

TAX NEWSLETTER

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DECREE 4.553

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Caracas, Friday August 6, 2021

PRESIDENCY OF THE BOLIVARIAN REPUBLIC OF VENEZUELA

Decree No. 4.553 by means of which the new monetary expression is enacted.



DECREE 4.553

DECREE BY MEANS OF WHICH THE NEW MONETARY EXPRESSION IS ENACTED

Article 1. As of October 1, 2021, the unit of the monetary system of the Bolivarian Republic of Venezuela will be expressed in the equivalent of one million current bolivars (Bs. 1,000,000). The bolivar resulting from this new expression will continue to be represented with the symbol "Bs.", it will be divisible into one hundred (100) cents. Therefore, any amount expressed in national currency before said date must be converted to the new unit, dividing by one million (1,000,000).

The Central Bank of Venezuela, exercising its powers, will regulate everything concerning rounding that will be applied as a result of the new expression to which this article is contracted, through Resolutions of its Board of Directors.

Article 2. On the occasion of the new monetary expression referred to in article 1 of this Decree, the obligations in national currency must be contracted in the bolivar in its new expression. Likewise, as of October 1, 2021, payment obligations in national currency will be settled by delivering, at their nominal value, the monetary signs that represent the bolivar in its new expression.

Article 3. As of October 1, 2021, prices, salaries and other benefits of a social nature, as well as taxes and other amounts in national currency contained in financial statements or other accounting documents, or in credit instruments, and in general any operation or reference expressed in national currency, must be expressed in accordance with the bolivar in its new scale.

Article 4. The expressions in national currency contained in any legal instrument, act or legal business that take place until September 30, 2021, whose legal effects are valid after that date, will be automatically understood to be expressed in the new scale as of October 1, 2021, so it will not be necessary to grant or hold a new instrument, or carry out any procedure for such purposes before the Autonomous Service of Public Registries of Commerce and Notaries.

Article 5. The new monetary expression provided by article 1 of this Decree will be governed by the principles of nominal equivalence, fungibility (interchangeability) and gratuity, in the following terms:

- a) **Nominal equivalence:** Any amount expressed before October 1, 2021, will be equivalent to the monetary amount expressed in bolivars after applying the new expression provided by article 1 of this Decree.
- b) **Fungibility:** The expressions contained in any medium or instrument will have the same validity and effectiveness when they have been expressed in the new monetary scale in accordance with the equivalence provided by article 1 of this Decree.
- c) **Free-of-charge principle:** The new expression of the bolivar, as well as the performance of the operations provided by this Decree or any others that may be necessary for its application, will be free for consumers and users, without involving the collection of expenses, commissions, fees, prices or similar concepts. Any clause, pact or agreement that contravenes the provisions of this paragraph will be considered null and void.

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Article 6. The Central Bank of Venezuela is empowered to regulate by Resolution everything related to the execution of the new monetary expression object of this Decree, as well as to carry out all the activities leading to the putting into circulation of the new monetary species. For these purposes, the other members of the public authorities shall, exercising their powers, provide the necessary support and collaboration and provide the means that contribute to the fulfillment of the aforementioned object, in order to prepare and ensure the adequate and timely operation of the monetary system in its new expression with due safeguarding of the public's interests.

Article 7. The National Superintendence for the Defense of Socio-economic Rights, the Superintendence of the Institutions of the Banking Sector, the National Integrated Service of Customs and Tax Administration, the Superintendence of Insurance Activity and the National Superintendence of Securities, shall ensure compliance with this Decree, each of them acting within the responsibilities and matters that fall within their specific competency in accordance with the regulations that govern them.

Article 8. It is the duty of the National Superintendence for the Defense of Socio-economic Rights, to receive and process all complaints and claims that arise by virtue of the breach of any of the precepts contained in this Decree, unless, by their nature, they correspond to be known by another supervisory and oversight body or entity in accordance with the laws that govern them.

Such complaints and claims have to be substantiated and resolved in accordance with the special administrative procedure, provided by the respective laws.

Article 9. The Central Bank of Venezuela, jointly with the Executive Branch, shall have the responsibility of defining the communication campaign of the new monetary expression established in article 1 of this Decree, which will have a formative and informative nature, and it will be executed by all media, including the design of information initiatives aimed at people with disabilities and the most isolated communities.

To this end, the comprehensive informative and educational campaign for the new monetary expression will ensure the learning process regarding the new expression and price rounding, through the establishment of rules and practical examples to illustrate the effects of the new expression; it will raise awareness of the importance and usefulness of the measurement of the new scale; it will note the mechanisms, lapses and operational details of the process; it will emphasize on the physical characteristics of the new monetary species; and it will recommend precautionary measures to protect the population.

The entities that comprise the financial system and the authorities and bodies of the Public Administration will have to give a space for spreading the new equivalence of the bolivar foreseen in Article 1 of this Decree in their advertising plans, whatever the means applicable to their operations or activities with the public, in accordance with the Resolutions issued by the Central Bank of Venezuela on the matter.

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Article 10. Except for a special ruling on the matter, whoever refuses to make the new expression contained in Article 1 of this Decree or fails to comply with any of the obligations established therein, thereby affecting the normal functioning of the national payment system, will be penalized administratively by the Central Bank of Venezuela, in accordance with the provisions of article 135 of the Decree with Rank, Value and Force of Law of the Central Bank of Venezuela.

Article 11. The activities or operations that constitute a taxable event of the value-added tax (VAT) are exempt from this tax, if those activities have to be carried out for the production and distribution of the new monetary species to be issued by the Central Bank of Venezuela in accordance with this Decree, as well as the sale of goods, services and imports necessary for their manufacturing, including services related to the putting into circulation of the monetary species of bolivars in its new expression, as well as those activities that are necessary for the formulation and execution of the dissemination strategy to be carried out by the Central Bank of Venezuela, and the bodies and entities of the public sector on the occasion of the new expression that is the object of this Decree.

Likewise, the net gains obtained by those people who supply goods and services destined exclusively for the full execution of the process of the new monetary expression provided by this Decree are exempted from the payment of income tax.

The National Integrated Service of Customs and Tax Administration shall provide all the necessary collaboration for the unobstructed processing of all imports related to the purpose of this Decree.

TEMPORARY PROVISIONS

First. As of October 1, 2021, the banknotes and metallic coins issued by the Central Bank of Venezuela, representative of the monetary unit in force before this Decree, will circulate simultaneously with the new monetary species issued after said date and will retain their releasing power, until the Central Bank of Venezuela so determines it.

Second. As of September 1, 2021 and until the Central Bank of Venezuela through Resolution provides otherwise, all legal instruments for which the prices of goods and services are offered, as well as others that express monetary amounts, will use as reference the unit of account in its new expression in the terms provided by article 1 of this Decree, as well as the unit of account in its previous expression.

Third. The expressions in national currency contained in laws, regulations, decrees, resolutions, orders, memos, legal instruments or administrative acts of general and / or particular effects, as well as in judicial decisions, negotiable instruments or other documents that produce legal effects that have been issued and / or entered into force, as the case may be, before October 1, 2021, they have to be converted in accordance with the equivalence provided by article 1 of this Decree.

In the same way, stamped paper, tax stamps, stamps and / or postage stamps, as well as any other species valued in current bolivars have to be used until they are exhausted, their value has to be understood as of October 1, 2021, in accordance with the equivalence established in article 1 of this Decree.

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TEMPORARY PROVISIONS

[...]

Fourth. It is the responsibility of natural people and legal entities, state-owned and private ones, to manage what is conducive so that on October 1, 2021, the computer systems and any other mechanism used by them for the processing of business and / or operations that they carry out and that imply the reference to the national currency, are adapted for the purposes of expressing it in accordance with the new expression provided by article 1 of this Decree.

For such purposes, the Central Bank of Venezuela is empowered to put in place the necessary measures and issue the necessary provisions to ease the adjustments referred to in this Transitory Provision.

Fifth. Banks and other financial institutions have to adjust their systems and manage what is necessary so that on October 1, 2021, the balances of their clients' accounts are converted in their entirety, either for active, passive and other operations, in accordance with what is established in this Decree, and inform said new expression in a timely manner through the means that are considered pertinent; without prejudice to the regulations issued by the supervisory and inspection bodies for this purpose.

FINAL PROVISION

Sole. This Decree shall enter into force from the date of its issuance in the Official Gazette of the Bolivarian Republic of Venezuela.

Given in Caracas, on the sixth day of August, two thousand twenty-one.

OFFICIAL ANNOUNCEMENT

Caracas, August 5th, 2021

CENTRAL BANK OF VENEZUELA

Through its web page (<http://www.bcv.org.ve>) the Central Bank of Venezuela has issued an Official Communiqué, which has been entitled “ON THE WAY TO THE DIGITAL BOLIVAR”.

As of October 1, 2021, the New Monetary Expression which has been announced jointly by the Executive Branch and the Central Bank of Venezuela will come into effect. It consists of leaving out six (6) zeros from the current monetary cone; with the purpose of simplifying transactions, computer systems and accounting records, on the way to the Digital Bolivar.

With the New Monetary Expression, a new family of specimens will circulate gradually (Bs. 100, Bs. 50, Bs. 20, Bs. 10, Bs. 5 and Bs. 1) that will coexist with the current cone.



ON THE WAY TO DIGITAL BOLIVAR

As of October 1, 2021, the Digital Bolívar will come into effect, by applying a monetary scale that removes six (6) zeros from the national currency. In other words, all monetary amounts and everything expressed in national currency will be divided by one million (1,000,000).

This change in the monetary scale, which is supported by the deepening and development of the digital economy in Venezuela, constitutes a necessary historical milestone (landmark) at a time when the country begins the path of economic recovery, after the crisis produced by the brutal attack on our economy, our national currency and the criminal application of an economic and financial blockade.

The introduction of the digital bolívar does not affect the value of the currency; that is, the bolívar will not be worth more or less, in order to ease its use it is being carried out on a simpler monetary scale.

With the goal of maintaining the inclusion of each and every Venezuelans and attend to their transactional needs, throughout the national territory, the Central Bank of Venezuela will continue to handle the issuance of the bolívar in its physical expression. The physical bolívar and the digital bolívar will coexist in a process aimed at rescuing their strength and their benchmark as an expression of our economy.

The reference exchange rate will continue to be the one determined by the Venezuelan Exchange Market System and will continue to be calculated from the foreign exchange purchase and sale operations carried out by individuals and legal entities, through the exchange desks of the banking entities.

The transformation of the national currency into its digital format, its use and popularization through new and existing electronic means of payment, will allow:

1. Make progress in building a modern vision of the currency in everyday transactions.
2. Ease the greater connection of the population with its monetary sign, despite the constant external attacks and speculative processes that have been induced in the economic system.
3. Reduce transaction costs in the economy, helping to strengthen the national productive economy in a safe and transparent way.

It is also noteworthy that Venezuela is in a progressive process of Modernization of its Payment Systems. Recently, the new free and sovereign Financial Messaging Exchange System began operations, it was made in Venezuela and by Venezuelans, promoting the independence of foreign systems for national banking transactions, in the strengthening of the effective use of our legal tender, the Bolívar.

The modernization of payment systems aims to immediately expand the use of the digital bolívar, facilitating that transfers between clients of different banks are received in a few seconds with the highest international quality standards.

The National Government together with the Central Bank of Venezuela will continue to protect and guarantee monetary sovereignty in order to promote the recovery of our economy, and make the independence of our country impregnable against local and foreign factors that attack Venezuela.

The Central Bank of Venezuela, in coordination with the People's Power Ministry for Economy, Finance and Foreign Trade, is in charge of the implementation of the Decree that will be published for this purpose. Caracas, August 5, 2021



New Monetary Expression

New family of specimens (Bs. 100, Bs. 50, Bs. 20, Bs. 10, Bs. 5 and Bs. 1) that will coexist with the current cone.



Anverso: Marca de Agua con la imagen de Simón Bolívar y electrotipo con el texto BCV.

Reverso: Imagen alusiva a los 200 años de la Batalla de Carabobo, con tramas de líneas muy finas.



Breach to comply with tax liabilities within the due dates provided by the Calendar of Special Taxpayers and other tax provisions will be penalized in accordance with the Organic Tax Code. Consult with our experts about the periodic review service of compliance with formal tax duties and avoid the risks of tax contingencies due to financial penalties and measures to close premises, in the event of a possible inspection procedure by the Tax Administration.



CONSULT OUR ADVISORS

We build lasting relationships, that is why our commitment is to provide an exceptional service to our client. Contact us.

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