8-27-1992

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Venezuela: New Taxes & Spending Cuts
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Category/Department: General
Published: Thursday, August 27, 1992

During a nationally televised speech on the evening of Aug. 23, President Carlos Andres Perez announced "dramatic" measures to avoid financial collapse, including major spending cuts, and new taxes. Personal income taxes are to be raised, and the administration plans to introduce general sales and capital assets taxes. The tax package has yet to be approved by the congress, although congressional action was expected by Aug. 28 at the latest. Spending cuts include a freeze on public sector hiring and salaries, reduction of the public sector work force by 25,000, a ban on acquisition of new military hardware. Next, the government plans to sell stock in the state-run petrochemical company Pequiven on foreign markets. Perez pledged to fight mismanagement and corruption in government. He said at least 75% of additional income from the new taxes would be devoted to upgrade public service infrastructure, mainly roads and water treatment and distribution facilities. The president also reiterated his administration's commitment to continuing the privatization program. Perez said contributions to the federal treasury by the state-run oil company PDVSA will be reduced by nearly 50% in the 1991-1993 period, from US$10.5 billion to US$6.5 billion. In addition, the PDVSA budget was cut by US$370 million for 1993. No new infrastructure construction projects are to be financed by the federal government for the remainder of Perez's term, which ends in February 1994. The president also acknowledged that the 1993 federal budget of over US$15 billion as first proposed by his administration "is not viable." The admission was reportedly in response to complaints by members of the main opposition party, COPEI. (Sources: Notimex, 08/23/92; United Press International, 08/24/92)

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