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Venezuela

Agricultural Situation

Local and Imported Products Treated Differently Under New IVA Law

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Approved by:

Leanne E. Hogie

U.S. Embassy, Caracas

Prepared by:

Clara Nuñez & Mora Paiva

Report Highlights:

One of the changes to the Venezuelan Added Tax (IVA) this summer states that certain imported products will be treated differently from domestic products in the collection of the tax. Imported products will be assessed the IVA tax if the respective Venezuelan Ministries state that there is sufficient national production of the same or equivalent products, which remains exempt from IVA. In the agricultural sector, this ruling now affects imports of rice, eggs, tuna and sardines, coffee, sausages and mortadella, and bottled water. In certain cases Customs officials are also requiring specific documentation stating there is no national production in order to waive the application of the IVA tax. This has so far affected the import of fruits, particularly grapes. The normal IVA is now 16 percent.

Includes PSD changes: No
Includes Trade Matrix: No
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Caracas [VE1], VE

Local and Imported Product Treated Differently Under New IVA Law.

One of numerous alternations to the Venezuelan Value Added Tax Law (IVA) this summer, states that imported products will be treated differently from domestic products in the application of the IVA. In the Gaceta Oficial notice # 37,480 of July 9, 2002, a new paragraph was added to Article 17 (the article that refers to exemptions to the IVA tax) which in an unofficial translation states:

"The exemptions set forth in numbers 1 and 9 of this article will only take effect if there is no national production of the goods subject to this respective benefit, or when that production is insufficient, under which circumstances it will be certified by the respective Ministry."

Within Article 17, item number 1 refers to imports of the goods mentioned in Article 18 of the Law (mainly agricultural goods listed at the end of this report) and item number 9 refers to the import of scientific and medical equipment for public, NGO, or educational use. Most basic food products had formerly been exempt from any IVA taxes.

On August 15, 2002, the Minister of Agriculture sent a letter to the Customs officials stating that there is sufficient national production of the following items: sausages, rice, eggs, canned or bottled tuna and sardines, coffee, and bottled water. Therefore, U.S. exporters of those products should be aware that Customs officials may begin to levy IVA on those products. The other agricultural products listed at the end of this report should still be allowed to enter the country with no IVA charges.

However, for some products, in particular grapes, Customs officials are requiring a letter explicitly stating there is no national production of a product in order to grant the IVA exemption. The Ministry of Agriculture has so far not issued these specific letters, and in the case of grapes is unlikely to since there is a limited quantity of local grape production of a different variety. FAS/Caracas has been told that importers of U.S. grapes have had to pay an additional 14.5 percent IVA fee (increasing to 16 percent as of September 1) due to the lack of any document stating that there is no national production of grapes.

In addition, a subsequent Gaceta notice on August 30, 2002 (# 5,601 Extraordinaria) made further modifications to the list of exempt products. Most changes were minor for agriculture products, except in the meat sector where poultry remains exempt but pork and beef will be subject to an 8 percent IVA in January.

This new assessment of the IVA to imported products, in addition to the continuing difficulties of obtaining import licenses and the recent devaluation of the bolivar, all contribute to increasing the cost and decreasing the availability of imported food products.

List of Exempt Articles as of July 9, 2002.

Text of Article 18

1. The following goods are exempt from the taxes set forth in this law:
 - a. Live animals destined for slaughter
 - b. Cattle, goats, sheep and pigs for raising
 - c. Bird species, fertile chicken eggs, chicks, young birds for raising, breeding and the production of poultry meat and eggs
 - d. Meat in its natural state, refrigerated, frozen, salted or in brine.
 - e. Mortadela, sausages, and deviled ham
 - f. Plant products in their natural state, considered for human use, certified seeds in general, base material for animal reproductions and biologic inputs for the agriculture and fisheries' sectors
 - g. Rice
 - h. Flour of plant origin, including semolina
 - i. Bread and enriched pastas
 - j. Chicken eggs
 - k. Tuna and sardines, canned or bottled
 - l. Raw milk, pasteurized, in powder, modified, infant formulas, including of soy milk
 - m. White cheese
 - n. Margarine and butter
 - o. Salt
 - p. Sugar and unrefined sugar, when not used as inputs for making commercial or industrial products
 - q. Toasted coffee, ground or whole bean
 - r. Edible oil
 - s. Water, without gas, bottled in Venezuela
 - t. Lard, fat, grease and vegetable oils, refined or not, used exclusively as inputs for making edible oils.
2. Fertilizers
3. Minerals and liquid foods or concentrates for animals
4. Medicines and agrochemicals, such as vaccines, plasmas, ..
5. Petroleum derivatives...
6. Wheelchairs and other prostheses
7. Newspapers and paper for printing
8. Books, magazines and pamphlets, as well as inputs used in the publishing industry.

List of Exempt Articles as of August 30, 2002

1. The following goods are exempt from the taxes set forth in this law:
 - a. Plant products in their natural state, considered for human use, certified seeds in general, base material for animal reproductions and biologic inputs for the agriculture and fisheries' sectors
 - b. Bird species, fertile chicken eggs, chicks, young birds for raising, breeding and the production of poultry meat and chicken eggs
 - c. Rice
 - d. Flour of plant origin, including semolina
 - e. Bread and enriched pastas

- f. Chicken eggs
 - g. Salt
 - h. Sugar and unrefined sugar, when not used as inputs for making commercial or industrial products
 - i. Toasted coffee, ground or whole bean
 - j. Mortadella
 - k. Tuna, canned in natural presentation
 - l. Sardines, canned in a 170 grs. cylindrical presentation
 - m. Raw milk, pasteurized, in powder, modified, infant formulas, including of soy milk
 - n. Hard white cheese
 - o. Margarine and butter
 - p. Poultry meat in its natural state, refrigerated and frozen
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- 2. Fertilizers
 - 3. Minerals and liquid foods or concentrates for animals
 - 4. Medicines and agrochemicals, such as vaccines, plasmas, ..
 - 5. Petroleum derivatives...
 - 6. Wheelchairs and other prostheses
 - 7. Newspapers and paper for printing
 - 8. Books, magazines and pamphlets, as well as inputs used in the publishing industry.