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Tax Alert

Partial Amendment Law of the Master Hydrocarbons Law



January 2026

The Law partially amends the Master Hydrocarbons Law, which aims to regulate the activities of the Hydrocarbons sector.

In Official Gazette No. 6,978 Extraordinary dated January 29, 2026, the Partial Amendment Law of the Master Hydrocarbons Law was published.

In this regard, a comparative table of the amendments made is detailed below.

Aspects	MHL (2006)	MHL Amendment (2026)
Object of the Law (Article 1)	Regulates primary and secondary activities of oil.	Expands the scope of hydrocarbon activities (extraction, collection, processing, upgrading, and comprehensive utilization); and incorporates principles of sovereignty, energy transition, and transparency.
Conflict Resolution • MHL 2006 (Art. 34) • MHL 2026 (Art. 8)	Venezuelan courts. Possibility of limited arbitration (without giving rise to foreign claims for any reason or cause).	Adds that arbitration clauses will not require additional authorization from the Venezuelan General Attorney or the Commercial Arbitration Law.
Companies Engaging in Primary Activity • MHL 2006 (Art. 22) • MHL 2026 (Art. 23)	<ol style="list-style-type: none"> The National Executive, directly or through companies owned by the Republic. Joint venture companies in which the State holds a majority stake that grants control. 	<ol style="list-style-type: none"> The National Executive, directly or through companies exclusively owned by the Republic. Joint ventures companies in which the State holds a majority stake that grants control. The establishment of any joint venture companies must be notified to the National Assembly. Private companies domiciled in Venezuela, within the framework of contracts signed with companies wholly owned by the Republic or its subsidiaries.
Joint venture companies • MHL 2006 (Art. 33 / 34) • MHL 2026 (Art. 34 / 35)	<ul style="list-style-type: none"> The established of joint venture companies requires prior authorization from the National Assembly. The extension of the validity of joint venture companies must be requested after half of the period for which it was granted has elapsed. 	<ul style="list-style-type: none"> The establishment of joint venture companies is authorized by the President and notified to the National Assembly. Explicitly excludes joint venture companies from the Public Procurement Law, ordering transparent own systems. The extension of the validity of joint venture companies must be requested from the Ministry with jurisdiction over hydrocarbons after half of the period for which it was granted has elapsed. Includes the reversion or transfer of data (acquired/generated/processed/interpreted).

Aspects	MHL (2006)	MHL Amendment (2026)
<p>Authorizations</p> <ul style="list-style-type: none"> • MHL 2026 (Art. 36) 	<p>No authorization is established for minority shareholders of joint venture companies.</p>	<p>The National Executive, through the Ministry with jurisdiction over hydrocarbons, may authorize minority shareholders of joint venture companies to:</p> <ol style="list-style-type: none"> 1. Directly market all or a share of the production. 2. Open and manage bank accounts in any currency and jurisdiction. 3. Authorized technical and operational management. <p>The cost of services must be reasonable and efficient.</p> <p>When any of the mentioned activities are authorized, such inclusion or modification must be reflected in the agreements or contracts.</p>
<p>Special Advantages</p> <ul style="list-style-type: none"> • MHL 2006 (Art. 36) • MHL 2026 (Art. 38) 	<p>Possibility to increase royalties, compensation for access to reserves, technology, scholarships, training, through instruments that grant the right to carry out primary activities.</p>	<p>The possibility of increasing royalties through instruments that grant the right to carry out primary activities is not established. The other advantages (compensation for access to reserves, technology, scholarships, training) are maintained and it adds the creation/strengthening of study and research centers.</p>
<p>Contracts for Primary Activities</p> <ul style="list-style-type: none"> • MHL 2026 (Art. 40) 	<p>No contracts are established with private companies for the performance of primary activities.</p>	<p>Companies wholly owned by the Republic and their subsidiaries may sign contracts with private companies domiciled in Venezuela.</p> <p>The operating company will assume comprehensive management at its own cost and risk, with an approved business plan.</p> <p>The contracting is expressly excluded from the Public Procurement Law and its Regulations.</p>
<p>Compensation in Contracts</p> <ul style="list-style-type: none"> • MHL 2026 (Art. 41) 	<p>Does not establish compensation as contracts with private companies are not regulated.</p>	<p>The compensation for operating companies will consist of one of the following modalities:</p> <ol style="list-style-type: none"> 1. Percentage participation on the volumes of audited hydrocarbons (which will be directly marketed once the corresponding regulations are fulfilled). 2. Any other form of participation in the profits as determined by the Ministry with jurisdiction over hydrocarbons.

Aspects	MHL (2006)	MHL Amendment (2026)
<p>Use of Assets and Area</p> <ul style="list-style-type: none"> • MHL 2026 (Art. 42) 	<p>Does not establish any provisions as contracts with private companies are not regulated.</p>	<p>The right to use/assign assets, materials, operational areas, and delineated areas that are exclusively owned by the State or its subsidiaries to private companies is established.</p> <p>In return, private companies must pay a percentage of the volume of audited hydrocarbons, which will be set in the respective contract.</p>
<p>Right of Reversion</p> <ul style="list-style-type: none"> • MHL 2026 (Art. 43) 	<p>Does not establish any provisions as contracts with private companies are not regulated.</p>	<p>Once the contract period has concluded, the operating company must return the incorporated, constructed, or acquired assets to the State, as well as the data obtained, generated, processed, and interpreted, without the right to payment or compensation.</p>
<p>Tax Regime</p> <ul style="list-style-type: none"> • MHL 2026 (Art. 44) 	<p>No tax regime is established.</p>	<p>The company wholly owned by the State and its subsidiary companies will act as a withholding or collection agent for royalties and integrated taxes (focused on contracts).</p>
<p>Royalty Regime</p> <ul style="list-style-type: none"> • MHL 2006 (Art. 44) • MHL 2026 (Art. 51 2026) 	<p>The State has a participation of 30% reducible to 20% (for mature fields or extra-heavy oil from the Orinoco Belt).</p>	<p>It establishes that the State has the right to "up to" 30% on extracted and non-reinjected volumes, empowering the Executive to set and modify the percentage according to the economic viability of the project.</p>

Aspects	MHL (2006)	MHL Amendment (2026)
<p>Taxes on Hydrocarbons</p> <ul style="list-style-type: none"> • MHL 2006 (Art. 48) • MHL 2026 (Art. 55 / 56 / 57) 	<p>Individuals engaged in primary activities must pay the following taxes:</p> <ol style="list-style-type: none"> 1. Surface Tax (2% for the first five years and 5% for each year after the fifth year) 2. Self-Consumption Tax (10% of the value of each cubic meter (m³) of hydrocarbon-derived products). 3. General Consumption Tax (between 30% and 50% of the price paid by end consumers). 4. Extraction Tax (One third (1/3) of the value of all liquid hydrocarbons extracted from any field). 5. Export Registration Tax (0.1% of the value of all hydrocarbons exported). 	<ul style="list-style-type: none"> • Article 48 is amended, eliminating all the taxes provided in it (Surface Tax, Self-Consumption Tax, General Consumption Tax, Extraction Tax, Export Registration Tax). • The "Integrated Hydrocarbons Tax" is created (up to 15% on gross income accrued monthly). • The taxable base will be the monthly gross income accrued. It is established that the gross income accrued is the total value of hydrocarbons extracted and not reinjected. • It will be determined and anticipated monthly and settled in full annually through the mechanisms and conditions established by the Ministry with jurisdiction over hydrocarbons. • The integrated tax may be demanded by the National Executive in kind or in cash, in whole or in part. • The Ministry with jurisdiction over hydrocarbons, within 30 days following the entry into force of the Law, will issue the necessary regulations for the determination, declaration, and payment of the integrated hydrocarbons tax.
<p>Income Tax (IT)</p> <ul style="list-style-type: none"> • MHL 2026 (Art. 58) 	<p>Proportional rate of 50%.</p>	<p>The National Executive is empowered, through the Ministry with jurisdiction over finance, with prior opinion from the Ministry with jurisdiction over hydrocarbons, to reduce the IT rate to ensure the economic balance of the project.</p>
<p>Tax and Contribution Exemptions</p> <ul style="list-style-type: none"> • MHL 2026 (Art. 59) 	<p>Subject to taxes and special contributions.</p>	<p>It establishes a total exemption from:</p> <ul style="list-style-type: none"> • Equity Tax. • Contributions for Science, Sports, Drugs, and Pensions. • State/Municipal taxes. • Contributions for social responsibility.

Aspects	MHL (2006)	MHL Amendment (2026)
<p>Direct Commercialization</p> <ul style="list-style-type: none"> MHL 2026 (Art. 68 / 69) 	<p>Exclusive commercialization by companies owned by the State.</p>	<p>Direct marketing to joint venture companies and private companies of all or a share of the volumes of hydrocarbons is authorized.</p> <p>It focuses on complying with an approved marketing plan, selling at prices equal to or higher than market prices, and prioritizing the supply for the domestic market.</p>
<p>Evaluation Periods MHL 2006 (Art. 33)</p> <ul style="list-style-type: none"> MHL 2026 (Art. 31) 	<p>The scheme of joint venture companies and conditions for their establishment and operation are implemented.</p>	<p>It establishes a period of 180 days to evaluate and adapt joint venture companies and contracts under the Anti-Blockade Law.</p>
<p>Amended</p> <ul style="list-style-type: none"> MHL 2006 (Repealing provision) MHL 2026 (Repealing provision) 	<ul style="list-style-type: none"> Hydrocarbons Law of March 13, 1943, partially amendment by the Partial Amendment Laws of the Hydrocarbons Law of August 10, 1955, and August 29, 1967. Law on Assets Subject to Reversion in Hydrocarbon Concessions of August 6, 1971. Law Reserving to the State the Exploitation of the Domestic Market for Hydrocarbon-Derived Products of June 22, 1973. Master Law Reserving to the State the Industry and Trade of Hydrocarbons of August 29, 1975. Master Law Opening the Domestic Market for Gasoline and Other Hydrocarbon-Derived Fuels for Use in Motor Vehicles of September 11, 1998. Any other legal provisions that conflict with this Law. 	<ul style="list-style-type: none"> Law on the Regulation of Private Participation in the Primary Activities Provided for in Decree No. 1,510 with the Force of the Master Law of Hydrocarbons, published in Official Gazette No. 38,419 dated April 18, 2006. Master Law reserving to the State Goods and Services Related to Primary Hydrocarbon Activities, published in Official Gazette No. 39,173 dated May 7, 2009. Law creating Special Contribution for Extraordinary Prices and Exorbitant Prices in the International Hydrocarbon Market (Windfall Tax), published in Official Gazette No. 40,114 dated February 20, 2013. Law on Migration to Joint Venture Companies of the Association Agreements of the Orinoco Oil Belt; as well as the Risk Exploration and Profit-Sharing Agreements, published in Official Gazette No. 38,632 dated February 26, 2007. Agreement of the National Assembly approving the Terms and Conditions for the Creation and Operation of Joint Venture Companies and the Model Contract, published in Official Gazette No. 38,410 dated March 31, 2006. Agreement of the National Assembly approving the modification of Agreement One, numeral 6, literal a, of the Terms and Conditions for the Creation and Operation of Joint Venture Companies contained in the Model Contract for Joint Venture Companies between the Venezuelan Oil Corporation, S.A., and Private Entities, published in Official Gazette No. 39,273 dated September 28, 2009.
<p>Validity</p>	<p>Validity is five (5) continuous days after its publication in Official Gazette 08.09.2006</p>	<p>It comes into effect upon publication in the Official Gazette but grants a 60-day vacatio legis for the articles on tax regime and exemptions.</p>



Shape the future
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Alberto Afiuni
Country Managing Partner
alberto.afiuni@ve.ey.com



José A. Velázquez M.
Socio Líder de Servicios
Tributarios y Legales
jose.a.velazquez@ve.ey.com



Saúl Medina
Socio de Asesoría Tributaria y Legal
Saul.medina@ve.ey.com



ey.com/es_ve



EY



EY_Venezuela



@eyvenezuela