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Legal update

Venezuela announces applicable exchange rate for assessing tax liabilities arising from contracts with PDVSA, its affiliates and mixed companies

October 2017
Tax

On October 24, 2017, an official notice issued by the Venezuelan Central Bank was published in Official Gazette No. 41,263 in connection with the applicable exchange rate for the assessment of certain tax liabilities (the Official Notice).

In the Official Notice the Central Bank informs the tax authorities and the public that the exchange rate set forth in article 1 of Exchange Agreement No. 35 of March 9, 2016, (namely, the protected or DIPRO exchange rate) shall be used as reference in the following cases:

- Assessing tax liabilities arising from contracts entered into by Petróleos de Venezuela, S.A. (PDVSA), its affiliates or mixed companies incorporated pursuant to the Organic Hydrocarbons Law (Mixed Companies) with exclusive vendors of specialized supplies in the national territory that are directly connected to liquid and gaseous hydrocarbons activities, which payment was agreed upon in foreign currency. The Official Notice does not define the term "*specialized supplies.*"

- Payment obligations of public prices, tariffs, commissions and surcharges that were agreed upon in foreign currency as the unit of account of PDVSA, its affiliates and Mixed Companies.

Finally, in the Official Notice the Central Bank reaffirms the content of official notices published in Official Gazette No. 41,024 of November 4, 2016, and N° 41,128 of April 4, 2017, pertaining to the applicable exchange rate for the purposes of: (i) translating the taxable base of tax liabilities arising from customs operations carried out by PDVSA, its affiliates, Mixed Companies or its vendors of specialized supplies; and (ii) assessing the taxable base of domestic taxes applicable to primary activities concerning liquid and gaseous hydrocarbons.

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