



Venezuela Economic Outlook

By Arca Análisis Económico

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

- A new license was issued on Nov. 26, 2022, to Chevron – License 41 – which allows it to start production in joint ventures where it is a minority partner, export to the U.S. and import equipment and supplies. License 41 is valid for six months, can be renewed and can be suspended if political negotiations don't move forward. Since then, the management of the four companies in which Chevron participates has been in charge of Petróleos de Venezuela S.A. (PDVSA).
- The current production of these joint ventures is very low: It does not reach 10 percent of the national production (717,000 barrels per day or bpd, according to official sources cited by the Organization of the Petroleum Exporting Countries). Industry participants believe that the two oil companies most likely to increase production under the limitations established by the License 41 are Petroboscan and Petropiar. The former has a secure market in the U.S. for its asphalt production and could raise its output to 60,000-80,000 bpd once major dredging work is completed in Lake Maracaibo.
- In another sense, in the first week of December 2022, the bolívar depreciated 32 percent. Revealing some exhaustion of the stabilization scheme in force in 2022, exacerbated by the payment of the third portion of bonuses that occurred on Nov. 30, 2022, these payments raise the excess reserves of the banks and it takes approximately two weeks to return to previous levels.
- The National Assembly (AN/Parliament) of Venezuela approved the debt proposal for 2023 presented by the Executive; as well as the budget for next year, which was settled at \$11.565 million, 14 percent less than that of 2022.
- Venezuelan President Nicolás Maduro announced that as of Jan. 1, 2023, the border with Colombia will be "completely" opened to allow the passage of private vehicles between the two nations, something that has not happened since 2015.

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Venezuela Eliminates VAT for School Supply Plan, Distribution of School Kits and Backpacks

By Holland & Knight

Decree No. 4,744 (the Decree) on Oct. 25, 2022, was published in the *Official Gazette* No. 42,490, which exempts national sales operations carried out within the school supply plan and school kits and backpacks distribution from paying value added tax (VAT) of for the 2022-2023 school year in the Bolivarian Republic of Venezuela.

Within this new guideline, commercial operations with items such as backpacks, school uniforms, scissors, pencil sharpeners, notebooks and geometry materials, among other items listed in Article 1 of the Decree, are excluded from the aforementioned tax. In this way, the commercial sales operations that are carried out with the exonerated articles and materials, will be titled in the respective sales invoice as "*Exonerated Operation*."

Also, Article 6 of the Decree declares the exemption of income tax payment to territorial enrichment of legal entities from the commercialization of exempted goods. For these purposes, the Decree establishes that the provisions contained in the Decree with Rank, Value and Force of Income Tax Law and other applicable tax regulations regarding deductions, income and costs of taxable enrichments must be applied.

Notwithstanding the foregoing, in order for the benefit provided in the Decree to be appropriate, the National Integrated Customs and Tax Administration Service (SENIAT) must evaluate to make sure that commercial operations within the framework of the school supply plan and distribution of school kits and backpacks for the 2022-2023 period comply with the following variables: 1) quality of the good included in the exonerated operation, 2) destination of the goods, and 3) compliance with the purpose for which the goods were used.

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