

# Doing Business in

## *Venezuela*



Produced by the UKTI Team in the British Embassy, Caracas  
Contact: Haden Spicer  
Email: [Haden.Spicer@fco.gov.uk](mailto:Haden.Spicer@fco.gov.uk)  
Last Updated: 4 March 2010

---

The purpose of the Doing Business guides, prepared by UK Trade & Investment (UKTI) is to provide information to help recipients form their own judgments about making business decisions as to whether to invest or operate in a particular country. The Report's contents were believed (at the time that the Report was prepared) to be reliable, but no representations or warranties, express or implied, are made or given by UKTI or its parent Departments (the Foreign and Commonwealth Office (FCO) and the Department for Business, Innovation and Skills (BIS)) as to the accuracy of the Report, its completeness or its suitability for any purpose. In particular, none of the Report's contents should be construed as advice or solicitation to purchase or sell securities, commodities or any other form of financial instrument. No liability is accepted by UKTI, the FCO or BIS for any loss or damage (whether consequential or otherwise) which may arise out of or in connection with the Report.

**Are you a member of a UK company wishing to export overseas? Interested in entering or expanding your activity in the Portuguese market? Then this guide is for you!**

The main objective of this **Doing Business Guide** is to provide you with basic knowledge about Venezuela; an overview of its economy, business culture, potential opportunities and an introduction to other relevant issues. Novice exporters, in particular will find it a useful starting point.

Further assistance is available from the UKTI team in Venezuela. Full contact details are available at the end of this guide.

**Important Information - Sanctions and Embargoes**

Some countries may be subject to export restrictions due to sanctions and embargoes placed on them by the UN or EU. Exporting companies are responsible for checking that their goods can be exported and that they are using the correct licences.

Further information is available on the [Department for Business, Innovation & Skills \(BIS\)](#) website

## Content

<b>1. Introduction .....</b>	<b>4</b>
<b>Strengths .....</b>	<b>4</b>
<b>Opportunities .....</b>	<b>4</b>
<b>Trade between UK and Venezuela .....</b>	<b>5</b>
<b>Economic Overview .....</b>	<b>5</b>
<b>Political Overview .....</b>	<b>5</b>
<b>Getting here .....</b>	<b>6</b>
<b>2. Preparing to Export to Venezuela.....</b>	<b>7</b>
<b>3. How to do Business in Venezuela.....</b>	<b>7</b>
<b>Gateways/Locations – key areas for business .....</b>	<b>8</b>
<b>Market entry and start up considerations.....</b>	<b>8</b>
<b>Marketing and Branding .....</b>	<b>9</b>
<b>Customs and Regulations .....</b>	<b>9</b>
<b>Legislation and local regulations.....</b>	<b>10</b>
<b>Exchange Controls .....</b>	<b>10</b>
<b>Taxation.....</b>	<b>11</b>
<b>Responding to Tenders .....</b>	<b>13</b>
<b>Recruiting and Retaining Staff .....</b>	<b>14</b>
<b>Labelling .....</b>	<b>14</b>
<b>Standards and Technical Regulation.....</b>	<b>14</b>
<b>Intellectual Property Rights .....</b>	<b>15</b>
<b>4. Business Etiquette, Language and Culture.....</b>	<b>15</b>
<b>Meetings and Presentations.....</b>	<b>16</b>
<b>Language.....</b>	<b>17</b>
<b>5. What are the Challenges?.....</b>	<b>18</b>
<b>Getting Paid-Terms of Payment.....</b>	<b>18</b>
<b>Corruption and Transparency.....</b>	<b>18</b>
<b>6. How to invest in Venezuela.....</b>	<b>19</b>
<b>7. Contacts.....</b>	<b>19</b>
<b>8. Resources/Other Useful Links and Contacts.....</b>	<b>20</b>

# 1. Introduction

Venezuela is located in the northern part of South America. To the north it borders the Caribbean Sea; to the south Brazil; to the east with the Atlantic Ocean and Guyana; and to the west with Colombia. The total area of the country is 917.450 square km (354.227,444 square miles).

Venezuela has an estimated population of +28 million.

The capital city is Caracas, which is located in the central-north part of the country. Caracas has a population of approximately 5 million.

Other major cities in Venezuela are Maracaibo, Valencia, Maracay, Barquisimeto, Puerto La Cruz, Maturin and Puerto Ordaz.

Since Venezuela is close to the equator, there are no seasons; rather there are diverse climates in different regions of the country ranging from tropical to temperate. Venezuela is in the -4 Time Zone (GMT). The average temperature in the country is warm all year round. Caracas is around 82° F (28° C).

Venezuela is well served by virtually all the major American and European airlines including American Airlines, Continental, Delta, Air France, Lufthansa, Alitalia, Iberia, Tap, and Varig. Several airlines offer direct flights to the main hub airports in the United States, including: Miami, Houston, Dallas, Atlanta and New York. Additionally, Venezuela is linked to all important cities of Latin America. Direct flights are available to Bogotá, San Jose, Panama, Lima, Rio de Janeiro, San Juan, Mexico and Santiago. For travelling within the country, there is an important network of local airlines serving almost every important city in Venezuela.

British passport holders do not need a visa to travel to Venezuela as tourists for up to 90 days, if entering and leaving the country by air. Please consult the Venezuelan Embassy website below for further information.

[http://www.consulado.embavenez-uk.org/visas\\_eng.html](http://www.consulado.embavenez-uk.org/visas_eng.html)

## Strengths of the market

Venezuela holds the largest reserves of oil in the Western Hemisphere, with a timeline of 170 years, and it is the world's ninth-largest producer and fifth-largest exporter of crude oil. It is a founder member of the Organisation of the Petroleum Exporting Countries (OPEC). Apart from Oil, Venezuela produces very little and imports most of what it needs. Therefore it has a long history of trading with the outside world. Venezuela's geographical location also gives you access to Colombia, Trinidad and Tobago and other markets in the region.

## Opportunities in Venezuela

Venezuela has significant economic potential with the OIL and Gas sector dominating the market's economy. The current plans of the national oil company Petroleos de Venezuela S.A (PDVSA) to develop new oil fields in the Orinoco basin known locally as the "FAJA", provide huge opportunities for UK energy companies. Other promising sectors for UK companies include, power generation, infrastructure, telecommunications, education and training, Healthcare, Alternative Energy, Waste Management and the Environment. However, in the current fast moving political climate in Venezuela, British Companies need the services of the British Embassy more than ever, to find their way through

this challenging market. Currently using the Government to Government route is the best way for UK companies to enter the market.

## Trade between UK and Venezuela

From January to November 2009 the UK exported goods worth £277m to Venezuela. For the whole of 2008 the figure was £262m. So we have seen an increase of %6 in UK exports, which may increase further once we receive the final figures for 2009. For UK imports of goods from Venezuela the figures are declining. In 2008 we imported £ 569 worth of goods from Venezuela and in 2009 the figure dropped to £ 384 worth of goods a 33% drop. The main exports include beverages, medicinal and pharmaceutical products, dairy products, power generating machinery, Chemical Materials and products, general industrial machinery and Professional, Scientific and Controlling Appliances. If you take Brazil and Mexico out of the equation, Venezuela imports more British goods than any of the other South American Countries except Chile.

## Economic Overview

Venezuela's natural resources make it a country of vast economic potential. The Petroleum sector dominates, accounting for 50% of central government revenue and over 90% of exports. It has the world's largest conventional oil reserves outside the Middle East and also one of the largest natural gas reserves. The economy experienced twenty-two consecutive quarters of sustained high growth until March 2009, fuelled by high oil prices and historically low interest rates. With the global economic crisis and down turn in oil prices, the country's income was substantially reduced. Sustained growth came to an end during the second quarter of 2009, when the economy contracted by 2.4%. Venezuela. One thing to be aware of is that Venezuela is running an exchange control system. For further details on this and exchange rates please see the section dedicated to this subject under how to do business.

## Political Overview

President Hugo Chávez's pre-election campaign in 1998 promised radical political reform and an economic 'third way'. On assuming the Presidency, Chávez, as promised, pushed through an ambitious programme of political reform.

His first 18 months in power brought the new 'Bolivarian' Constitution and new unicameral National Assembly. The Constitution strengthened the executive in a number of ways, introducing a six-year Presidential term with the possibility of re-election, an executive Vice President to reduce the administrative burden on the President, the power to dissolve Congress and strengthened Presidential authority over promotions within the Armed Forces. The Constitution established checks on the executive in the form of a Public Ombudsman, a strengthened Judiciary and guarantees on human rights. These aspects have since been subject to significant criticism from opponents of Chávez for failing to be sufficiently independent or function effectively.

In September 2000, President Chávez announced a programme of social-welfare schemes; housing, school building and other public works aimed at 'creating equality, solidarity and justice' in Venezuela. Investment in these 'Social Misiones' increased substantially in 2003 and 2004 prior to the recall referendum of August 2004, and in 2006 prior to the Presidential elections. Amongst others, there are social programmes to eradicate adult illiteracy, educate the youth who have left the traditional school system, and a large-scale project to set up community health centres (Misión Barrio Adentro).

## **Recent Political Developments**

Despite opposition allegations of fraud, President Chávez survived the recall referendum of August 2004 with close to 60% of votes in his favour. The disparate opposition movement struggled to recover from that setback, withdrawing their candidates from the December 2005 Parliamentary elections in protest against the voting system. Pro-Chávez parties therefore stood unopposed and won 100% of the seats in the Assembly, albeit with a turnout of approximately 25%. The opposition did, however, manage to unite around a single candidate, Manuel Rosales, who stood unsuccessfully against Chávez in the December 2006 Presidential elections, winning 37% of the vote to Chávez's 63%.

Following his election victory President Chávez spoke of pushing forward with his reform programme. Chávez created a new single governing party - Partido Socialista Unido de Venezuela (PSUV) - to be made up of the existing parties that support the President. The President suffered a significant setback at the end of 2007 when the electorate narrowly voted against the Government's planned reforms of the Constitution in a referendum. Therefore proposals to explicitly make Venezuela a socialist state, end the independence of the Central Bank, allow indefinite Presidential re-election, and change the division of power and responsibility throughout the country, were not incorporated into the Constitution.

Following defeat President Chávez committed his movement to a year of re-launching and re-examining the course of the Bolivarian revolution. That has involved high levels of public spending, in particular on the Misiones and the programme of seizing land/buildings deemed to be lying idle. And the Government has continued to speak about empowering the people and pushing power down to a local level, through ideas such as community councils (local decision making bodies with budgetary powers).

On 15 February 2009 Venezuelans voted on a constitutional amendment to allow elected officials to stand for an unlimited number of terms. Venezuela voted by 54.4% to 45.6% to accept the constitutional amendment, thereby enabling Chavez to stand for re-election in 2012. Accepting victory, President Chavez spoke of addressing inefficiency and corruption, and of 'consolidating the revolution'.

Since February 2009, President Chavez has pursued his programme of changes which have included several new laws such as the Education Law, Labour Law and the Urban Land Law. It remains to be seen what the effect of these laws will be.

## **Elections**

The executive is elected for a six-year term by direct vote and can be re-elected indefinitely following an electorally approved change to the constitution. The current presidential term will end in December 2012. National Assembly elections were held in December 2005 and the next elections are due to be held in September 2010.

## **Getting here and advice about your stay**

There are no direct flights from the UK to Venezuela. There are various options via, Frankfurt, Paris, Madrid and Lisbon. Please read the FCO travel advice on Venezuela so that you are properly briefed about the security situation. Try to arrange a pick up from the Airport before you travel. Do not under any circumstances accept an offer of a lift into Caracas from anyone in the arrivals hall. If you have no alternative but to take a taxi, take one of the black Ford Explorers that wait at a rank immediately outside the terminal. On departure all visitors must pay an airport tax of BF 163.00.

It is difficult to exchange hard currency in Venezuela once you have arrived so you need to arrange access to Bolivars before you arrive through your sponsors and use the official exchange in the baggage collection hall to obtain a good supply on your arrival.

### **FCO Travel Advice**

The FCO website has travel advice to help you prepare for your visits overseas and to stay safe and secure while you are there.

For advice [please visit the FCO Travel section](#)

## 2. Preparing to Export to Venezuela

In Venezuela, business is won through the development of personal relationships and face to face contact. Venezuela is not a straight forward market and the more contacts you have the easier it is to find a way around the various obstructions that will be thrown up in front of you. However plenty of UK companies are doing good business here. The key is to undertake as much market research as possible.

Because of the need to develop personal relationships in Venezuela direct sales into the Venezuelan market is not straight forward. In most cases it is best to work through local representation such as agents or distributors. The appointment of a local partner /representative is highly recommended.

Therefore British Companies wishing to develop their business in the Venezuelan market should use the British Embassy UKTI team as much as they can. UKTI's team in Venezuela can provide a range of services to British-based companies wishing to grow their business in the Venezuelan market. Our services include the provision of market information, validated lists of agents/potential partners, key market players or potential customers; establishing the interest of such contacts in working with the company; and arranging appointments. In addition, we can also organise events for you to meet contacts or promote your company and its products/services.

You can commission these services under which are chargeable and operated by UK Trade & Investment (UKTI) to assist British-based companies wishing to enter or expand their business in overseas markets. Under this service, the Embassy's Trade & Investment Advisers, who have wide local experience and knowledge, can identify business partners and provide the support and advice most relevant to your company's specific needs in the market.

To find out more about commissioning work, please contact your local UKTI office. See [www.ukti.gov.uk](http://www.ukti.gov.uk)

### 3. How to do business in Venezuela

#### What companies should consider when doing business

Venezuela is one of the largest markets for UK products in the Latin American region. UK products and services enjoy a solid reputation of high quality and innovation. The country has a limited manufacturing capacity therefore relies heavily on imports to satisfy customer demand.

Despite its attractiveness, the Venezuelan market is considered a challenging one. Bureaucracy, price and exchange controls, corruption and lack of transparency are often referred to as obstacles by the business community.

The country is the largest destination for Scotch whisky in Latin American and one of the most important markets in the entire world.

The UK and Venezuela are signatories of a bilateral Agreement for the Promotion and Protection of Investments.

Some UK companies present in Venezuela include Shell, BP, British American Tobacco, The Vestey Group, GlaxoSmithKline, AstraZeneca, DIAGEO, etc.

#### Gateways/Locations – Key areas for business

Venezuela is located in the northern part of South America. The country borders to the north with the Caribbean Sea; to the south with Brazil; to the east with the Atlantic Ocean and Guyana; and to the west with Colombia. The total area of the country is 917.450 square km (354.227,444 square miles). Venezuela has an estimated population of +28 million.

The country is politically organised into 23 states, a Metropolitan District (Capital City), and federal dependences (which includes some islands in the Caribbean Sea). Around to 80% of the population lives in urban areas in the northern portion of the country

The capital city is Caracas, which is located in the central-north part of the country with a population of approximately 4 million. It is the largest city in Venezuela where the political, financial and commercial power of the country is located. Additionally, the metropolitan area concentrates around 70% of the country's operation and major decision markets.

The three major cities in Venezuela are Caracas, Valencia and Maracaibo. They are the 3 largest cities and major economic hubs.

Maracaibo is the capital city of Zulia State (Western Venezuela). It is the second largest city in Venezuela with a population of 2 million), Zulia State's economy is heavily dependent of the oil sector-related activity.

Valencia is the capital of Carabobo State. It is Venezuela's third largest city and one of its major industrial and manufacturing centres with a population of +1.5 million.

Other major cities in Venezuela are Maracay (central Venezuela – industrial manufacturing activities: paper, textiles, chemicals food), Barquisimeto (west central Venezuela-food industry, plastics, textiles), Puerto La Cruz (port, tourism, refinery), Maturin (oil related activity) and Puerto Ordaz (heavy industries).

Venezuela's main ports are Puerto Cabello (Carabobo State), La Guaira, located in Vargas State (central Venezuela), Maracaibo (Zulia-State), Guanta (Anzoátegui-State).

## Market entry and start up Considerations

There are several ways to approach the Venezuelan market depending on variables such as exporter's plans and strategies, nature of business, etc. The most common are:

- a) Appointment of an agent/representative of the manufacturer/exporter;
- b) Establish a branch office
- c) Forming a joint venture with a local company
- b) Importing distributor/retailer
- c) Direct sales to customers (end users)

Independently of the way chosen to approach the market, it is important to point out that it is highly recommended to seek legal advice to familiarize yourself with the local legal framework. It is also important to understand the local business culture and protocol. An initial visit to the market is recommended since Venezuelans pay great deal of importance to face-to-face meetings and personal interaction. Although generally speaking English is spoken by the business community that is not the case when dealing with government officials. The public sector is usually considered the most important customer in Venezuela. We strongly recommend having all brochures, catalogues and marketing material translated into Spanish,

UKTI Caracas is familiar with the local business environment and offers a wide range of service to UK companies interested in exploring and gaining in-depth knowledge of the local market, find and appointing a suitable local representative/agent/ business partner, assist companies, etc.

## Marketing and Branding

Advertising and marketing are important in the context of the Venezuelan market. Venezuelans are very aware of brands, especially foreign. Provisions for effective advertising and marketing campaigns are advised when launching new products.

Quality is another important aspect to take into account when considering the Venezuelan market. Venezuelan customers have a taste for high end products. UK made products in general enjoy a good reputation of quality and reliability.

The Venezuelan market offers different ways of marketing a product commercially speaking. TV commercials, newspapers and magazines ads and inserts are popular ways of advertising. Street and motorways banners are used extensively. Most recently the use of Internet is becoming more and more popular.

Venezuela's franchise market has grown significantly in the last years becoming the third largest in Latin America. There exist opportunities especially for products & services not present in the market, therefore innovation and creativity are essential elements to consider.

## Customs and Regulations

Venezuela is member of the World Trade Organisation and is in the process of joining MERCOSUR. Since 1990, the country has been applying the international Harmonized Tariff Code on Nomenclature of Merchandise which was incorporated into the customs tariff list. The Venezuelan Tariff contains all specific legal data applied to every item imported into the country including non-tariff barriers as well as some regulations used neighboring Andean countries.

The Venezuelan Ministry of Finance is responsible for all customs-related activity through a dedicated agency called SENIAT (Servicio Nacional Integrado de Administración Aduanera y Tributaria/ National Integrated Service for Customs and Tax Administration). SENIAT 's main activity is controlling all tax-related matters including customs [www.seniat.gob.ve](http://www.seniat.gob.ve).

According to the Venezuelan regulations on the subject, customs tariffs are usually based on ad-valorem basis. They can vary depending on the case but in general terms they range from 5 % (minimum) to an exceptional 35% (vehicles). Some products are not subject to any duties (duty free). Duties are calculated on CIF values.

The "Arancel de Aduanas" (Venezuelan Customs Tariffs Guide) contains detailed and relevant information on each product for those local buyers interested in importing them from overseas markets.

Occasionally the government regulates import levels by means of adjusting (raising or lowering) customs tariffs when considered necessary. Raising or lowering customs tariffs at times, and often though a decree, have been used to either stimulate imports by certain trade or industry sectors or to curb what the government feels are "unnecessary luxury imports"

SENIAT 's offices are located in international ports and airports across the country.

It is a very common practice among importers to use a private Customs Agent. Customs Agencies are private offices legally registered whose main activity is dealing with customs-related requirements on behalf of their customers (importers). They pay all duties and taxes related to their customers imports and provide all logistical support including transportation of imported merchandise to their customer's premises.

## Legislation and Local regulations

Unlike the UK legal system that relies on precedents, the Venezuelan legal system is based on written codes (civil law) as in European countries such as France and Spain. Venezuela's body of laws consists of its national constitution, codes, federal and state laws, presidential decrees, and diverse regulations, including those from municipal and state governments.

The regulatory environment of Venezuela is one of open competition. The Constitution grants the national government the right to own certain industries which are considered "strategic" being the most important those related to the oil & gas industry (the country's main source of income) and the generation and distribution of electricity. Other sectors considered strategic for the country's development are telecommunications, food production and distribution and heavy industries.

The Venezuelan legal framework can be described as extensive and sometimes complicated. A proper assessment of the legal aspect is fundamental prior to considering entering the Venezuelan market. It is advisable to seek legal assistance in order to analyse the legal aspects of doing business in

Venezuela as well as the advantages and disadvantages of the different approaches available. A suitable law firm is in position to provide guidance on aspects such as starting up business, different types of business partnerships, taxation, exchange controls, labour regulations, intellectual property, etc.

The UKTI team in Caracas is in position to provide a list of reputable local law firms for consideration upon request.

## Exchange Controls

On 6 February 2003, the Venezuelan Government announced that foreign exchange transactions would be controlled with immediate effect. Importers and businessmen have to apply to their banks for foreign exchange. The banks will forward the applications to the Central Bank. In the Central Bank, there is a Foreign Exchange Management Commission, called CADIVI (Comisión de Administración de Divisas), which implement the government's policy on foreign exchange control.

As part of the foreign exchange regulatory framework, CADIVI, the Central Bank, the Ministry of Finance and the National Assembly have issued a number of regulations that outline the principles of the exchange control regime. Some of these rules are known as Exchange Agreements, "Providencias", Exchange Control Criminal Law, etc. All of them are considered very relevant because they serve as guidelines for the entire Exchange Control regime.

According to CADIVI, a transaction is every operation involving the buying (import) of goods from manufacturers overseas or the contracting of services with an overseas provider by a local party (e.g. technical assistance). Venezuelan based companies interested in importing goods/contracting services overseas, should apply for forex from CADIVI in order to obtain the financial means to pay for those goods/services.

A local company interested in importing should first check the CADIVI webpage ([www.cadivi.gob.ve](http://www.cadivi.gob.ve)) to verify if the goods/services they wish to import/contract are entitled to receive forex according to the "Providencias" and the List of Essential Goods issued by the authorities (drafted according national needs). If the product/service in question is not included in any of the aforementioned lists, the interested party should therefore request a special dispensation from the Ministry of Commerce to import such product/service. That dispensation is known as "Certificado de No Producción o Producción Insuficiente – Certificate of Non-Local or Insufficient Production". On the other hand, if the product is entitled to receiving forex, then the importer has to apply for the monies according to CADIVI's procedures expediting the whole process.

It is important to note that delays in processing requests by CADIVI are very common due to the complexity of the system and high volume of requests.

Exchange rates as at March 2010:

Please bear in mind that as of 8 January 2010, the Bolivar Fuerte -BF- (Strong Bolivar) has two official rates, pegged to the USD as follows:

3. US \$ 1 = BF 4,30 (This rate below will be used for most products and services imported through CADIVI and different to foodstuff and medicines)  
£ 1 = BF 6,417
4. US \$ 1 = BF 2,60 (This rate is used for goods considered essentials including food, medicines, raw materials and industrial machinery)

£ 1 = BF 3,874

There also exists a legal parallel market of frequently used by an increasing number of importers that for any reason cannot access officially-controlled forex. This rate of exchange is significantly higher than the officials:

5. US \$ 1 = BF 6,70

£ 1 = BF 9,98

As can be seen, the use of the parallel rate increases the cost of imported goods and services in comparison to official exchange rates.

## Taxation

The Venezuelan Tax System is classified by National Taxes, and Local Taxes. The Venezuelan tax legislation contains different laws related to each tax. The taxes are related to income, assets and certain specific transactions. The fundamental legal structure for taxes is defined within the Constitution of the Bolivarian Republic of Venezuela which establishes procedures, and the National Assembly enacts the tax laws. In addition to specific tax laws, there are some basic laws that refer to general tax administration such as income tax law and the fiscal code.

Most tax laws have a series of regulations that are issued by the tax authorities and provide for procedures and interpretations.

Taxpayers both business and individuals are obligated to request a tax ID number called RIF when they register with SENIAT.

### **Value Added Tax (VAT)**

The VAT is applied on the selling of goods, the rendering of services and importation of assets and services. Currently, the VAT's rate is set to (9%). Areas subject to a special fiscal regime (tax free zones) are exempt of this fiscal obligation.

### **Income Tax Law**

The Venezuelan Income Tax Law states that the income obtained in the country by contributors, residents or not in the country, are taxed as well as the income obtained abroad for those considered as resident or other parties domiciled in Venezuela. Non-domiciled legal entities with a permanent establishment in Venezuela must pay taxes based on the profits from territorial or extraterritorial sources attributable to such permanent establishment.

Venezuela has entered into Agreements to prevent double taxation with the following countries: Italy, France, Germany, Portugal, Czech Republic, Trinidad and Tobago, the Netherlands, Switzerland, the United Kingdom of Great Britain and North Ireland, Belgium, Denmark, Barbados, among others. When there are no Treaties subscribed by Venezuela with a given country, the Income Tax Law provides all the mechanisms to be applied.

### **Other Taxes**

There are other taxes applicable to business organisations, such as social security contributions, registration taxes, stamp tax and, in particular, the Municipal taxes such as Commercial Patent Tax,

which is a tax applied by local governments to commercial or industrial activities carried out within their jurisdiction.

### **Tax Unit (Unidad Tributaria)**

The Venezuelan Tax regulation incorporates the concept of a Tax Unit –TU- (Unidad Tributaria-UT-), which is a numeric value expressed in local currency which is subject to regular updates upon discretion of the tax authority usually based on local inflation indicators. The fiscal unit is commonly used as a reference value to express the amount of fiscal obligations/ for contracting purposes by state agencies/ fines, etc. The value of the Tax Unit as at March 2010 is Bs. F. 65.00

### **Responding to Tenders**

The Venezuelan public sector is the largest purchasing body in Venezuela and specific rules have been created to regulate such processes, the most relevant being the “Ley de Licitaciones” or Tender Law.

This is an area of particular interest for business since major procurement contracts in sectors like oil & gas, power and infrastructure are mainly undertaken by government bodies through tender processes.

Generally speaking tenders may be opened in one of the following three ways:

- a) Aimed at domestic companies;
- b) Aimed at both domestic and foreign companies;
- c) Exclusively to foreign companies.

In cases where public tenders are open to foreign bidders, it is sometimes stipulated that the foreign company must form a consortium or joint venture with a local firm.

National Registry of Contractors: Exemptions.

If tenders are opened on an international basis with only foreign companies expected to participate, then these are exempted from compliance with registry requirements, but must register once short-listed.

Companies expecting to sell goods or services costing less than 500 Tax Units (TU) are exempt from having to register as well as those participating in construction projects valued less than 1,500 TUs.

Classification of Tenders

Purchases of up to 500 TU Bolivars are not subject to tender. All others fall under one of the following three classifications:

- a) General tender;
- b) Selective tender;
- c) Direct purchase;

a) General Tenders (Licitación General) are for: 1) Purchase of goods or the contracting of services valued at over 11,000 TUs; 2) For construction projects of over 25,000 TUs;

b) Selective Tenders (Licitación Selectiva) are used 1) For services or goods valued between 1,100 TUs and 11,000 TUs; 2) For construction projects valued between 11,500 TUs and 25,000 TUs; 3) When there are less than ten qualified suppliers listed in the National Register of Contractors; 4) If the goods are only available outside the country; 5) For goods and services related to state security.

For all selective tenders, at least five suppliers must be invited to bid with a minimum of three offers actually being submitted, or the process will be declared null and void.

c) Direct Purchase (Adjudicación Directa) is used 1) If needed for the completion of a project already in process; 2) For purchasing artistic or scientific works; 3) When there is only one supplier; 4) In case of emergencies; 5) When it has been determined that no other methods of purchase are available; 6) If in the interest of economic development; 7) Purchase of goods or the contracting of services valued up to 1,100 TUs; 9) For construction projects up to 11,500 TUs;

### **How to Bid**

Bid proposals must usually be separated into two parts: The first part consists of legal documentation regarding the supplier, description of experience, list of previous clients, etc. The second part provides information on the actual technical offer and price.

Bids are usually considered by a committee established by the buyer and in the presence of a representative of the National Comptroller. When reviewing of the technical part outside opinions may be required, such as from the College of Engineers, The National Council of Science and Technology, or a Congressional Committee established for this purpose. The National Comptroller has the final word in each and every case and may stop a bidding process at any time if he considers the procedures erroneous.

The publication of a tender normally contains a time schedule for pre-selection, submission of the final offer, and the date of the final selection. When several organizations are involved in the final selection, the deadline frequently slips and bidders are asked to provide a date up to which they will hold their prices. If that date passes, price increases may be accepted.

### **Recruiting and Retaining Staff**

Venezuela offers a skilled workforce in many sectors. There are experienced and skilled professionals in technical areas (e.g. oil & gas) English is generally spoken by corporate directors (private sector) but not so by members of the public sectors generally speaking. Recruitment agencies or "Headhunters" services are popular.

Labour law is oriented to protect workers rights. Companies must comply with a number of regulations under the Organic Labor Law which contains the rights, benefits and obligations of employers and employees as well.

Labour regulations are of public observance; therefore its compliance is mandatory. It is applicable to all individuals considered workers according to the law and regardless their nationality.

The Labour Law establishes a work schedule for all employees of 44 hours (limited to 8 hours per day), 35 hours for night-time workers (7 hours per day), and 42 hours for mixed-time employees (7 ½ hours per day).

### **Labelling**

All labels must be in Spanish, the official language of the country (although it does not prevent the inclusion of other language). Measures must be expressed in meters/cms. Depending on the subject, labels must contain relevant info such as ingredients, etc. Each official agency (e.g. Ministry of Health,

Ministry of Commerce) may issue their own set of requirements of mandatory compliance. Other information to be included is name of the manufacturer and/or importer as well as a health warning if applicable depending on the nature of the label.

## Standards and Technical Regulation

The Venezuelan public agency in charge of regulating standards and quality matters is called SENCAMER (Servicio Autonomo Nacional de Normalización, Calidad, Metrología y Reglamentos Técnicos- National Autonomous Service for Standardisation, Quality, Metrology and Technical Regulations). It depends upon the Venezuelan People's Power Ministry for Commerce. Besides creating standards of quality, one of the main activities of this body is assist companies to obtain ISO accreditation. It provides technical assistance to local and foreign companies in need of specialized guidance on standards and quality issues. While some standards are of voluntary compliance, some others are mandatory.

There exists a private non-profit organization known as FONDONORMA (Fondo para la Normalización y Certificación de la Calidad – Fund for the Normalisation and Certification of Quality) responsible for issuing standards norms. FONDONORMA is mainly controlled by the private sector and is member of the International Standard Organization therefore the body is entitled to award ISO certificates to local companies.

In practice both agencies serve the same purpose and their activities represent no conflict with each other.

## Intellectual Property Rights

Despite the fact that Venezuela has a number of domestic regulations on intellectual property and has subscribed a number of international treaties agreements on the subject, the intellectual property situation is considered weak. The government considers intellectual property rights subject to public interest; therefore there has been a great deal of controversy in areas such as pharmaceutical copyrights.

Venezuelan law extends legal protection for certain intangible assets or intellectual property through certain legal instruments such as patents, trademarks and copyrights. A patent protects an invention.

Copyrights protect an original artistic or literary work, a trademark is a word, phrase, symbol or design that distinguishes a product of one party from that of another.

## 4. Business Etiquette, Language and Culture

The following exert gives you a good idea of how to make a good impression and will help you understand your Venezuelan business acquaintance:-

“Expect to shake hands upon introduction (embraces are reserved for friends). There is no formal ceremony attached to the exchange of business cards. Simply offer your card. You may or may not receive a card in return. During conversation, remember that direct, **intense eye contact** is considered **challenging** and **aggressive**. Use intermittent eye contact, and do not assume someone is untrustworthy or embarrassed if they don't look you in the eye.

Keep your expectation modest for your first business trip. You might spend the entire first meeting on social **pleasantries**. Latin Americans do business with people they know and like. Many meetings may

be needed to reach this level. You should therefore take advantage of all **social invitations**, which facilitate the process of getting to know each other. Between appointments, do some sightseeing. Most Latinos want you to **appreciate their country** and will often ask what you have seen. It is important to understand the uniqueness of each country. Know which countries are historical rivals. For example, Argentines do not like being mistaken for Chileans, and vice-versa.

Visitors should try to be punctual, without expecting punctuality from others. If timing is crucial, use a **qualifying phrase**, such as "en punto" (on the dot).

Finally, understand that you are building a **personal relationship**. Latin Americans do business with you, not your company. If you quit your firm, your replacement must build that relationship all over again - unless he/she happens to be a relative of yours!"

## Meetings and Presentations

### Appointments

- It is better to be a few minutes early than a few minutes late for appointments in Venezuela, so allow yourself plenty of time to compensate for traffic - which can be a serious problem in Caracas. Avoid scheduling appointments two or three days before a holiday.

### Meeting Etiquette

- A firm handshake, with direct eye contact and a welcoming smile are the standard greeting.
- When shaking hands, always use the appropriate greeting for the time of day - 'buenos dias', 'buenas tardes', or 'buenas noches'.
- When meeting groups always introduce yourself to the eldest person first.
- When leaving, say good-bye to each person individually.
- Since this is a formal culture, address people by their academic or professional title and their surname until invited to move to a first- name basis.

### Dress Etiquette

- Appropriate business attire is expected.
- Men should wear good quality, conservative, dark coloured business suits.
- Women should wear stylish suits or dresses. They should be elegantly dressed, including make-up, jewellery and manicures.

### Business Cards

- Business cards are exchanged during introductions with everyone at a meeting.
- Have one side of your business card translated into Spanish.
- Present your business card with the Spanish side facing the recipient.

- Business cards should contain both your professional and educational qualifications, since Venezuelans are status conscious.
- Writing on someone's business card in front of them is considered very rude.

## Negotiations

### **Business Negotiation**

- Expect a minimal amount of small talk before getting down to business. Older Venezuelans prefer to get to know people before doing business with them while younger businesspeople are more concerned with business than the social relationship.
- It will take several meetings to come to an agreement. Negotiation and time for consultation are important.
- Relationships are viewed as more important than business documents.
- Negotiations and decisions take a long time.
- Venezuelans focus on long- term rather than short-term goals.
- Venezuelan business is hierarchical. Decisions are made by the person with the most authority.

### **Negotiating**

- Initiate business contacts through local intermediaries. They can make introductions for you at the correct levels and in the appropriate social circles.
- Letters, brochures, and other documents should be translated into Spanish. If you receive a reply from a Venezuelan in English, you may begin using English in correspondence.
- In Venezuela, there are usually two types of businesspeople: Among the older generation, people will want to get to know you personally first and will respond to you as an individual rather than to your company and your proposal; among the younger generation, your contact may have been educated in the United States and may relate more to your firm, the proposal you are presenting, and so forth, than to you personally.

### **Relationships & Communications**

- This is a country where networking is important since it broadens your base of personnel who might have a connection you need.
- As with many Latin cultures, Venezuelans are risk averse, which makes it important that they know and trust the people with whom they do business.
- Venezuelans prefer face-to-face meetings to doing business by telephone or in writing, which are seen as too impersonal. It takes time to develop relationships.
- Appearances matter to Venezuelans. Dress well and try to stay in a reputable hotel.

- Senior positions in business are predominately held by the upper class, so it is important that you pay attention to the hierarchy and show appropriate deference and respect to those in positions of authority.

## Language

The official language of the Bolivarian Republic of Venezuela is Spanish. English is generally spoken in the business environment.

In case of need, the UKTI Team in Caracas can help identify a suitable translator/interpreter.

<b>English</b>	<b>Spanish</b>
Good Morning	Buenas días
Good Afternoon	Buenas tardes
Good evening	Buenas noches
Goodbye	Hasta luego
Yes/no	Si/no
Please	Por favor
Thank you	Gracias
My name is...	Me llamo...
Nice to meet you	Encantado de conocerle
Could you please tell me...	Por favor me podría decir....
Excuse me	Discúlpeme
Can you help me, please?	¿Puede ayudarme por favor?
How much does it cost...	Cuánto cuesta...
Take care!	¡Cúidate!
Cool!	Chévere

## 5. What are the challenges?

Some of the major challenges we have in Venezuela have already been covered in the previous paragraphs of this guide, however there are still a couple to mention.

## Getting Paid - Terms of Payment

Getting paid is an issue in Venezuela. There are a number of reasons for this, the main thing being a shortage of cash, see the Economic section. However if the product and service you provide is a priority for the Government you will get paid.

We recommend that when negotiating payment, UK companies should ask for payment in hard currency offshore and in advance.

We highly recommend using a local partner who will mitigate the chances of a bad experience.

## Corruption and Transparency

Corruption is an issue in Venezuela but we believe the levels are about the same or even slightly lower than most other South American Countries.

## **6. How to Invest in Venezuela**

Foreign Investment is regulated by Decree 2.095 of February 13th, 1992. Such Decree submits foreign investments to the Decisions 291 and 292 of the Commission of the Cartagena Agreement. Following these regulations, all foreign investments are deemed approved and they are only subject to registration with the appropriate agency, provided that they do not contravene any provision of general applicability under Venezuelan legislation.

A foreign investment can be made in order to establish a new company or other business organizations in Venezuela, nevertheless it does not prevent foreign investors to acquire equity participation in local companies. The allowed proportion of foreign investment then would depend upon the sector in which the company is planning its activities, as there are some limited sectors reserved to the state (oil & gas, mining, arms & explosives, airports, port operation and navigation routes, etc). Please bear in mind that the state is entitled to grant concessions to private operators even in those areas reserved to the state.

All new foreign investment must be registered and approved by the Superintendency of Foreign Investment (SIEEX) which is the agency in charge of regulation and supervising foreign investment in Venezuela. New contracts for importation of technology and use of trademarks, patents, etc. must comply with certain requirements.

Depending on the sector of the economy, foreign investment can also be supervised by relevant local authorities (e.g. banking, Minister of Science and Technology, etc)

## 7. Contacts

If you have a specific export enquiry about Venezuela which is not answered by the information on this report, you may contact:

### **UK Trade & Investment Enquiry Service**

Tel: +44 (0)20 7215 8000

Fax: +44 (0)141 228 3693

Email: [enquiries@ukti.gsi.gov.uk](mailto:enquiries@ukti.gsi.gov.uk)

You will be signposted to the appropriate section on our website or transferred **at local call rate** to the British Embassy in Venezuela.

If you prefer to contact the team in Venezuela direct, contact:

UK Trade and Investment Venezuela

British Embassy Caracas

Avenida Principal de la Castellana

Torre La Castellana, 11<sup>th</sup> Floor,

Caracas 1060

Venezuela

Tel: (58) 212 263 8411

Fax: (58) 212 267 1275

We have four full-time UKTI staff dedicated to helping British Exporters win business in Venezuela.

The following provides details of the UKTI staff in Venezuela and the main sectors they cover:

### **Haden Spicer, First Secretary, Trade and Investment**

Sectors: An overview of all sectors, with a couple of specific Sectors; Environment and Water; Waste Management.

Email: [Haden.Spicer@fco.gov.uk](mailto:Haden.Spicer@fco.gov.uk)

Telephone: 0058 212 263 8411 Ext 4241

### **Luis Sanchez, Trade and Investment Officer**

#### **Margaret Pena, Trade and Investment Assistant**

Emails: [Luis.Sanchez@fco.gov.uk](mailto:Luis.Sanchez@fco.gov.uk); [Margaret.Pena@fco.gov.uk](mailto:Margaret.Pena@fco.gov.uk);

Telephone as above but to Luis you need extension 4314 and Margaret is extension 4247.

Sectors: Food and Drink, Biotechnology and Pharmaceuticals, Healthcare, Defence and Security, ICT and Financial Services. Luis also provides advice regarding Foreign Exchange Control issues.

### **Luis Quiros, Trade and Investment Officer**

#### **Position Vacant – Trade and Investment Assistant**

Email: [Luis.Quiros@fco.gov.uk](mailto:Luis.Quiros@fco.gov.uk) Telephone as above but to reach Luis ring Ext 4285

Sectors: Oil and Gas, Construction, Engineering, Education, Airports, Railways, Ports.

[UK Trade & Investment](#) can help you make the most of these opportunities and help you plan your approach to the market. You may find out more about the range of services available to UK companies trading internationally through your local International Trade Team.

**We hope that you have found this guide useful. For further information, please contact your International Trade Adviser or one of the UKTI team in Venezuela.**

## **8.Resources/Other Useful Links and Contacts**

The Venezuelan/British Chamber of Commerce (Camara Venezolano Britanica De Comercio).  
[www.britcham.com.ve](http://www.britcham.com.ve)

Venezuela's National Oil Company, Petroleos De Venezuela, S.A (PDVSA).  
[www.pdvsa.com](http://www.pdvsa.com)

The organisation that implements Venezuela's Exchange Control Policy CADIVI.  
[www.Cadivi.gov.ve](http://www.Cadivi.gov.ve)

Embassy of Venezuela in the UK.  
[www.Venezlon.co.uk](http://www.Venezlon.co.uk)

Agency dedicated to all custom related matters is called SENIAT.  
[www.seniat.gob.ve](http://www.seniat.gob.ve)

### **Government On-line**

[www.gobiernoenlinea.com](http://www.gobiernoenlinea.com)

### **Superintendence of Foreign Investment**

[www.siex.gob.ve](http://www.siex.gob.ve)

### **Ministry of the People's Power for Planning and Finance**

<http://www.mpd.gob.ve/>

### **CONAPRI (Venezuelan Council for Investment Promotion)**

[www.conapri.org/](http://www.conapri.org/)

### **El Nacional (Newspaper)**

[www.el-nacional.com/](http://www.el-nacional.com/)

### **El Universal (Newspaper)**

[www.el-universal.com](http://www.el-universal.com)

### **BBC in Spanish**

[www.bbcmundo.com](http://www.bbcmundo.com)

### **Venezuelan Stock Exchange**

[www.caracasstock.com](http://www.caracasstock.com)

### **Central Bank of Venezuela**

[www.bcv.org.ve/](http://www.bcv.org.ve/)

### Venezuelan links

[www.oarval.org/avalencia/VLinken.htm#Dir](http://www.oarval.org/avalencia/VLinken.htm#Dir)

### **Business Link: International Trade**

Business Link's International Trade pages provide an overview of export basics including licensing, customs procedures, classifying and movement of goods, other regulatory information and export paperwork issues. It also introduces exporters to the UK Trade Tariff.

#### **Essential reading for exporters!**

Find out more at:

<http://www.businesslink.gov.uk/bdotg/action/layer?r.s=tl&r.lc=en&topicId=1079717544>

FCO Country Profile:

<http://www.fco.gov.uk/en/travel-and-living-abroad/travel-advice-by-country/country-profile/>

### **Culture and communications:**

CILT – National Centre for Languages - Regional Language Network in your area:

[http://www.cilt.org.uk/workplace/employer\\_support/in\\_your\\_area.aspx](http://www.cilt.org.uk/workplace/employer_support/in_your_area.aspx)

Kwintessential culture guides:

<http://www.kwintessential.co.uk/>

### **Customs & Regulations:**

HM Revenue & Customs: [www.hmrc.gov.uk](http://www.hmrc.gov.uk)

Import Controls and documentation (SITPRO): <http://www.sitpro.org.uk>

### **Economic Information:**

Economist:

<http://www.economist.com/countries/>

### **Export Control**

Export Control Organisation:

<http://www.businesslink.gov.uk/exportcontrol>

### **Export Finance and Insurance:**

ECGD: <http://www.ecgd.gov.uk/>

### **Intellectual Property**

Intellectual Property Office:

[www.ipo.gov.uk](http://www.ipo.gov.uk)

### **Market Access**

Market Access Database for Tariffs (for non-EU markets only):  
<http://mkaccdb.eu.int/mkaccdb2/indexPubli.htm>

**Standard and Technical Regulations:**

British Standards Institution (BSI):  
<http://www.bsigroup.com/en/sectorsandservices/Disciplines/ImportExport/>

National Physical Laboratory: <http://www.npl.co.uk/>  
Intellectual Property - <http://www.ipo.gov.uk/>

**Trade Statistics:**

National Statistics Information: <http://www.statistics.gov.uk/hub/index.html>  
UK Trade Info: <https://www.uktradeinfo.co.uk/>

**Travel Advice:**

FCO Travel: <http://www.fco.gov.uk/en/travel-and-living-abroad/>  
NHS: <http://www.nhs.uk/nhsengland/Healthcareabroad/>  
Travel health: <http://www.travelhealth.co.uk/>