Americas tax policy update

Q1 2022

Country

Argentina

- The Argentine tax authority (AFIP) established the "Comprehensive System for Monitoring Payments Abroad for Services" (SIMPES). Individuals and entities that pay foreign service providers must have their tax compliance and financial capacity analyzed through SIMPES and approved by the AFIP before making payments abroad. The SIMPES requirement went into effect on 7 January 2022 and applies to service contracts that were entered before that date and have pending payments as of 7 January 2022. See Tax Alert 2022-0070.

Brazil

- The Brazilian Government published Law 14,286, which allows taxpayers to hold foreign currency in Brazilian bank accounts, repeals the requirement to register foreign capital in Brazil with the Brazilian Central Bank and allows residents and nonresidents to offset mutual debts. The law will be effective 30 December 2022. See Tax Alert 2022-0097.
- Brazil’s Executive branch reduced the financial transaction tax (IOF-FX) due on the settlement of foreign exchange currency (FX). Currently, the IOF-FX is levied at rates ranging from 0% to 6.38% on the gross amount of foreign currency transferred to or from Brazil, depending on the nature of the FX transaction (certain transactions are exempt from IOF-FX). Decree 10.997 will gradually reduce the IOF-FX rates on all eligible FX settlements to 0% by 2029. One change that has immediate effect (as from 19 March 2022) is the IOF-FX decrease from 6% to 0% on the settlement of FX related to the currency inflow from short-term loans to Brazilian borrowers. These changes are part of Brazil's efforts to join the Organisation for Economic Co-operation and Development (OECD). See Tax Alert 2022-0434.

Canada

- Canada's Department of Finance on 4 February released for public comment draft legislative proposals (and accompanying explanatory notes) to:
  - Implement most of the remaining measures from the 2021 federal budget
  - Postpone application of previously announced measures pertaining to new reporting requirements for trusts
  - Introduce amendments relating to allocations to redeemers by mutual fund trusts (including extending the rules to mutual fund trusts that are exchange-traded funds)
  - Introduce rules respecting the application of the goods and services tax/harmonized sales tax (GST/HST) to crypto asset mining
  - Establish new anti-avoidance rules
  - Expand the Canada Revenue Agency's audit powers
  - Make certain other technical amendments
- The draft legislative proposals do not include the 2021 federal budget proposals concerning the hybrid mismatch rules; the tax incentive for carbon capture, utilization and storage; the GST/HST input tax credit information requirements; the rebate of excise tax for goods purchased by provinces; the excise duty on vaping products; the tax on select luxury goods; and the measures to improve duty and tax collection on imported goods. See Tax Alerts 2022-0231, 2022-0247, 2022-0285, 2022-0310 and 2022-0391.
- On 24 February 2022, the Government of Canada announced the imposition of additional sanctions under the Special Economic Measures (Russia) Regulations and the Special Economic Measures (Ukraine) Regulations, in response to ongoing events in the Russia-Ukraine conflict. In addition, exports to Russia are restricted by halting new export permit applications and cancelling valid existing export permits, with certain exceptions. Additionally, the Department of Finance Canada issued the Most-Favored-Nation (MFN) Withdrawal Order (2022-1) on 3 March 2022, removing Russia and Belarus from entitlement to MFN treatment under the Customs Tariff effective 2 March 2022. See Tax Alerts 2022-0365 and 2022-0420.

Chile

- Chile enacted tax reform (Law No. 21.240) that reduces or eliminates certain tax exemptions for the purpose of financing Law No. 21.419 (the new pension law). Specifically, the tax reform imposes a 10% capital gains tax on the gain from the sale of certain shares, progressively eliminates the value-added tax (VAT) deduction for construction companies and broadly applies VAT to services. Additionally, the tax reform subjects life insurance proceeds to inheritance tax as of 4 February 2022, imposes a new tax on luxury goods and eliminates the fixed asset investment credit for large companies beginning 1 January 2023. See Tax Alert 2022-0216.

Colombia

- The Colombian tax authority issued Resolution No. 164, establishing the criteria for identifying the ultimate beneficial owner (UBO) of certain entities that should be reported before the tax authority. The resolution also establishes the UBO information that must be reported, the technical requirements for reporting the information and the deadlines for submitting the information. Certain entities must carry out all the necessary procedures to properly identify the UBOs of the Colombian entities, including identifying the corresponding chain of ownership and control. Different due dates apply for reporting the UBO information, depending on when the entity was created. See Tax Alert 2022-0052.
- The double tax treaty (DTT) between Colombia and France entered into force on 1 January 2022. Most of the treaty's provisions (including those that reduce income tax withholding in the State of source) will be effective as of 1 January 2023. See Tax Alert 2022-0068.
- On 14 January 2022, the Colombian tax authority updated the list of recognized stock exchanges. Updating this list will have an impact on local tax residency rules and the Colombian indirect transfer regime.
- The Colombian Council of State issued Unification Ruling 2021CE-SUJ-4-002 on the application of turnover tax on dividends. The ruling states that dividend distributions will trigger turnover tax whenever a taxpayer acquires Colombian shares with the intention of selling them afterwards.
- On 1 January 2022, the Double Tax Treaty signed between Colombia and Italy entered into force. The treaty includes special withholding tax rates, provisions on permanent establishments (PEs) that are aligned with OECD Model 2017 and a mutual agreement procedure when an entity has double tax residence. See Tax Alert 2021-1910.
- Colombia and the Kingdom of the Netherlands signed a double tax treaty (DTT) on 16 February 2022. The DTT aims to reduce taxation on transactions and investments between both countries, without creating opportunities for non-taxation, tax evasion or tax avoidance, including treaty shopping. Specifically, the DTT includes rules for when a PE is triggered as a result of the provision of services and offshore activities, and rules for the taxation of passive income and profits from the sale of shares. See Tax Alert 2022-0396.

Costa Rica

- Costa Rica's Congress is discussing a bill that would amend the definition of PE in Article 2 of the Income Tax Law. The bill would eliminate the term "essential activity" from the PE definition. With that modification, a lower threshold would apply for triggering a PE. See Tax Alert 2022-0047.
- The tax authority published a new Income Tax Law regulation that incorporates the provisions enacted as part of the tax reform in 2018 into the Income Tax Law. It also includes provisions from the previous Income Tax Law regulation that still apply. See Tax Alert 2022-0019.
- Costa Rica proposed Bill No. 22.905, which would allow corporations, subsidiaries of foreign companies and limited

liability companies to pay the annual tax owed for tax years 2016 through 2021 on legal entities without paying interest and penalties. This benefit would apply from the date the law enters into force through 15 December 2022. See Tax Alert 2022-0386.

- On 11 March, Costa Rica enacted a law that simplifies tax obligations for inactive entities and grants a three-month extension to inactive entities for filing the simplified income tax return, which was due no later than 15 March 2022. See Tax Alert 2022-0419.
- Costa Rica's Ministry of Treasury and Ministry of Foreign Trade amended Article 81 of the Free Trade Zone Law Regulation to modify the procedure that companies under the free trade zone regime (free trade zone companies) must follow to sell their goods to the local market. Before free trade zone companies can sell goods to the local market, they must use the following process for the clearance of goods:
  - The importer of the goods must be the free trade zone company that produced the goods or the buyer of the goods, and the customs declaration must be transmitted by the importer.
  - The importer must present the commercial invoice.
  - The importer must comply with all applicable non-tariff requirements stated in the current legislation and other supporting documentation established by law and regulations.

  Additionally, the Costa Rican Foreign Trade Promoter (PROCOMER) published the "Handbook for Auditing Free Trade Zone Regime Companies," which outlines PROCOMER's auditing process. See Tax Alerts 2022-0020 and 2022-0062.
- Costa Rica's tax authority published the income tax brackets for corporate income, income from profitable activities and the salary tax applicable for tax year 2022. See Tax Alert 2022-0006.
- Costa Rica’s tax authority published a new resolution on the deductibility of donations from income tax. The resolution establishes the requirements that must be met for a taxpayer to deduct a donation.
- On 24 January, the Costa Rican tax authority published Executive Decree No. 43388-H, which modifies the Regulation of Objective Criterions for the Selection of Taxpayers for Tax Audits. The modifications include broader definitions of “related parties to audited taxpayers” and “failure to comply with information requests.”

Dominican Republic

- On 4 January 2022, the Dominican Tax Authority (DTA) issued General Rule 01-22 on Tax Free Reorganizations. This general rule establishes when the neutrality principle for tax-free organizations applies.
- The DTA published a draft of a general rule on the tax treatment of capital gains derived from the direct or indirect transfer of capital assets in the Dominican Republic by residents or nonresidents.
- The Dominican Republic is considering applying VAT to digital services provided by foreign service providers. Under the draft of the general rule, foreign service providers would be required to register with the DTA and pay the VAT through a special monthly filing. The registration would not constitute a PE in the Dominican Republic.

Ecuador

- Ecuador's President proposed a bill on 22 February 2022 aimed at attracting new investments. The bill would include rules for public-private association contracts and would modify the rules for duty-free zones and special economic development zones. The bill also would require Ecuadorian companies listed on a local stock exchange to disclose their chain of ownership under certain circumstances. See Tax Alert 2022-0412.
- Ecuador modified two cross-border transaction rules by allowing nonresidents to claim 100% of benefits available under double tax treaties with Ecuador and reducing the remittance outflow tax. With these modifications, nonresidents will no longer have to pay Ecuadorian withholding tax on income over $560,600, and the remittance outflow tax rate will be progressively reduced from 5% to 4%. See Tax Alert 2022-0109.

El Salvador

- No tax policy developments to report.

Guatemala

- The tax authority announced an electronic tool that will allow the tax authority to trace, control and facilitate the operations carried out by companies under Decree 29-89 (Law for the promotion of export and toll manufacturing activities). The tool was developed in coordination with the Ministry of Economy and the Integrated System of the Office of Regimes and Inward Processing (OPA). This tool will allow the importing companies, under this regime, to electronically confirm the receipt of raw material and to later manage their import obligations before the OPA, while keeping control over their operations and avoiding the risks involved when third parties intervene in the import process. In the tool, the legal representative of each company must appoint the person authorized to manage the receipt of goods and discharge the tax obligations successfully.
- On 2 March 2022, the tax authority announced a series of audits to verify that taxpayers are invoicing with the taxpayer identification number (NIT). These audits seek to reduce the number of invoices issued to final consumers without a NIT. The Superintendent of Tax Administration recommended that if the buyer does not have a NIT, the local taxpayer can use the Unique Identification Code, and in the case of the tourism sector for the issuance of invoices to international tourists, the local taxpayer should use the passport number.
- Guatemala agreed to adhere to the International Convention on the Simplification and Harmonization of Customs Procedures (Kyoto Revised), which is administered and led by the World Customs Organization and links Guatemala to the World Trade Organization’s Trade Facilitation Agreement. With this agreement, Guatemala gains access to a series of customs

benefits, including the simplification and automation of customs processes, technological improvements, and institutional strengthening of Customs. Users of the National Customs System will gradually benefit from the reduction in time and costs through the simplification and standardization of their customs operations.

Honduras

- No tax policy developments to report.

Mexico

- Amendments to the Mexican Administrative Tax Regulations were published in the Official Gazette on 27 December 2021 and were effective as of 1 January 2022. Those amendments include:
  - Beneficial owner: Under the amendment, legal entities, trustees, settlors or beneficiaries, as well as any other contracting parties, in the case of any other legal form, must collect, preserve, verify and maintain updated information on beneficial owners as part of their accounting records and make the information available to tax authorities if they require it.
  - Internet digital tax receipts: The amendments establish additional requirements for the issuance, approval and write-off of internet digital tax receipts.
  - Taxpayers engaged in activities not subject to VAT: A new provision establishes that taxpayers engaged in activities not subject to VAT may not be able to credit the VAT paid to suppliers or on the importation of assets related to those activities.
  - Financial statements: Taxpayers with taxable income in the previous year exceeding $1,650,490,600 Mexican pesos must have their financial statements audited by a public accountant registered with the tax authority. Their related parties domiciled in Mexico that do not exceed that income amount must file a return with a statement explaining their tax situation.

Nicaragua

- On 3 February 2022, the National Commission of Minimum Wage approved a minimum wage increase. The increase generally went into effect on 1 March 2022 for certain sectors. The average minimum wage increase across sectors was 7%; however, the minimum wage increase for the industry sector subject to the special regime was 8.25% and went into effect 1 January 2022. In the agricultural sector, the minimum wage increase was 7% plus food from employers.

Panama

- The Panamanian tax authority issued Resolution 201-0251 to update the obligations required of users of the Electronic Invoice System of Panama. The resolution establishes the requirements users must meet if they opt to issue their invoices through the free invoicing system or an authorized provider. Once taxpayers file a statement indicating that they are adopting the electronic invoicing system, they will have 15 calendar days to implement billing through the free invoicing system. Additionally, taxpayers that opt to use an authorized provider for billing must satisfy certain requirements, which are determined by their gross income. Like taxpayers that use the free invoicing system, taxpayers will have 15 calendar days to implement billing through the authorized provider beginning from the date they file their statement to adopt the electronic invoicing system.
- The Panamanian tax authority issued Resolution No. 201-0743, to implement Form No. 1027, “Sales and Rendered Services’ Report.” Specifically, the resolution establishes that taxpayers not subject to VAT are exempt from filing the form. The resolution also extends the due date for the form from 1 February 2022 to July 2022 for all taxpayers whose economic activity is registered in the tax authority's etax 2.0 system and is duly authorized and regulated by the tax authority. Taxpayers registered with the etax 2.0 system must file the form monthly with the first one due on, before or no later than 10 days after the extended due date.

Paraguay

- The Paraguayan Government created a registry of authorized local transfer pricing (TP) professionals, as well as the requirements for registration. TP professionals must register with the registry to prepare and sign TP Technical Study Reports in Paraguay. See Tax Alert 2022-0022.
- The Paraguayan Government modified the nonresident tax on the provision of digital services. Under the modifications, financial institutions acting as intermediaries are no longer required to withhold nonresident tax when they collect payments for the provision of digital services. See Tax Alert 2022-0038.

Peru

- Peru enacted Law 31380, approving the President's request to enact tax measures. Using the authority granted, the President enacted several tax measures that include provisions for aquaculture and forestry activities and extending the VAT exemption for certain activities and services. See Tax Alerts 2022-0004 and 2022-0005.
- Peru's President enacted Legislative Decree 1521, which modifies the Peruvian Tax Code rules for enacting tax exemptions and tax benefits. The decree sets forth the requirements a bill must satisfy if it is proposing new tax exemptions or tax benefits. See Tax Alert 2022-0148.
- Peru issued thin capitalization regulations that allow taxpayers to determine EBITDA (i.e., net income after offsetting losses plus net interest, depreciation and amortization) as the sum of net interest, depreciation and amortization when they have no net income or have losses that are equal to or higher than net income. The regulations also allow taxpayers to carry forward net interest not deductible in the tax year because it exceeds 30% of the EBITDA for four tax years. See Tax Alert 2022-0025.
- The Peruvian tax authority established guidelines for when a PE is triggered. Under the guidelines, a PE for services will be triggered if the 183-day period is completed after 1 January 2019 (effective date of Legislative Decree 1424), even if the

calculation of time started before that date. Additionally, the guidelines establish that if the nonresident parent transfers tangible assets to the PE in Peru for use in the PE's economic activities, the transfer will be subject to income tax, provided the tangible assets are physically located in Peru. If the parent company transfers intangible assets, the transfer will be subject to income tax when the intangible assets are used in Peru. The guidelines also contain provisions for when tangible and intangible assets are subject to VAT. See Tax Alert 2022-0163.

- The Peruvian tax authority addressed whether taxpayers must prove they used the Peruvian banking system to pay for indirect transfers of shares before 1 January 2012. For payments made before 1 January 2012, the tax authority concluded that a taxpayer (nonresident entity) does not have to prove, for purposes of certifying tax basis, that it used the Peruvian banking system to pay for an indirect transfer of shares if the taxpayer acquires shares issued by another nonresident entity that owns a Peruvian resident entity, triggering a taxable indirect transfer in Peru. The guidelines do not address whether payments made after 1 January 2012 have to go through the Peruvian banking system. The President also enacted a legislative decree that reduces the threshold at which taxpayers must route payments through the Peruvian banking system and allows taxpayers to make payments to nonresidents through foreign banking/financial entities for certain transactions. See Tax Alerts 2022-0177 and 2022-0384.
- Legislative Decree 1528 amended the Tax Code to allow taxpayers to challenge a tax or fine imposed after the statute of limitations and change the tax claim procedures. See Tax Alert 2022-0403.
- Peru's President enacted Legislative Decrees 1539 and 1541, amending the Income Tax Law to modify the fair market value rules for direct transfers of Peruvian shares and the silent partnership rules, respectively. See Tax Alerts 2022-0530 and 2022-05 32.
- On 18 February 2022, Peru's President enacted Legislative Decrees 1523 and 1524, which amend the Tax Code and the registration process for the Tax ID Registry, respectively. The legislative decrees improve the tax authority's digital technologies and the process for registering with the Tax ID Registry. A fine may apply if taxpayers do not give the tax authority access to their electronic accounting system when required by an audit. See Tax Alert 2022-0355.
- The Peruvian Tax Court addressed (Resolution 07792-3-2020) how to determine whether a payment to a foreign entity qualifies as a payment for digital services and is, therefore, subject to a 30% withholding tax in Peru. Specifically, the resolution listed requirements payments to foreign entities must meet to be considered payments for digital services. The Tax Court also concluded (Resolution 03052-5-2020) that funds from an interest-free loan are a payment for services. See Tax Alerts 2022-0422 and 2022-0423.
- The OECD officially announced that the OECD Council decided to open accession discussions with Peru as a candidate for OECD membership. The timeline for accession depends on whether Peru is aligned with the OECD's standards, policies and practices. See Tax Alert 2022-0166.

Puerto Rico

- The Puerto Rico Department of Treasury prohibited the sale of alcoholic beverages and distilled spirits of Russian origin. The prohibition does not apply to alcoholic beverages and distilled spirits of Russian origin that were acquired for retail sale before 4 March 2022. Importers, distributors and retailers who violate the prohibition may have their internal revenue licenses revoked.

United States

- **Legislative developments.**
  - The Biden Administration released its fiscal 2023 Budget, which outlines the Administration's spending and revenue priorities, on 28 March. In it were some proposed new tax policy changes, including: (1) replacing the Base Erosion and Anti-avoidance Tax (BEAT) with part of the OECD's "Pillar Two" rules, called the Undertaxed Payment Rule (UTPR), and (2) imposing a new minimum tax on wealthy individuals, called the "billionaire's tax." See Tax Alert 2022-9003. The Budget also continued to call for tax provisions that were taken out of the House-passed Build Back Better Act (BBBA) due to opposition in Congress, including:
    - Raising the corporate tax rate to 28%
    - Increasing the top marginal income tax rate (to 39. 6%) for high earners
    - Reforming the taxation of capital income to tax capital gains of high earners at ordinary income rates
    - Taxing carried interests as ordinary income
    - Repealing deferral of gain from like-kind exchanges
  - In a letter to Senate Finance Committee Republicans responding to concerns related to the OECD's Pillar Two global tax negotiations, the Treasury Department said the FY2023 Budget's UTPR proposal is further evidence of the Administration's commitment to implementing the international tax agreement and protecting the US tax base.
  - The proposals in the Administration's Budget do not become law unless Congress enacts them. Its release likely does not have many implications for ongoing negotiations for a reconciliation bill that could include tax provisions. Discussions have reportedly turned to a bill that would focus on energy and climate initiatives that Congress might consider during the spring or summer.
  - President Joe Biden, in his State of the Union address in March, reiterated his commitment to tax policy priorities such as a 15% corporate minimum tax and 15% global minimum tax, clean-energy tax incentives, and the closing of "loopholes" used by high-income taxpayers. However, the fluid situation in Ukraine, ongoing inflation concerns and the approaching midterm elections make coalescing around legislation difficult. Congress continues to be under pressure to address tax provisions that expired or changed 31 December 2021, many of which had extensions embedded in the BBBA. These include energy tax extenders and the Tax Cuts and Jobs Act's cliff on IRC Section 174, requiring five-year R&D amortization rather

than expensing.

- The Senate Foreign Relations Committee approved a tax treaty between the US and Chile during a 29 March business meeting. The next step for the treaty is ratification by the full Senate. See Tax Alert 2022-9004.

- **Regulations**. The IRS issued the following regulations:
  - The third set of final regulations ((T.D. 9959) on foreign tax credits that fundamentally revamp the rules for determining the creditability of a foreign tax under IRC Sections 901 and 903, including by requiring a foreign tax to meet an attribution requirement (known as the "jurisdictional nexus requirement" in the proposed regulations). See Tax Alert 2022-0040.
  - Final regulations (TD 9961) on the elimination of, and pending transition from, the use of certain interbank offered rates (IBOR), including the London interbank offered rate (LIBOR), in certain financial contracts, including debt instruments, derivatives and other contracts. See Tax Alert 2022-0037.
  - Final regulations (T.D. 9960) treating domestic partnerships as aggregates (i.e., not as entities) for many subpart F purposes. See Tax Alert 2022-0203.
  - Proposed regulations (REG-118250-20) on the Subpart F regime on related person insurance income. See Tax Alert 2022-0182.

- **Other updates.**
  - The IRS Large Business and International division issued interim guidance (LB&I-04-0122-0001) and frequently asked questions on applying Field Advice 20214101F to refund claims that include a claim for credit for increasing research activities and procedures for determining whether a refund claim is valid. See Tax Alert 2022-0090.
  - The IRS updated the list (Revenue Procedure 2022-14) of automatic method changes. See Tax Alert 2022-0222.
  - The United States prohibited the importation of Russian energy products into the United States, as well as any US investment in the Russian energy sector along with any financing or facilitation of such transactions by US persons. See Tax Alert 2022-0394.
  - The United States and the United Kingdom announced that the US will replace existing punitive tariffs under Section 232 of the Trade Expansion Act of 19621 (Section 232) on UK origin steel and aluminum products with a tariff-rate quota effective 1 June 2022. The agreement also includes a special requirement for any UK steel producer owned by a Chinese entity to prove that it does not receive any subsidy provided by any Government-controlled or directed entity in China by 1 December 2022. Additionally, the US Trade Representative announced the retroactive reinstatement of 352 eligible exclusions for products of Chinese origin that were subject to punitive tariffs under Section 301 of the Trade Act of 1974. See Tax Alert 2022-0488.

Uruguay

- In Decree No. 37/022, Uruguay extended from 31 December 2021 to 31 December 2022 the applicability of the reduced VAT rate on sales of goods and services to consumers who pay for the goods and services with debit cards or similar electronic instruments. In addition, the Government extended from 31 December 2021 to 31 December 2022 the period during which certain financial entities are exempt from the requirement to withhold VAT on sales of goods and services to (1) taxpayers subject to the single tax regime known as "*monotributo*" and "*monotributo* social," and (2) taxpayers that generate income from business activities that does not exceed 305,000 indexed units (approximately USD 35,000). The new exemption period is from 1 January 2016 to 31 December 2022. See Tax Alert 2022-0286.
- Uruguay's General Tax Directorate updated the list of low- or no-taxation (LONT) countries, jurisdictions and special regimes. The list of countries or jurisdictions defined as LONT remains the same as the list issued for 2021, except Antigua and Barbuda, Brunei and the Commonwealth of Dominica have been removed from the list. See Tax Alert 2022-0322.

Venezuela

- Venezuela published Decree No. 6,683, which extended the exemption for the following items, among others, from the payment of the import tax, VAT, and customs duties until 31 March 2022:
  - Imports of tangible movable property classified under the tariff codes indicated in the decree, by corporations in the automotive sector.
  - Imports of tangible movable property classified under the tariff codes indicated in the decree, by the agencies and entities of the National Public Administration to stop the spread of the COVID-19 pandemic.
  - Imports of new movable capital assets and computer and telecommunications assets, as well as their parts, pieces, and accessories, not produced, or with insufficient production, in Venezuela, that are identified as capital goods (BK) or information technology and telecommunications goods (BIT) in the Customs Tariff Code, under the terms and conditions provided in the respective "Certificate of Exemption of BK or BIT," will be VAT exempted. However, depending on the type of asset, custom authorities will apply a customs tariff of 2% or 0% rate ad valorem.
- Decree No. 6,668 regulates the principal, public and mercantile registries and public notaries. Specifically, the decree establishes that all registration fees are calculated by taking into account the value of PETRO (cryptocurrency issued by VZ government), paid in Bolivars (Bs.), in force as of the filing of the respective documents. The decree went into effect on 16 December 2021.
- Venezuela enacted the "Partial Amendment Law of the Decree with Rank, Value, and Force of Law of Tax on Large Financial Transactions." Under the law, individuals, corporations and economic entities without legal personality (e.g., consortia)

generally are subject to the large financial transactions tax if they make payments in cash or in a currency other than that of legal tender in Venezuela, or in cryptocurrencies/cryptoassets other than those issued by Venezuela, through the national banking system, without the intermediation of a foreign financial institution. The tax rate is 2% or 3%, depending on the type of transaction. The law was published in Official Gazette No. 6,687 on 25 February 2022 and entered into force on 28 March 2022.

- Decree No. 4,647 exempts the following transactions from the large financial transactions tax for one year:
  - Debits from the purchase, sale and transfer of custody in securities issued or guaranteed by Venezuela or the Central Bank of Venezuela
  - Debits or withdrawals related to the liquidation of the capital or interest of such securities
  - Investments in securities traded through the stock exchanges that are made in currency other than that of Venezuela's legal tender or in cryptocurrencies or cryptoassets other than those issued by Venezuela
- Additionally, under the decree, the following transactions are not subject to the payment of the large financial transactions tax:
  - Foreign exchange operations carried out by individuals and corporations
  - Payments in bolivars made with national and international debit or credit cards from foreign currency accounts, through payment points duly authorized by the competent authorities, except those made by special taxpayers
  - Payments in currency other than that of legal tender in Venezuela or in cryptocurrencies or cryptoassets other than those issued by Venezuela, made to individuals, corporations and economic entities without legal personality that are not classified as special taxpayers
  - Remittances sent from abroad, through institutions authorized to receive those remittances
- Administrative Order No. SNAT/2022/00013 establishes that special taxpayers are designated as collecting agents of the large financial transactions tax when notwithstanding the exemption under Decree No. 4,647, taxpayers qualified as special receive payments from individuals, corporations, and economic entities without legal personality in a currency other than that of legal tender in Venezuela, or in cryptocurrencies or cryptoassets other than those issued by the Bolivarian Republic of Venezuela, without the mediation of financial institutions. Special taxpayers must collect the tax on the same day on which the taxable event occurs. In addition, the special taxpayer must update its invoicing system to reflect the tax withheld and the tax rate on the invoice, when applicable.

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