



TAX NEWSLETTER

No. IX - MARCH 2021

LEVY TO THE NATIONAL FUND FOR THE DEVELOPMENT OF SPORTS, PHYSICAL ACTIVITY AND PHYSICAL EDUCATION

The National Fund for the Development of Sports, Physical Activity and Physical Education (FND, by its Spanish initials) is funded by the levies paid by companies or other government and private organizations engaging in profit-making economic activities in the country, according to the provisions in the Sports, Physical Activity and Physical Education Act (LODAFEF) published in Official Gazette No. 39,741, on August 23, 2011 (Article 68 LODAFEF).

▶ **When is the deadline to declare and pay the sports levy?**

For taxpayers whose close of the tax year ended on December 31, 2020, the deadline to file, calculate, submit the return and pay is until April 30, 2021.

▶ **Before whom, and when shall the sports levy be filed and paid?**

The return and payment of the sports levy must be made within one hundred twenty (120) continuous days after the close of the fiscal year before the National Sports Fund (FND), online through the portal or website and as provided by the manuals, instructions and resolutions that have been issued by the National Sports Institute (IND), as it is established in Partial Regulation Number 1 of the Sports, Physical Activity and Physical Education Act (RPN ° 1-LODAFEF), published in Official Gazette No. 39,872 on February 28, 2012 (Article 50. RPN 1-LODAFEF).

▶ **Who shall observe the sports levy?**

Those who have to comply with this levy are:

- Government and private trading companies.
- Government and private general partnerships, profit-driven.
- Any other legal entity within the country that carries out profit-driven activities. (Article 47 RPN ° 1-LODAFEF).

* The sports levy is not a tax relief on the income tax.

► **How is the Sports Levy calculated?**

The levy is 1% of the net profits or annual book profits when these exceed 20,000 Tax Units (T.U.) (Article 48 RPN ° 1-LODAFEF).

Taxpayers whose net profits or annual book profits do not exceed 20,000 T.U. in the fiscal year, but who have been registered in the FND fiscal portal, they are obliged to submit the declaration of the levy (Article 49 RPN ° 1-LODAFEF).

► **What is understood by net profits or annual book profits for the purposes of calculating the sports levy?**

It is the accounting profit for the fiscal year that is used for the annual income tax return, of the enterprises obliged to pay the sports levy by the Law, reducing the expense for this concept, if any, and it will be used as a basis calculation for the levy (Article 3 paragraph 6 RPN ° 1-LODAFEF).

► **What are the methods of payment for the sports levy?**

The levy can be paid in cash, in legal tender, or in a combined form in cash and in projects uploaded in the National Sports Institute (IND) project bank.

When the taxpayers decide to make the payment in its entirety in cash, its settlement may be made in three (3) installements, the first payment at the time of filing and the remaining two (2) with a term of up to twenty-five (25) continuous days between each payment (Article 52 RPN ° 1-LODAFEF).

► **What is the penalty for not complying with the payment of the sports levy?**

Taxpayers who do not make the payment of this levy will be penalized with a fine equivalent to twice the corresponding levy, according to the respective fiscal year, and in case of recidivism, the fine will be three times the levy of the corresponding fiscal year. The enforcement of fines will be carried out in accordance with the procedure established in the Organic Tax Code (Article 80 LODAFEF).

*** Estimated sports levy return:**

Taxpayers have to make an estimated return of the levy to the National Sports Fund (FND), which will be filed one hundred ninety (190) days after the accounting close and will be zero point twenty-five percent (0.25%) of the net profits or annual book profits of the previous fiscal year. The payment shall be made in three (3) equal installments, with a period of up to 30 continuous days between each installment (Article 56 RPN ° 1-LODAFEF).

NATIONAL CONSUMER PRICE INDEX (NCPI)

The National Consumer Price Index (NCPI) is a consumer price index with national geographic coverage, in accordance with what it is provided by Resolution and Joint Administrative Ruling No. 08-04-01 and 08 of the Central Bank of Venezuela (BCV) and the National Statistics Institute (INE) respectively. It was published in Official Gazette No. 38,902 on April 3, 2008.

The aforementioned order establishes that the INE and the BCV will produce the results of the CPI and this will be published monthly, as it is established in article 4 of said regulation, namely:

Article 4: "The National Consumer Price Index (NCPI) will be disclosed monthly, within the first ten (10) days of each month."

The BCV, through its website www.bcv.org.ve, is the entity in charge of disclosing the CPI on a monthly basis. Afterwards, a table shows in detail the CPIs, the indexes for the months of October, November and December 2020 and the month of January 2021 were published last February 2021 by the highest financial entity.

It is important to highlight that the accrued inflation of the year 2020 was 2,959.84%.

National Consumer Price Index (NCPI)

Year 2021	Index	Monthly VAR%
<i>January</i>	<i>480.55.30.55.894,4</i>	<i>46,6</i>
Year 2020	Index	Monthly VAR%
<i>December</i>	<i>327.767.509.170,0</i>	<i>77,5</i>
<i>November</i>	<i>184.682.722.830,1</i>	<i>40,0</i>
<i>October</i>	<i>131.945.447.084,8</i>	<i>30,5</i>
September	101.126.220.212,8	27,9
August	79.061.685.127,4	24,7
July	63.408.630.581,9	19,6
June	53.033.212.824,9	25,1
May	42.404.519.909,6	38,6
April	30.594.008.765,7	27,5
March	23.995.112.795,7	13,3
February	21.174.462.628,9	21,8
January	17.3773625.281,2	62,2

*Monthly VAR% : Monthly Variation

*To this date, the NCPI for February 2021 has not been published.

DEFAULT INTERESTS

Default interest on the tax liabilities arises when a tax is not paid on the date it is due, in accordance with the provisions that govern it.

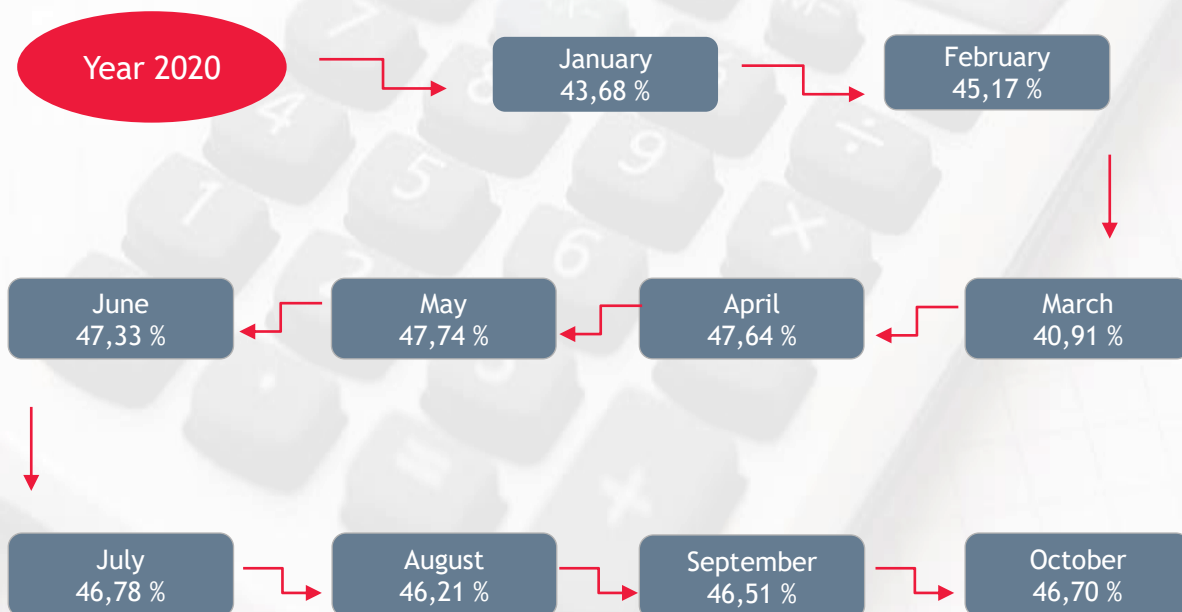
To this end, article 66 of the Organic Tax Code (COT), establishes the following:

Article 66. Failure to pay the tax liability within the established period gives rise, by law and without the need for a prior request from the Tax Administration, the obligation to pay default interests from the expiration of the period established for the payment of the Tax until the total extinction of the debt, equivalent to 1.2 times of the applicable bank lending rate, respectively, for each of the periods in which such rates were in force.

For the purposes indicated, the rate will be the active weighted average interest rate of the six (06) main commercial and universal banks of the country with the highest volume of deposits, excluding investments portfolios with preferential interest, set by the Central Bank of Venezuela for the immediately preceding calendar month. . The National Tax Administration has to publish said rate within the first ten (10) continuous days of the month. If the publication is not made within the period provided herein, the last active bank rate published by the National Tax Administration will be applied.

...Omissis...

In this sense, the latest applicable rates for the calculation of default interest are detailed below, they were issued by the Integrated National Service of Customs and Tax Administration (SENIAT), in accordance with the active weighted average interest rates of the six (06) main commercial and universal banks of the country with the highest volume of deposits, excluding investments portfolios with preferential interest, set by the Central Bank of Venezuela.



*The Administrative Rulings that establish the applicable rates for the calculation of the default interests rates for the months November and December 2020, January and February 2021 so far have not been disclosed.

EXCHANGE RATE

The exchange rate, according to the Central Bank of Venezuela (BCV) *“is the price of one currency against another. In Venezuela, the nominal exchange rate is generally expressed as the price of a foreign currency against bolivars; that is, it refers to the amount of bolivars that is granted in exchange for a unit of foreign currency”*.

For this purpose, Exchange Agreement No. 1 published in Official Gazette No. 6,405 Special Issue on September 7, 2018, provides that *“the exchange rate that must govern the purchase and sale of foreign currencies will fluctuate freely according to the offer and the demand of natural people or legal entities through the Exchange Market System. The Central Bank of Venezuela will publish on its website the weighted average exchange rate of the transactions done in the Exchange Market System to which this Exchange Agreement is subject”*.

Consequently, the BCV *“in accordance with the information provided by the exchange operators, will publish daily on its website the weighted average exchange rate of the operations done at the exchange desks of the exchange operators”*, in accordance with the provisions of the Resolution No. 19-05-01 published in the Official Gazette N ° 41,624, on May 2, 2019.

In this sense, the following table shows the exchange rate at the end of each month, resulting from the daily operations of the active exchange desks of the participating banking institutions, published by the BCV on its website. Therefore, according to the business at hand, only the official exchange rates of the highest value currencies at the end of each month have been detailed,, by virtue of the fact of what it is established on the provisions of the Organic Tax Code (COT) regarding the penalizing set of rules.

Official exchange rate of the highest value currencies, published by the Central Bank of Venezuela at the end of each month:

Currency/ Country		30 December 2020		29 January 2021		26 February 2021	
		Purchase	Sale	Purchase	Sale	Purchase	Sale
EUR	Euro Zone	1.356.097,18	1.359.495,92	2.205.978,27	2.211.507,03	2.258.244,04	2.263.903,80
USD	USA	1.104.430,59	1.107.198,58	1.816.980,84	1.821.534,67	1.860.949,85	1.865.613,89
GBP	United Kingdom	1.500.479,40	1.504.240,00	2.493.079,41	2.499.327,73	2.596.955,52	2.603.464,18
CAD	Canada	863.625,80	865.790,28	1.425.530,24	1.429.102,99	1.471.350,86	1.475.038,45
CHF	Switzerland	1.250.530,01	1.253.664,17	2.042.400,59	2.047.519,39	2.055.980,13	2.061.132,96
CUC	Cuba	1.104.430,59	1.107.198,58	1.816.980,84	1.821.534,67	1.860.949,85	1.865.613,89
ANG	Curaçao	623.972,08	625.535,92	1.026.542,85	1.029.115,64	1.051.384,10	1.054.019,14

7 + 7 PLUS SCHEME

At the beginning of October 2020, the Executive Branch implemented the 7+7 plus Scheme. This scheme consists of a week of controlled radical quarantine, and the following week of controlled and organized relaxation. The objective is to avoid the increase of the number of Covid-19 contagion.

As a result, one of the most complex issues at present is planning the fiscal, commercial and legal commitments, observing the 7+7 plus scheme.

However, during the relaxation week is foreseeable the activities that can be done, except when the Executive Branch orders different measures, attending the need of avoiding the spread of COVID-19.

The calendar under the 7+7 plus scheme for March 2021 is shown below:

Week	Monda	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
Relaxation	1	2	3	4	5	6	7
Radical quarantine	8	9	10	11	12	13	14
Relaxation	15	16	17	18	19	20	21
Radical quarantine	22	23	24	25	26	27	28
Radical quarantine	29	30	31	1-April	2-April	3-April	4-April

● Non-working days: Weekends

● Public holidays: Holy Week

Consult with the experts at **BDO** about the permanent advisory service. We are at your disposal to assist you in the attention of verification and inspection procedures, inquiries by mail and by telephone, law reforms, impacts on the organization of the different laws, tax projections and different topics of current interest.



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