

TAX & LEGAL IMPACT

Vallenilla & Escalante
Asociados.
Soluciones Integrales

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SUMMARY

New Especial Contributions over Extraordinary and Exorbitant Prices of Crude Oil.

Decree-Law N° 8163 that establishes the Special Contribution for Extraordinary Prices and Exorbitant Prices in the International Hydrocarbons Market, Official Gazette N° 6002 extraordinary April 18th, 2011

Special Contribution over *Extraordinary Prices*: Articles 6 and 7 of Decree-Law N° 8163

Excise Tax over Oil Business (National Development Fund "FONDEN") therefore an expense deduction for Income Tax purposes

An special contribution on extraordinary prices, payable monthly, in charge of those who export to the exterior derivative products, liquid hydrocarbon, both natural and improved and byproducts. Joint Ventures created in accordance with the organic law of hydrocarbons, which sell liquids hydrocarbon, both natural and improved, and by products to Petróleos de Venezuela, S.A. (PDVSA) and any of its subsidiaries are also taxable with this special contribution.

Tax Basis: Value of the hydrocarbons and by-products produced and exported out of the country on a sale operation.

Rate and Formula:

When the monthly average of international quotations from the Venezuelan basket of liquid hydrocarbons, are higher than the price established in the budget law of the respective fiscal year, but equal to or less than 70 dollars per barrel (70 US\$ /b), a rate of twenty percent (20%) over the difference between two prices shall apply.

$0.2 \times (70\$/b - \text{Price of Venezuelan basket according to National Budget Law}) \times \text{exported volume}$.

The Ministry of Energy and Oil will asses and determine the amount of the special contributions on a monthly basis in foreign currency. The payment of these contributions will be made exclusively in the currency in which it is determined, to the Fund of National Development (FONDEN).

Special Contribution over Exorbitant Prices Articles 8 and 9 of Decree-Law N° 8163

Excise Tax over Oil Business (National Development Fund "FONDEN") therefore an expense deduction for Income Tax purposes.

Tax Basis: Value of the hydrocarbons and by-products produced and exported out of the country on a sale operation.

A special contribution on exorbitant prices, payable monthly, in charge of those who export to the exterior derivative products, liquid hydrocarbon, both natural and improved and by products. Joint ventures created in accordance with the organic law of hydrocarbons, which sell liquids hydrocarbon, both natural and improved, and by products to Petróleos de Venezuela, S.A. (PDVSA) and any of its subsidiaries are also taxable with this special contribution.

Rates and formulae:

1) when the Exorbitant prices are greater than seventy dollars per barrel (US\$ 70/b), but lower to 90 dollars per barrel (90 US\$ /b), then a rate equivalent to eighty percent (80%) of the total amount of the difference between two prices applies.

$0.2 \times (70\$/\text{BI} - \text{Price of Vzla basket in } \$/\text{BI according to National Budget Law}) \times \text{Exported volume} + 0.8 \times (89.99\$/\text{BI} - 70\$/\text{BI}) \times \text{export volume}$

(2) When the Exorbitant prices are greater or equal to 90 dollars per barrel (90 US\$ /b), but less than \$100 per barrel (100 US\$ / b), then a rate equivalent to ninety percent (90%) of the total amount of the difference between two prices applies.

$0.2 \times (70\$/\text{BI} - \text{Price of Vzla basket in } \$/\text{BI according to National Budget Law}) \times \text{Exported volume} + 0.8 \times (89.99\$/\text{BI} - 70\$/\text{BI}) \times \text{exported volume} + 0.9 \times (99.99\$/\text{BI} - 90\$/\text{BI})$

(3) When the Exorbitant prices are the same or greater than \$100 per barrel (100 US\$ / b), then a rate equivalent to ninety-five percent (95%) of the total amount of the difference between two price applies.

$0.2 \times (70\$/\text{BI} - \text{Price of Vzla basket in } \$/\text{BI according to National Budget Law}) \times \text{exported Volume} + 0.8 \times (89.99\$/\text{BI} - 70\$/\text{BI}) \times \text{exported volume} + 0.9 \times (99.99\$/\text{BI} - 90\$/\text{BI}) + 0.95 \times (\text{Price of Vzla Basket } \$/\text{BI} - 100\$/\text{BI})$

The Ministry of Energy and Oil will asses and determine the amount of the special contributions on a monthly basis in foreign currency. The payment of these contributions will be made exclusively in the currency in which it is determined, to the Fund of National Development (FONDEN).

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