceed 3 percent of the gross income obtained. The minimum annual taxable amount for this tax may not exceed the equivalent of 20 times the exchange rate of the highest value currency published by the BCV.

In order to encourage entrepreneurships, the sum of all the municipal taxes applicable to the undertakings, established in accordance with the special law governing the matter, may not exceed 2 percent of the gross annual income obtained by the taxpayers.

**Tax on the Extraction, Exploitation, Use and Commercialization of Non-Metallic Minerals.** The aliquot of the tax on the extraction, exploitation, use and commercialization of non-metallic minerals, not reserved to the National Executive and which correspond to the states, will be between 1 percent and up to a maximum of 3 percent on the value of the commercialized cubic meter of mineral reflected in the invoice, dispatch guide, circulation guide or any other equivalent commercial document.



**Tax on Vehicles.** Tax on vehicles shall be paid exclusively in the jurisdiction of the municipality where the owner has his/her domicile, residence or permanent establishment. The tax on vehicles is determined and liquidated on an annual basis. The municipalities will fix the annual aliquot within the limits established in the Bill.

**Harmonization of Rates.** The states and municipalities may not establish rates different from those indicated in the Bill.

**Proportionality and Rate Limits.** The Bill establishes that due proportionality must be guaranteed between the cost of the public service rendered and the benefit effectively received or realized for the taxpayer. The applicable values for the rates will be set forth in the Law, adjusted to a Table of Values by typology and may not exceed the limits set in the Law.

**Fines or Sanctions for Lack of Timely Payment of Service Fees.** In the case of sanctions for infractions consisting of nonpayment of service fees, the states and municipalities may not establish fines higher than 100 percent of the equivalent value of the unpaid tax, without prejudice to any late interest fees that may correspond, which shall be determined in accordance with the provisions of this Law.

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