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Venezuela Economic Outlook

By Arca Análisis Económico

Here is our monthly summary of recent economic developments in Venezuela:

- In economic terms, 2024 was characterized by the elimination of the exchange rate anchor and the return of inflationary pressure. In mid-October, the Banco Central de Venezuela (BCV) began to let the official exchange rate slide after having accumulated an increase of just 3 percent between January and September 2024, in which the exchange rate gap reached almost 25 percent. Consequently, since October, businesses have validated constant increases in the prices of goods and services that brought inflation in November to double digits.

- According to the latest report from the Center of Dissemination of Economic Knowledge for Freedom's (Cedice Libertad) Public Spending Observatory, inflation closed at 73.27 percent in national currency and 19.52 percent estimated in dollars. The most inflationary item in 2024 was transportation with +143.38 percent in bolivars and +68.04 percent in dollars. The service sector was second with +85.04 percent in bolivars and +27.61 percent in dollars.

- On the other hand, despite being an election year, the creation of money remained under control, increasing at a similar rate to the previous year. This was achieved thanks to the following measures being maintained: 1) government spending decreased, mainly due to the lack of salary increases and the freezing of the official exchange rate; 2) tax collection increased, especially in areas not related to oil; 3) there was an increase in the number of dollars available on the market thanks to state and private companies; and 4) the growth of these securities was limited to avoid higher inflation. In summary, the government managed to control inflation through a combination of fiscal and monetary measures, despite the electoral context.

- In this regard and due to the widening gap between exchange rates, measures have been taken to ensure less monetary expansion. According to official figures, the monetary base at the close of Friday, December 6, 2024, has accumulated an increase of 135 percent (vs. 152 percent at the close of 2023). The dosage of monetary expansion has been crucial to stabilize the official exchange rate and contain inflation until September. However, it has been a costly task for the BCV since efforts to contain the dollar required an active supply of cash currency, which at the end of the year will be around $4.7 billion (+22 percent vs. 2023).

- In addition, restrictive liquidity and legal reserve policies continued to affect bank credit, which is estimated to close above $2.4 billion (+64 percent annually vs. 95 percent in 2023). On the same note, the legal reserve policy became more severe from October 2024. Although the reserve ratio remains at 73 percent of total deposits, the BCV eliminated some of the deductions, bringing the effective reserve closer to 60 percent of the total deposits from 50 percent in the first nine months of the year.

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Nicolás Maduro Takes Office as President of Venezuela

By Holland & Knight

The inauguration ceremony of Nicolás Maduro as president of Venezuela for the third time after 12 years in office was held on Jan. 10, 2025. This occurred after the National Electoral Council (CNE) proclaimed the reelection of the Venezuelan president following the elections on July 28, 2024, even without having presented the minutes that would serve as evidence to guarantee the current government's legitimacy.

Despite the recognition of Edmundo González from different countries in the region as the elected president of Venezuela and the receptions at the White House, the Casa Rosada of Argentina and the Palacio Estevez of Uruguay, Nicolás Maduro will continue as head of state in Caracas. Sure enough, Edmundo González toured several countries to seek the support of regional leaders. For example, in a meeting with the President of the United States, Joe Biden, he stated that Gonzalez's electoral victory should be respected and there should be a peaceful transition of power to the opposition. This statement was criticized in turn by the government of Nicolás Maduro, calling the document a "violation of international law" and an unacceptable interference in internal politics.

Venezuela has achieved a slight rebound in its economic state despite the economic sanctions imposed by the U.S. since the influx of money into the coffers of the Venezuelan government has allowed it to inject dollars into the foreign exchange market, which has stabilized inflation. This is partly due to the easing of these sanctions during the Biden administration through the Barbados Agreement. This flexibility allowed foreign companies, mainly American, to apply for licenses to operate in Venezuela.

Opposition leaders called on the population to protest starting Jan. 9, one day before the inauguration ceremony, to show their rejection of the investiture of Nicolás Maduro. However, the political context is tense considering the imprisonment of more than 1,500 people in the post-election protests of July 28, 2024, many of whom are still in detention.

As for Colombia, although President Gustavo Petro did not directly attend the inauguration, the country was represented by the Colombian ambassador in Caracas, Milton Rengifo. This decision could be because the Colombian president seeks to protect Venezuela's customs tax collection, as well as the income taxation of exporting companies. Milton Rengifo publicly stated that this is due to Colombia seeking to give a message about the "recovery of confidence. It is a message in which we want to keep the door open if Venezuela needs it or invites us to collaborate in overcoming the internal conflict in this country."

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Administrative Provision Regulating the Use of Digital Media for Issuing Invoices and Other Documents Published

By Tinoco Travieso Planchart & Nuñez

The Administrative Provision No. SNAT/2024/000102 (Provision) is published in the *Official Gazette* No. 43,032, of Dec. 19, 2024, which regulates the use of digital media for the issuance of invoices and other tax documents. The Provision establishes:

- **Purpose (Article 1):** Regulate the use of digital media for the issuance of invoices and other tax documents.
- **Other Documents (Article 2):** For the purposes of the Provision, the term "other documents" refers to debit notes, credit notes, delivery orders, dispatch guides and withholding vouchers.
- **Optional Use of Digital Media (Article 3):** Taxpayers who are authorized by the National Integrated Service for the Administration of Customs Duties and Taxes (SENIAT) and who are not exclusively required to use fiscal machines, may choose to use digital media to issue invoices and other documents.
- **Mandatory Use of Digital Media (Article 4):** Taxpayers who carry out commercial transactions exclusively through electronic media or web portals are required to use digital media to issue their invoices and other documents.
- **Regarding Taxpayers Who Use Fiscal Machines and Carry Out Transactions through Web Pages (Article 5):** If the taxpayer is required to use fiscal machines, but at the same time carries out commercial transactions through electronic media, he or she must use the invoicing means provided for in the order for the latter operations.
- **Sales Ledger Entry (Article 6):** Sales made through electronic means or web portals, in which invoices are issued through digital means, must be recorded in the sales ledger, separately from operations carried out by fiscal machines.
- **Documents (Articles 7, 8, 9 and 10):** The Provision establishes the requirements that invoices must contain for debit and credit notes, delivery orders, dispatch guides and withholding vouchers issued by digital means.
- **Contingency Measures (Article 16):** The contingency measures that the taxpayer must take in the event of internet service failures, electrical service failures and mobile device failures are established. Once the contingency is over, the physical receipts must be recorded in the system and the respective support must be safeguarded.

- **Authorization Request Submitted to SENIAT (Article 13):** Taxpayers who wish to use digital invoicing methods must submit an authorization request to use digital means to issue invoices and other documents and submit it to SENIAT.

- **Requirements for Submitting an Authorization Request (Article 18):** The requirements that the taxpayer must meet for the authorization to be granted are established, some of these requirements include: 1) have a permanent internet connection, 2) have the technological infrastructure that allows the processing, storage and safekeeping of the information handled for invoicing, and 3) hire digital printing services authorized by SENIAT, among others.

- **Power to Revoke Authorization (Article 21):** The Provision establishes the power of SENIAT to revoke authorization to use digital means to issue invoices and other documents, if any of the assumptions indicated in the rule are presented.

Regarding Authorized Printing Presses:

- **Articles 24 and Additional Articles of the Provision:** Establish the regulation of printing presses, the process for obtaining authorization, their obligations and the grounds for revoking the authorization.

- **Non-Compliance (Second Final Provision):** Subjects who are subject to compliance with the Provision and who do not observe it will be sanctioned as provided by the Tax Code.

- **Repeal (Fourth Final Provision):** Administrative Ordinance No. SNAT/2014/0032 dated July 31, 2014, which regulates the use of different means for issuing invoices and other documents by mass service providers, is hereby repealed.

- **First Transitory Provision:** Taxpayers required to use digital means for issuing invoices and other documents must comply with the Provision as of the first day of the third calendar month after the Ordinance comes into force.

- **Second Transitional Provision:** Authorizations granted under the validity of Administrative Order No. SNAT/2014/0032 dated July 31, 2014, will remain in force.

Validity: The providence came into force upon its publication in the *Official Gazette*, that is, on December 19, 2024.

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