



Republic Issues Law for Coordination and Harmonization of Tax Powers of States, Municipalities

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The Organic Law for the Coordination and Harmonization of the Tax Powers of the States and Municipalities (LOCAPTEM) was enacted on Aug. 10, 2023 and published in the *Official Gazette* No. 6,755 Extraordinary, which establishes the legal regime that will serve as a framework for the taxation of states and municipalities, as provided in Numeral 13 of Article 156 of the Constitution of the Bolivarian Republic of Venezuela.

Beginning: The law establishes the principles that govern local and municipal taxation, such as legality, justice, equity, territorial integrity, coordination, harmonization, cooperation, solidarity, concurrence, co-responsibility, progressivity, generality, good faith, productivity, capacity tax, nonretroactivity, nonconfiscation, efficiency, effectiveness, speed, transparency, simplicity and legal certainty.

Supplementary Application: It is established that the Organic Tax Code will be of supplementary application to the taxation of states and municipalities.

Coordination of Fiscal Stimuli: The law provides that the fiscal stimuli created by the states and municipalities must be coordinated with the Ministry of Finance, as well as everything related to the simplification, standardization and modernization of collection and the design of public policies and programs to reduce avoidance and tax evasion.

Prohibition of Discriminatory Treatment: Article 11 of the law establishes that discriminatory treatments cannot be established for taxpayers who, in or from their territory, on an itinerant, temporary or eventual basis, carry out economic activities. Therefore, no distinctions can be made between residents and transients.

Payment Currency: It is established that the payment of the taxes of the states and municipalities, as well as their accessories and sanctions, must be made in bolivars and under no circumstances may the payment be required in foreign currency.

Account Currency: The use of a dynamic account currency will be allowed for the calculation of taxes, accessories and sanctions, which will be the highest value currency published by the Central Bank of Venezuela (BCV).

Limit to the Sanctioning Power: The sanctions imposed by the states and municipalities for noncompliance with their tax regulations must observe the margins and limits established in the Organic Tax Code.



Simplification of Procedures: The state tax administrations and municipalities must eliminate the rule of additional requirements to those established in the current regulations and must adapt their legislation to simplify the procedures in which unnecessary collections are required. The states and municipalities may not request solvencies issued by themselves, nor collections that have been consigned in previous procedures and likewise must prepare their tax formats or forms in a transparent manner so that taxpayers unequivocally can know the tax base and the applicable rates.

Use of the Fiscal Information Registry (RIF): The states and municipalities must use the RIF kept by the National Integrated Customs and Tax Administration Service (SENIAT), as an identification number for their taxpayers, in order to guarantee that the identification is made uniquely and unequivocally in the different political-territorial entities.

Use of Technology and Updating of Electronic Portals: The states and municipalities must implement a mechanism based on information technologies for the declaration and payment of taxes within their competence. Likewise, the states and municipalities must publish and keep updated all or their legal regulations of a tax nature on their electronic portals.

Applicable Rate and Minimum Tax Rate: The rate of the municipal tax on economic activity may not exceed 3 percent of the gross income obtained. The annual taxable minimum may not exceed the equivalent in bolivars of 240 times the exchange rate of the highest value currency (Euros), published by the BCV.

Exceptional Rate: Exceptionally, the municipal tax rate will be up to 6.5 percent of the gross income obtained, in the following branches: 1) exploitation of mines and quarries; 2) services and construction of the oil industry; 3) advertising services; 4) retail and/or wholesale sale of alcoholic beverages; 5) sale of food, drinks and entertainment; 6) commercial banks, financial institutions, insurance, administrators and activities of a similar nature; 7) sale of jewelry, watches and precious stones; and 8) manufacture of liquor, tobacco, cigarettes and derivatives.

Single Classifier: The Ministry of People's Power with competence in matters of economy and finance will establish the Harmonized Classifier of Economic Activities, with the purpose of standardizing the categories for tax purposes.

Validity of Licenses on Economic Activities: From the entry into force of the law, the licenses for economic activities will be valid for a minimum of three calendar years, counted from the date of their issuance, without prejudice to the payment of the corresponding fee for their annual maintenance, with automatic renewal, under sworn declaration of the applicant.

Exceptions: The municipalities will consider incorporating in their ordinances, general exemptions for natural or legal persons whose main activity is, among others: 1) management and management of waste and solid waste; 2) social assistance and public charity, 3) construction of low-income housing; and 4) development of productive activities in duly constituted Special Economic Zones.

Sales: The municipalities will consider incorporating into their respective ordinances, tax reductions of at least 30 percent of the amount to be paid, for those taxpayers who: 1) carry out permanent sanitation, maintenance and/or improvement tasks in municipal spaces; 2) carry out their activity through community socio-productive organizations; and 3) carry out activities that contribute to the socioeconomic development of the municipality.



Tax Harmonization: Rules are also created for the harmonization of other municipal taxes other than the tax on economic activities, and for state taxes and for such purposes rules are provided for land valuation such as the annual review of cadastral tables, rules for vehicle taxes instruments credit and means of payment, among others.

Benefits to New Entrepreneurs: It is established that the sum of all municipal taxes applicable to entrepreneurs may not exceed 1 percent of the gross annual income obtained by them. Municipalities are urged to establish a simplified tax regime consisting of a single rate depending on the economic activity and the volume of annual sales, and will be governed by the same procedure for its determination, declaration, liquidation, payment, collection, control and inspection.

Rates: The values of the state and municipal rates will be adjusted to a Table of Values by type and may not exceed the following limits:

Rate Type	Limit
Comprehensive waste and solid waste management rate	Up to the amount established in accordance with the special law that regulates the matter
General inspection fee	Up to 0.10 times the Exchange Rate Currency higher value (TCMMV) BCV per M2 of extension or area of the establishment
Inspection fee for the sale of spices and alcoholic beverages	Up to 0.20 times the TCMMV BCV per M2 of extension or area of the establishment
Rate of obtaining copies and documentary certificates	Up to 1 times the TCMMV BCV for the first page of the document and up to 0.40 times the TCMMV per additional page
Fee for the process of granting licenses, permits, authorizations, conformity and solvency	Up to 15 times the TCMMV BCV
Fee for maintenance of the license or authorization for the exercise of economic activities	Up to 15 times the TCMMV BCV
Fee for use of public goods	Up to 0.10 times the TCMMV BCV per M2 of extension or area, per day of use
Fee for conservation and use of land roads	Up to the amount established in accordance with the special law that regulates the matter
Fee for service authorization	Up to 100 times the TCMMV BCV
Fee for nonemergent services	Up to 150 times the TCMMV BCV



Electronic Tax Stamps and Limit Amounts: The states must implement the electronic fiscal stamp, which constitutes an instrument of different denomination that will be issued by the state tax authorities through an automated system. The amount required for fiscal stamps, stamps and sealed paper, for each procedure or request, may not exceed the following limits, depending on the type of taxpayer:

Person	Maximum Limit
Natural person	Up to 10 times the Exchange Rate Currency greater BCV Value
Legal person	Up to 10 times the Exchange Rate Currency greater BCV Value

Repealing Provision: Once the law enters into force, all regulations containing tax rates other than those established by the Constitution and this law will be repealed.

Validity: This law will enter into force 90 days after the date of its publication in the *Official Gazette* of the Bolivarian Republic of Venezuela. However, the provisions related to the creation and attributions of the Higher Tax Harmonization Council, including the attribution of the People's Ministry of Economy and Finance to dictate the Tables of Values established in the law, will enter into force with the publication of the law in the respective *Official Gazette*.

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