



Venezuela Economic Outlook

By Arca Análisis Económico

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

- Two government initiatives went into force in March: 1) the issuance of hedging securities indexed by the Central Bank of Venezuela (BCV) and 2) the implementation of the new tax on large financial transactions (IGTF), which is to be levied on payments in foreign currency.
- This new instrument issued by the BCV seeks to reduce the public's demand for foreign currency by offering a safe investment alternative with a guaranteed value in dollars and sterilizing liquidity. Ultimately, the BCV seeks to reduce the amounts of foreign exchange intervention in defense of the bolívar soberano.
- It is an instrument that seeks to be attractive to the general public. The issuance is 100 million bolívares soberanos distributed in equal parts in 28- and 56-day terms. The former offers a yield of 3 percent per annum above the dollar variation price, and the latter a yield of 3.25 percent. The minimum investment is 50,000 bolívares soberanos with increases of 5,000 bolívares soberanos. However, the conditions are less attractive for financial institutions. The coverage is limited to the exchange risk; there is no guarantee of value retention of the initial investment. There is a single term of 56 days, with an annual yield of 1 percent on the dollar price variation. The minimum investment is 100,000 bolívares soberanos and increases of 10,000 bolívares soberanos.
- These BCV securities are the first indexed financial liabilities in the country. Thus far, only bank loans have been indexed to the dollar price variation.
- On the other hand, the new IGTF apparently is not ready for implementation. The National Integrated Service for the Administration of Customs Duties and Taxes (SENIAT) issued on March 18, 2022, a ruling designating special taxpayers as collection agents of the IGTF, only 10 days before its entry into force. The required operational infrastructure (fiscal machines and systems) has had issues initiating tax collecting activities.
- According to figures issued by the Banking Superintendency (SUDEBAN), bank credit in the domestic financial market rose to US\$29 million in the first quarter of 2022. This momentum was favored by reducing the monetary policy, the authorization to banks to grant credits in bolívares soberanos until this currency reaches the equivalent of 10 percent of the sum allocated in foreign currency accounts.
- The National Consumer Price Index (INPC) issued by the BCV and the National Institute of Statistics (INE) registered a month-on-month variation of 1.4 percent in March 2022, which is lower than the 2.9 percent obtained in February 2022 and the lowest observed in the last 115 months (1.1 percent in August 2012).



- With March's result, the accumulated variation at the end of the first quarter of 2022 stands at 11.4 percent, much lower than what was obtained last year at the same time (127.8 percent). On the other hand, the annualized variation for March was 284.4 percent, less than one-tenth of variation observed in March 2021 (3,012.2 percent).
- When breaking down the INPC results by groupings, it can be observed that 12 of the 13 categories submitted in March reflect a lower variation than that recorded in February:
 - **Communications**, from 23.1 percent to 11.1 percent
 - **Transportation**, from 6.2 percent to 0.1 percent
 - **Education Services**, from 17.5 percent to 12.2 percent
 - **Alcoholic Beverages and Tobacco**, from 2.2 percent to minus 1.3 percent
 - **Recreation and Culture**, from 8.4 percent to 5.0 percent
 - **Miscellaneous Goods and Services**, from 4.6 percent to 1.4 percent
 - **Restaurants and Hotels**, from 2.7 percent to 0.4 percent
 - **Housing Rental**, from 2.5 percent to 0.5 percent
 - **Household Equipment**, from 4.6 percent to 2.9 percent
 - **Housing Services**, from 3.2 percent to 1.6 percent
 - **Health**, from 0.8 percent to 0.5 percent
 - **Food and Non-Alcoholic Beverages**, from 1.1 percent to 1.0 percent.

The only grouping that showed an increase was **Clothing and Footwear**, rising from 0.4 percent to 1.9 percent.

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Government Management Office Creates Contracting Commission

By Holland & Knight

The Office of the Presidency and Monitoring of Government Management (Ministry) on March 22, 2022, issued Resolution No. 004 (Resolution) in the *Official Gazette* No. 42,342, whereby it created the Contracting Commission of the Ministry. The Contracting Commission will be in charge of selecting contractors for works, good acquisitions and rendering of services for the Ministry pursuant to Article 15 of the Decree with the same status, validity and force of law as any Contracting Law.

The Contracting Commission shall be constituted by three principal members and their respective alternates (who shall act in the absence of the respective principal member), as well as a Secretary (with his respective alternate). Each principal member shall be in charge of a department, whether Economic-Financial, Technical or Legal. The principal members shall have the right to speak and vote, and their opinions must be submitted in writing to the other principal members. In any case, the decisions adopted by the Contracting Committee must receive a majority vote by the principal members or those acting on their behalf.

Additionally, the Resolution establishes that the principal members may appoint representatives to act as observers without the right to vote in the contracting procedures carried out by the Contracting Committee.

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Venezuela Increases the National Minimum Wage and Meal Benefit

By Tinoco Travieso Planchart & Nuñez

The Venezuelan administration issued on March 15, 2022, Decrees No. 4,653 and 4,654 in the Extraordinary *Official Gazette* No. 6,691, which establishes increases to the Mandatory National Minimum Wage and the Meal Benefit. Both Decrees became effective on March 15, 2022.

The most relevant aspects of both Decrees are the following:

1. Minimum Wage Increase

- A new mandatory monthly minimum wage was established for the entire Venezuelan territory, effective as of March 15, 2022, in the following terms:

Category	(Day Shift)	
	Monthly	Daily
Female and Male Employees of the Public and Private sectors	130.00 bolívars soberanos	4.33 bolívars soberanos
Teenagers / Apprentices	97.50 bolívars soberanos	3.25 bolívars soberanos

- If the work performed by teenagers or apprentices is carried out in the same conditions as full-time employees, their minimum wage will be adjusted to 130.00 bolívars soberanos per month as set forth in Article 1 of the Decree.
- The minimum wage shall be paid in cash and shall not include any payment in kind.
- The Minimum Wage Increase Decree also amended the annuitants' and retirees' pensions of the National Public Administration and the Venezuelan Social Security Institute (IVSS) to 130.00 bolívars soberanos per month.
- If the employment relationship is on a part-time basis, the salary established as minimum wage may be paid in proportion to the work schedule, as outlined in Article 172 of Venezuela's Organic Labor Law (LOTTT).



- If an employer does not comply with this minimum wage increase, the employer will be obliged to pay the corresponding difference in labor benefits according to Article 130 of the LOTTT. In addition, the employer will also be sanctioned with a fine of no less than 120 Tax Units (UT) and no more than 360 UT, pursuant to Article 533 of the LOTTT.

Many of the benefits and obligations outlined in the labor legislation are based on the national minimum wage. Below is an analysis of the variations and effects that this increase will have on some of the most significant labor benefits and obligations in the Venezuelan labor legislation.

Benefit for Comprehensive Care of Employees' Children

Employees who earn a wage higher than 650.00 bolívares soberanos, the equivalent of five current minimum wages, will not be entitled to the benefit in question.

In the event that there is no daycare or early education center at the workplace, the employer will be required to pay 52.00 bolívares soberanos, the equivalent of 40 percent of the minimum wage, for registration and each month's payment.

Contributions to the Social Security System

This Decree also adjusted the minimum contribution amount for the social security system to 130.00 bolívares soberanos, the equivalent of one minimum wage, and the maximum contribution limit to 650.00 bolívares soberanos, the sum of five minimum wages.

Contributions to the Employment Benefit System

The maximum contribution limit for the employee benefits system was adjusted to 1,300.00 bolívares soberanos, the sum of 10 minimum wages.

Contributions to the Housing and Housing Benefits System

The minimum contribution limit for the housing and housing benefits system was adjusted to 130.00 bolívares soberanos, the equivalent of one minimum wage.

2. Meal Benefit

- The Decree also modified the meal benefit to 45.00 bolívares soberanos per month for employees in the public and private sectors.
- With the adjustment of the meal benefit, employees providing services for the public and private sectors will receive 1.50 bolívares soberanos per day.
- This food benefit will not be considered as salary, in accordance with the LOTTT, unless it is outlined as such in the collective bargaining agreements, collective employment agreements or individual employment agreements.

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