

GUARENAS-GUATIRE SPECIAL ECONOMIC ZONE

Decree No. 3.440, dated May 22, 2018, issued by the President of the Republic, was published in Official Gazette No. 41.427, dated June 26, 2018, (the “Decree”). The Decree created the Guarenas-Guatire Special Economic Zone (*Zona Económica Especial Guarenas-Guatire* - “ZEEGG”) comprising the Industrial Zones of Guayabal del Este, el Márquez Sur, las Flores, Ciorís, Terrinca, el Care, el Rodeo, Loma Linda, Aaira, Kempis, El Ingenio, Las Pianadas, Vega Abajo, Sojo, Márquez Norte, Barrancas, Martin Piedras, and Fajardo, located in the Ambrosio Plaza and Ezequiel Zamora Municipalities of the Bolivarian State of Miranda, with a total area of 558 Km².

The purpose of the ZEEGG is to promote integral sub-regional development on the basis of manufacturing specialization, in order to generate goods and services with a high national value added, based on the installed industrial potential and its capacity to link to the local and regional natural resources, specially the intermediate goods industry of metallic and non-metallic minerals, agro-industry, textiles and footwear, graphic arts, printing and reproduction, pharmacy and chemistry, and the automotive sector, assuring a special economic regime that will allow to enhance its productive activity.

The zone will conform to the specialization in the fields determined in the Decree, without prejudice to any other complementary manufacturing capability, in which there are potentials and opportunities to connect to industrial linkages existing in the country. To that end, economic complementarity strategies with the leverage of foreign investment and promotion of exports will be shared, covering the needs for end products that are necessary and strategic for the Nation and with a connection to the sub-regional and regional productive and industrial chains.

In order to meet the purposes of the ZEEGG, an Integral Development Strategic Plan (*Plan Estratégico de Desarrollo Integral* - “PEDI”) will be made, which will contain programs, projects, and measures to develop the economic, social, territorial, political, and cultural dimensions of the sub-region, in the frame of its regional, national, and international integration as per the current regulations. Said PEDI must be prepared in a period of 6 months as from the publication of the Decree in the Official Gazette.

The PEDI will be formed by special plans attending to key areas for productive and industrial impulse, specially in industry, science and technology, commerce, transportation and mobility, and urban development.

The beneficiaries are the Venezuelans and foreigners residing in the national territory, connected with the performance of productive activities who will have access to the mechanisms of distribution, disclosure of goods and services established in the Decree. The natural or legal persons operating within the territorial jurisdiction established in the Decree will have the additional benefits prescribed in the same, provided that they meet the conditions established in the legislation.

The PEDI and the specific installation agreements (*convenios específicos de instalación*) must be governed, among others, by the following conditions:

1) The companies and institutions established in the ZEEGG must open bank accounts with the National Banking System, in both foreign and national currency; report their operations to the Board of Management of the Special Economic Zone on a half-yearly basis; remain for at least 5 years in the aforesaid jurisdiction in order to begin to enjoy other additional benefits; and, with respect to the companies, they must assure the incorporation of national components into their productive processes in order to enjoy benefits additional to the ones established.

2) The foreign currency generated by the production percentage intended for exportation must be handled through the national banking, which will generate financial products that are attractive to the investors that help meet the period of time established, for the benefit of both parties and in agreement with the Constitutional Law on Productive Foreign Investment.

3) The percentage of production that will be used in the Bolivarian Republic of Venezuela may be exempted from payment of national taxes, according to a decision of the President of the Republic and in compliance with the current legislation.

The production of the companies installed in the ZEEGG may have, among others, the following benefits:

1) One hundred percent exemption from Income Tax (“IT”) in the period agreed in the Management Agreement, with the purpose of adapting their productive processes to exportation. The exemption will continue if in the first year of operation, at least 70% of their production is exported. Otherwise, 50% of the relevant IT rate must be paid. Said benefit will remain for the first 5 years of operation.

2) Seventy-five percent reduction in the IT rate if after the second year of operation a level of exportation of 70% of their production continues. Otherwise, only a 25% IT exemption will be obtained. Said benefit will continue until the 10th year of operation.

3) Fifty percent reduction in the IT rate after the 11th year of operation if a level of exportation of 70% of their production continues. Otherwise, only a 25% IT exemption will be obtained.

4) Increase in the IT reduction percentages, based on the following table, if national components are incorporated in their productive processes:

Percentage of national incorporation	20%	40%	60%	80%	100%
IT reduction	5%	10%	15%	20%	30%

Up to 100% of the IT will be exempted in the cases in which the sum of the IT reductions granted by reason of the compliance with the conditions is higher than 100%.

5) Incentives in addition to those established in the Decree for foreign companies that connect links of their productive chain to national companies.

The Decree also established that the Board of Management of the ZEEGG will submit to the consideration of the National Executive the goods that will be imported within the regime established in the Law of Integral Regionalization for Socioproductive Development of the Homeland. The goods and services produced in the ZEEGG may be favored by special exemptions, as well as the goods and their parts

coming from abroad that enter Venezuela for the ZEEGG and are expressly associated with the Production Plan agreed in each case.

The goods and services produced within the ZEEGG will be protected by the fiscal regime established in the Decree. In the case of the imported goods and services, they must: a) be covered by the customs and transportation documentation indicated in the Organic Customs Law and the Regulations to the same and comply with the customs process for entering the ZEEGG; b) comply with the health provisions of the legal system; and c) have an authorization of the natural and legal persons to operate within the ZEEGG; the imported goods must correspond with the processes and activities of their operators.

The Decree became effective as from its publication in the Official Gazette of the Bolivarian Republic of Venezuela.

In order to access the Decree, please click [here](#).

