

DOING BUSINESS

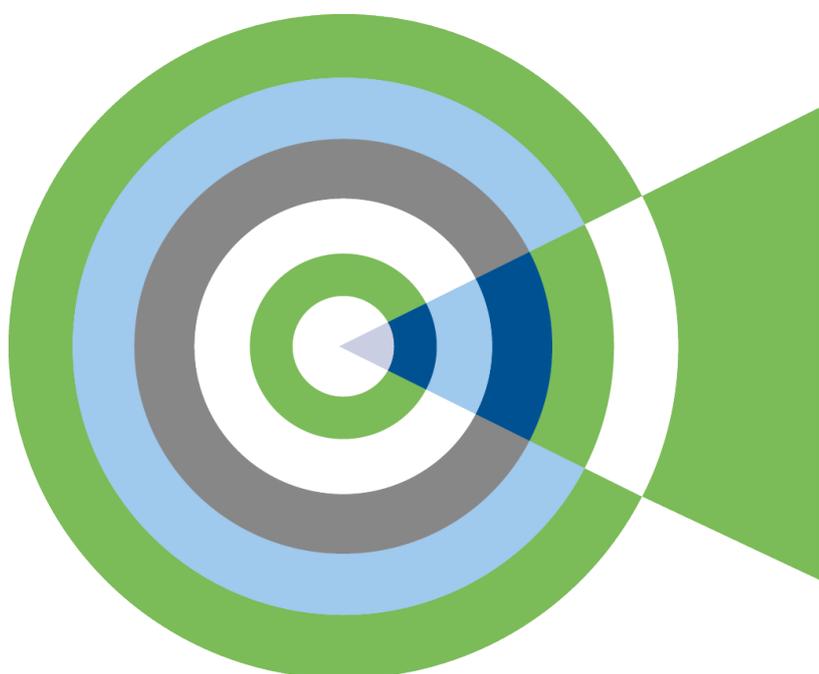
IN PARAGUAY



The network
for doing
business

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1- INTRODUCTION

UHY is an international organisation providing accountancy, business management and consultancy services through financial business centres in around 100 countries throughout the world.

Business partners work together through the network to conduct transnational operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering business operations in Paraguay has been provided by the office of UHY representatives:

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Information in the following pages has been updated so that they are effective at the date shown, but inevitably they are both general and subject to change and should be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current at April 2022.

We look forward to helping you do business in Paraguay.

2- BUSINESS ENVIRONMENT

BACKGROUND

Paraguay, landlocked country in south-central South America. Paraguay's recent history has been characterized by turbulence and authoritarian rule. It was involved in two of the three major wars on the continent—the War of the Triple Alliance (1864/65–70), against Argentina, Brazil, and Uruguay, and the Chaco War (1932–35), against Bolivia. Moreover, a civil war in 1947 and the long dictatorship of Alfredo Stroessner (1954–89) left a deep legacy of fear and self-censorship among Paraguayans, who began to overcome those impediments only in the early 21st century. Since 1989 the democratization process has been rocky, and Paraguay has experienced bouts of instability in its military, the assassination of a vice president in 1999, and the indictment of former presidents Juan Carlos Wasmosy (1993–98) and Luis González Macchi (1999–2003) on corruption charges. In 2008 Paraguay's Colorado Party, the longest continuously ruling political party in the world, lost power for the first time since 1947, though it returned to power in 2013. The national capital is Asunción.

Paraguay has a more-homogeneous population than most other countries in South America; most Paraguayans are of European and Guaraní ancestry. The Guaraní culture is strongly represented through folk art and festivals, and Guaraní was designated an official language of Paraguay in the country's 1992 constitution. Paraguayans are intensely nationalistic and are proud to converse in Guaraní, which acts as a strong marker of their identity. That indigenous language is much more widely spoken in Paraguay than is Spanish, which is unique in Latin America.

Rivers play an extremely important role in the economic life of Paraguay. Indeed, the name of the country is said to derive from the Guaraní word meaning "river that gives birth to the sea." Rivers provide access to the Atlantic Ocean and serve as sites for the hydroelectric power plants that have made Paraguay one of the world's largest exporters of hydropower. The country is also a major world producer of soybeans, and Paraguayans in parts of the fertile eastern border region have achieved relatively high standards of living based on modern diversified agricultural production. The growth of cooperative farms throughout Paraguay has increased the quality of life for many farmers who previously had depended on small-scale farms dedicated to the cultivation of a single crop. Nevertheless, the issue of land reform has remained unresolved since the 1880s and has given rise to extreme levels of inequality since the 1990s.

POPULATION

Paraguay has a population over than 7.353.038

GEOGRAPHY

The territory of Paraguay is the eighth largest in South America and the sixtieth largest on Earth. It is integrated exclusively in American territory, and its area totals 406 752 km². This amount does not include any ocean strip or continental shelf as it is a landlocked state.

Located in central South America, Paraguay lies between parallels 19° 10 and 27° 50 south latitude and meridians 54° 10 and 62° 50 west longitude. The Tropic of Capricorn crosses the territory, at the level of the town of Belén (Department of Concepción), that is, it passes as far as the latitudes are concerned, almost exactly on the middle part of Paraguay. The territory is 611 km from the Atlantic Ocean and about 819 km from the Pacific. It is bordered to the north by Brazil and Bolivia, to the east by Brazil and Argentina, to the south by Argentina and to the west by Bolivia and Argentina. It is the world's first net exporter of electricity, world's first exporter of organic sugar, third producer and world exporter of Yerba Mate (*ilex paraguariensis*) and has the world's third fleet of barges (2600 units with 208 tugs) then the United States and China.

Borders with Argentina

The border between Argentina and Paraguay is an international land boundary of a length of 1690 km that separates the Argentine Republic from the Republic of Paraguay. A part of this border is defined by three important streams that are the Pilcomayo River, the Paraná River and the Paraguay River. Paraguay's capital, Asunción, located on one of the banks of the Paraguay River, borders Argentina.

Borders with Brazil

The border between the Federal Republic of Brazil and the Republic of Paraguay is a continuous international boundary that delimits the territories of both neighbouring countries. Across its entire 1365-kilometre length, it crosses a variety of terrain, from large urban areas to inhospitable deserts and wetlands. It begins at the landmark Triple Border between Foz do Iguaçu and Presidente Franco, and ends at the tripoint on the border with Bolivia, near the Paraguayan city of Bahía Negra. On the border between Brazil and Paraguay, there is the Itaipú Hydroelectric Plant, which is the largest hydroelectric dam in the world to generate energy.

The fixing of the border occurred after the War of the Triple Alliance, when in 1872 a peace treaty was signed with Paraguay, which also contained its limits with Brazil, and that according to Hélio Viana, respected the conventions of the colonial era and claimed from Brazil the lands occupied and explored by the Portuguese and Brazilians. On the Paraguayan side of the border, there are a large number of Brazilian immigrants, and these are popularly known as "*brasiguayos*".

Borders with Bolivia

The border between Bolivia and Paraguay is the 750 km long boundary separating the territories of Bolivia and Paraguay. It extends from the triple border of Argentina, Bolivia and Paraguay (near the town of La Esmeralda on the Pilcomayo River) in a north-northeast direction towards the summit of Capitán Ustares Hill, where it turns east, to the town of Fortín Galpón, where it follows a line south to the Paraguay River, where it ends at the triple limits of Bolivia, Brazil and Paraguay.

It is demarcated by 11 markers (Milestone I to Milestone X plus the tripartite milestone). Markers I to X are connected to each other by straight lines, the X marker is connected to the tripartite terminal by a watercourse. Most of these have names, and are near a military detachment on the Paraguayan side. There is a border post near the Paraguayan town of Infante Rivarola.

The current delineation of the border has existed since 1938 and was established by a treaty concluded in Buenos Aires after the end of the Chaco War (1932-1935) between the two countries.

CURRENCY

The Guaraní has been the currency of the Republic of Paraguay since 1943. It holds the record of being one of the oldest currencies in Latin America.

LANGUAGE

Spanish and Guaraní, both languages are official.

MAJOR EXPORTS

The top exports of Paraguay are Soybeans (\$2.15B), Electricity (\$1.73B), Soybean Meal (\$684M), Frozen Bovine Meat (\$592M), and Bovine Meat (\$527M), exporting mostly to Brazil (\$3.02B), Argentina (\$2.13B), Chile (\$773M), Russia (\$487M), and United States (\$180M)

MAJOR IMPORTS

The top imports of Paraguay are Broadcasting Equipment (\$1.41B), Refined Petroleum (\$967M), Cars (\$352M), Pesticides (\$343M), and Mixed Mineral or Chemical Fertilizers (\$195M), importing mostly from China (\$2.81B), Brazil (\$2.19B), United States (\$1.04B), Argentina (\$875M) and Chile (\$347M)

EDUCATION – PRIMARY AND SECONDARY

Paraguay's education system consists of four levels: initial, primary, secondary and higher. In Paraguay, primary education is compulsory and requires nine years. Secondary education requires three years. There are 8295 basic schools: 7104 public, 590 subsidised and 601 private. With regard to public schools, the Ministry of Education (MEC) had provided 300 in the past five years, most of them in rural areas. GDP expenditure for education is 4.3%, one of the lowest in Latin America: literacy is 94%.

The Ministry of Education and Science (MEC) administers education at the basic, intermediate and tertiary education levels outside the formal sector and monitors the activities of the private sector. Public and private universities and higher educational institutions are part of the education system. It operates in accordance with the law.

EDUCATION SERVICES

There are many educational establishments, mainly in urban areas, where there is also an interesting variety of options. There are both public and private first-level educational institutes, although private schools generally have an advantage in aggregate services such as study of foreign languages, computing, artistic activities and extracurricular activities. Some bilingual schools stand out within the educational offer and others where students can obtain the International Baccalaureate (IB), which facilitates access to foreign universities.

Because of the low level of education in State institutions, people with higher monetary incomes choose to send their children to private schools.

TERCIARY EDUCATION

There are 53 universities in Paraguay (8 national and 45 private). The largest are the Universidad Nacional de Asunción, the Universidad Autónoma de Asunción and the Universidad Católica de Nuestra Señora de la Asunción.

The training and the demographic bonus that the country has, makes Paraguay have a latent capacity in the field of production, industry and derivatives.

HEALTH CARE SYSTEM

Paraguay's health services are classified as public and private. According to a 2018 report by the General Directorate of Surveys, Statistics and Censuses (DGEEC), 26.9% of the population has health coverage.

The public service is grouped into:

- Public health under the central administration: Ministry of Public Health and Social Welfare comprising its health centres, health posts and specialized hospitals; Military Hospital; Police Hospital and Navy Hospital.
- Public health under decentralized administration: Hospital de Clínicas, Materno Infantil, Instituto de Previsión Social - IPS*, Hospitals of the governorates and municipalities.

The IPS provides insured persons and their families with a range of services to protect them against sickness, accidents at work and occupational diseases. In the case of a worker who is covered by the general scheme, he or she grants him or her a retirement or pension by completing the age and seniority requirements laid down in the law or by reason of his or her retirement from work.

The contributing company must be up to date with the payment of the corresponding contribution to each dependent worker, so that the insured can use the health service of IPS.

The insured can make use of the IPS service, as long as the employer is up to date with the payment of the dependent worker's contribution.

Private health activity is increasing, due to the incipient development of the public sector.

COMMUNICATIONS

Media

In Paraguay, freedom of expression and freedom of the press are protected by the National Constitution. According to a study carried out by the Reporters Without Borders, Paraguay occupies the best positions in quality and freedom of the press, surpassing even Brazil and occupying the same places as Chile, Uruguay, France and the United States.

Diaries

National newspapers are published in Asunción and distributed throughout the national territory, while regional newspapers are published in their respective departments. The main newspapers are: La Nación, ABC Color, Última Hora, Crónica, Popular, Extra and Paraguayan DNA. In total, the circulation of newspapers and magazines reaches 100 copies per 1000 inhabitants. Most of the country's most popular newspapers have their digital website.

Radio and television

The main television channels are broadcast both by air and cable, DTT and satellite. They are broadcast from the City and the metropolitan area of Asunción, and to a lesser extent from the interior. For the public sector are Paraguay TV and TV Cámara, and from the private sector are SNT, RPC, Sur TV, Telefuturo, Unicanal, NPY, Paravision, Latele, C9N, ABC TV, Tigo Sports, LOBOTV, Canal 5 Dias, Canal PRO, HEi, Venus Media, Tropicalia and GEN. The number of subscribers of Pay TV (video, DTT or satellite) around 600,000 subscribers, most of Gran Asunción and the other main cities of the interior.

The state media are Radio Nacional de Paraguay and Paraguay TV, whose programming includes educational, cultural and informative content.

Telephone and internet

The National Telecommunications Commission (CONATEL) is the state entity that acts as regulator of the national telecommunications system in the administrative, technical, planning, programming, control, control and verification areas.

Most of the fixed telephone lines, provided by the state-owned Copaco, and reaching around 300,000 subscribers, are installed in Asunción, Encarnación, Ciudad del Este and in the main cities of the interior. Each city or urban area has its telephone prefix. For example the case of Gran Asunción the prefix is 021, of Ciudad del Este is 061, of Encarnación is 071, etc.

The Internet service is provided by numerous private companies and also by the state-owned Copaco. It is supplied by ADSL, WiMAX, 3G, 4G and Cable technologies. The number of users with Internet access in Paraguay is around 70%, and most Paraguayans access the Internet through cell phones.

BANKING AND FINANCIAL SERVICES

Financial Services Public Banking

In developing countries such as Paraguay, it is important for the State to intervene in financial intermediation, to complement private banking and reach sectors where the latter does not reach, or to enable access to medium- and long-term credit.

With these objectives, the Government of Paraguay promoted the reform of public banking, adding to the already existing Livestock Fund (FG), the Financial Development Agency (AFD), and the Agricultural Credit Rating (CAH).

Livestock Fund (FG)

It is a state entity that finances livestock activities. The credits offered are accompanied by a free component of technical assistance, which is given through visits to the field of the producer by a technician specialized in veterinary or agronomic engineering, who is responsible for guiding you to achieve maximum efficiency in your production with the credit obtained.

Development Finance Agency AFD

By Law 2,640 of July 27, 2005, the entity called Agencia Financiera de Desarrollo (AFD) was created, as second-floor banking, which does not give loans directly to borrowers, but does so indirectly through the Intermediary Financial Institutions (IFIs), consisting of first-floor entities that are components of the national financial system, such as public and private banks, financial cooperatives and other entities created by law. The Development Finance Agency establishes funding lines for specific sectors.

AFD is the only public development bank operating in Paraguay, its purpose being to grant loans to complement the funding structure of first-floor financial intermediation entities, in order to enable the implementation of short-term programs, medium and long term, through Intermediary Financial Institutions (banks, cooperatives and financial institutions operating with AFD).

It is aimed at financing projects that seek economic and social development, and has funds from State contributions, donations, capitalization of reserves and profits, and with funds from various second-floor public financial institutions dissolved after the creation of AFD, such as: the Peasant Development Fund, the Industrial Development Fund, the National Housing Bank and the Technical Project Implementation Unit of the Central Bank of Paraguay (BCP).

National Development Bank

BNF It is a financial institution of the Paraguayan state created by Decree Law 281 of March 14, 1961. The entity functions as an investment and development bank for the intensive development of the economy, to promote and finance general programs and specific projects for the promotion of agriculture, livestock, forestry, the industry and trade of materials and products originating in the country. It operates with own funds and with funds obtained from multilateral organizations.

Agricultural Allotment Credit

The Agricultural Habilitation Credit (CAH), is an autonomous entity with legal personality, assets, accounting and own administration, which is currently governed by Law 5.361/14 Reform of the Organic Charter, the regulations issued by the executive branch and the resolutions issued by its board of directors. The purpose of the CAH is to finance the activities of small rural producers in the agricultural and agro-industrial sector.

Legal regime of financial institutions, they are subject to the provisions of Law 861/96 General of Banks, Financial and Other Credit Institutions. The Superintendence of Banks is in charge of the financial control of the banks. Private financial institutions must be incorporated in S.A., with the exception of branches and agencies of foreign banks. In order to start their operations, banks, financial institutions and other credit institutions need the prior and express authorization of the Central Bank of Paraguay, which is granted after the opinion of the Superintendence of Banks. The law provides minimum amounts of capital required for the constitution of each of the types of financial institutions.

FINANCIAL SERVICES PRIVATE BANKING AND TRUST COMPANIES

Operating entities:

- **Banks**

A. Direct foreign branches

Banco do Brasil S.A.
Citibank N.A. SUC Paraguay.
Banco de la Nación Argentina.

B. Majority foreign property

Banco Itaú Paraguay S.A.
Banco GNB Paraguay S.A.
BBVA - Banco Bilbao Viscaya Argentaria Paraguay S.A.

C. Majority local ownership

Banco Regional S.A.E.C.A.
Banco Basa S.A.
Banco Continental S.A.E.C.A.
Visión Banco S.A.E.C.A.
Banco Rio S.A.E.C.A.
Banco Familiar S.A.E.C.A.
Banco Atlas S.A.
Banco para la Comercialización y Producción S.A. - Bancop S.A.
Grupo Internacional de Finanzas S.A.E.C.A.–Interfisa Banco.

D. State property

Banco Nacional de Fomento.

- **Financial**

El Comercio Financiera S.A.E.C.A.
Financiera Paraguayo - Japonesa S.A.E.C.A.
Solar S.A. de Ahorro y Préstamo para la Vivienda.
Financiera Exportadora Paraguaya S.A. (Finexpar).
Financiera Cefisa S.A.E.C.A.
Finlatina S.A. de Finanzas.

Tú Financiera S.A. FIC S.A. de Finanzas.

- **Trust companies**

The business and fiduciary operations carried out by banks and financial companies are subject to the general rules issued by the Central Bank of Paraguay and the Superintendence of Banks. Funds administered in this capacity are not included in the deposit protection system provided for in article 1 of Law 2334/03.

Banco Continental S.A.E.C.A.

Banco Atlas S.A.

Banco Familiar S.A.E.C.A.

Visión Banco S.A.E.C.A.

Finlatina S.A. de Finanzas.

Financiera Rio S.A.E.C.A.

Grupo Internacional de Finanzas S.A.E.C.A. (Interfisa).

Agencia Financiera de Desarrollo (AFD).

Banco Nacional de Fomento.

TRANSPORTATION LINKS

Public transport is the most used at urban and interurban level. The service is provided through buses (also called collectives) that cover much of the territory of the country. Long distance and international buses are dispatched from the Asunción Bus Terminal that connects with all departments of Paraguay and several cities in South America, where bus companies make daily trips to Argentina, Brazil, Bolivia, Chile, Uruguay and Peru.

Within the Metropolitan Area of Asunción, there is the Silvio Pettirossi International Airport that has flights to different cities in the Americas. This is the main airport of the country, followed by the Guaraní International Airport, located in Minga Guazú and serving Ciudad del Este, which has direct flights to Asunción, Buenos Aires and São Paulo.

On the other hand, the Paraná - Paraguay hydroway is a river transport strategy along the water system of the same name, from Brazil to Uruguay, passing through Paraguay.

Paraguay had 1150 km of railways distributed in different branches throughout the territory; all of them without being linked to each other. The largest extension corresponded to the F.C.P.C.A.L. (Ferrocarril Carlos Antonio López) that linked the cities of Asunción with Encarnación; and in turn made possible the union with the system of Argentine railways through the international bridge San Roque González de Santa Cruz. Currently the only section of the railway that is in operation is an international line on the border with Argentina, between Encarnación and Posadas that crosses this bridge.

LAND AND BUILDING

In general terms, architecture in any of its streams had presence in Paraguay for at least a moment of its history. The vernacular architecture is represented by the typology of the house Culata Jovai, typical of rural housing in Paraguay and in the wide guaranitic area of South America, prepared to face a semi-tropical climate. During the colonial period (1537-1811) and even after the independence period, Asunción was still a semi-rural community and urban centers did not yet exist in Paraguay. The architecture of this period had characteristics of an eminently popular manifestation, with few significant buildings. During the government of José Gaspar Rodríguez of France (1813-1840), little progress was made in the erection of buildings and urban planning in Paraguay, as well as in the capital. It is in the government of Carlos Antonio López where the gradual imposition of cultural patterns that would relegate the colonial tradition, such as the facade architecture, monuments and other Europeanized features that would continue to be introduced by his son Francisco Solano López in the period 1862-1870.

After the War of the Triple Alliance, the restoration of some historic buildings and the completion of unfinished work continued. The restoration was carried out with the help of European immigrants, who stamped their stamp on the urban landscape of the nation with their remarkable eclecticism of Italian character, a current that standardized the landscape of urban centers such as Concepción, Villarrica and also Asunción. Between 1900 and 1940 an anti-cademicist reaction emerged with Enrique Clari, the leading representative of Catalan modernism who also stood out for his interesting handling in art nouveau. To a lesser extent other currents of international presence were developed, such as the Art-Deco whose most representative work is the Marcopolo Building. Modern architecture has been introduced in Paraguay since the 1940s, while in the 1950s and 1960s a renewed breath was received with the Modern Movement.

Public holidays

Month	Date	Local name	Name
ene	01/01/2022	New Year's Day	New Year's Day
ene	01/03/2022	Día de los héroes	Heroes' day
abr	14/04/2022	Jueves Santo	Maundy Thursday
abr	15/04/2022	Viernes Santo	Good Friday
may	01/05/2022	Día de los Trabajadores	Labour Day
may	14/05/2022	Independencia	Paraguayan Independence
may	15/05/2022	Independencia	Paraguayan Independence
jun	12/06/2022	Día de la Paz del Chaco	Chaco Armistice
ago	15/08/2022	Fundación de Asunción	Founding of Asunción
sept	29/09/2022	Victoria de Boquerón	Boqueron Battle Victory Day
dic	08/12/2022	Virgen de Caacupé	Virgin of Caacupe
dic	25/12/2022	Día de Navidad	Christmas Day

3- FOREIGN INVESTMENT

Paraguay has a number of laws and regimes that provide broad benefits to investors, including:

- The acceleration of processes for the opening of companies.
- The guarantee of the right to property, equal treatment between domestic and foreign investments, freedom of exchange and free trade
- The issuance of residence documents in the country through shortened procedures.
- The exemption or temporary suspension of the customs duties affected on the importation of raw materials and machinery.
- The exemption or temporary suspension of the payment of Value Added Tax (VAT) applied to the importation of machinery and raw materials for industries.
- The exemption of all national taxes in exchange for a single tax in the cases of the Free Zones Act and the Maquila Act.
- The Public Private Partnership Act (PPP), for public - private participation contracts.
- Exemption from Value Added Tax (VAT) on exports.
- The recovery of the tax credit for Value Added Tax payments made in the domestic market to local suppliers.
- Reduction or exemption from national taxes, fees and contributions.
- The guarantee of tax invariability for a period of up to 20 years, depending on the amount of the investment.
- Rules of origin Mercosur more favourable in relation to the percentages of use of raw materials extra zone.
- The reduction of the Value Added Tax on sales in the domestic market.
- Reduction of real estate taxes, industrial patents and exemption from Value Added Tax, in the development of Industrial Parks that allows to stimulate the establishment of industrial enterprises in areas that need to generate development and therefore jobs and social and economic welfare.

In addition to the benefits granted by the various laws, Paraguay has an open economy, a free exchange market, with the possibility of using bank accounts in various currencies such as the American Dollar, the Euro and the Real; a strategic geographical position from the logistic point of view, abundant and cheap energy, and a young workforce eager to learn and work.

INCENTIVES OFFERED BY PARAGUAY TO THE INVESTOR

Law 117/91 on Investment is designed to stimulate and guarantee full equality of domestic and foreign investment in order to promote the economic and social development of Paraguay.

The Act also establishes the following principles:

- Equality: Foreign investment receives the same treatment as domestic investment. The imposition of conditions or treatment that are discriminatory or more favourable to foreign investors is therefore not acceptable.
- Property rights: for domestic and foreign investments, without any limitations other than those established in the Constitution and the Laws.
- Freedom to exchange: the entry and exit of capital is guaranteed, the remittance abroad of dividends, interest, commissions, royalties for transfer of technology and other concepts without restrictions, with the exception that all foreign exchange transactions, transfers shall be subject to the taxes established by law.
- Free contracting of investment insurance in the country or abroad.
- Free trade: free trade is guaranteed, including:
 - Freedom of production and marketing of goods and services in general.
 - Free pricing, except for goods and services whose production and marketing are regulated by law.
 - Freedom to import and export goods and services except those prohibited by law. But these guarantees are subject to investors, both domestic and foreign, complying with both the Tax System and the Labour and Social Security System in force in the country.
- Universality: foreign investments are welcome in all sectors of the economy, except for the exceptions established in specific local laws such as the hydrocarbon sector, mining, telecommunications, and forestry, among others that require permits, licences or concessions, especially granted by the competent authority.
- Automaticity: with the exceptions mentioned above, foreign investors are allowed to invest in the other sectors of the economy without prior authorization, unless it is an investment subject to a special regime. In which case, the investor must be subject to the regime provided for them.
- Exchange regime: the Investment Law, among its guarantees includes freedom of exchange, among others. Under which foreign exchange transactions are conducted within an exchange-free market. The exchange rate shall be that freely established by the parties, according to supply and demand. Foreign exchange transactions are the purchase and sale of foreign currency and, in general, the obligations payable in that currency, even if it does not matter transfer of funds or money orders from the country to the outside or vice versa. Legal acts, obligations and contracts made in foreign currency are valid and shall be enforceable in the agreed currency.

Paraguay has signed investment guarantee agreements with several countries. There are many incentives, such as the maquila program, the Investment Incentive Law, free zones, among others.

INVESTOR BENEFITS

TAX INCENTIVE SCHEME

Law 60/90 Establishing the System of Tax Incentives for the Investment of Capital of National and Foreign Origin

Concept, objectives and operation of the regime, this law is one of the oldest in relation to the promotion of foreign investment and has as main objectives:

- Increased production of goods and services.
- Creation of permanent sources of work.
- Export promotion and import substitution.
- Incorporation of technology to increase productive efficiency and enable greater and better utilization of domestic raw materials, labor and energy resources.
- Investment and reinvestment of profits in capital goods.

Exemptions under the Act apply, inter alia, to investments in: financing, capital goods, specialized technical assistance, mining, hospitality, leasing of capital goods (leasing), provision of services in air freight and passenger transport, river transport, land freight transport in general, public passenger transport, health, radio, television, newspapers, rural and urban fixed telephony, mobile telephony, scientific research, silos, storage, and data transmission services.

The duration of the benefits granted by law is 5 (five) years, however, may be extended for the following cases:

- A 10 (ten) years when the investments come from capital repatriation resources or when the investments are located in areas of preferential development or when the investments exceed the USD. 5,000,000 (\$5 million).
- A 7 (seven) years when the investments come from incorporation of capital goods of national origin.

Tax considerations of the regime the investment projects that are approved may enjoy, according to the characteristics of each investment project, exemption from the following taxes:

- Value added tax on the acquisition of imported capital goods (as well as capital goods produced in Paraguay) used in the facility for industrial or agricultural production.
- All taxes levied on the formation, registration or registration of companies and companies.
- Tariffs and internal taxes on imports of capital goods, raw materials and inputs to be used in investment projects for the manufacture of capital goods.
- Taxes and other levies on remittances, and payments abroad in interest, commissions and capital when the investment is financed from abroad and is at least USD 5,000,000 (USD 5 million), and the tax on such dividends and profits is not a tax credit of the investor in the country from which the investment comes.

MAQUILA

Law 1.064/9 of the Maquiladora Export Industry:

The maquila regime in force in Paraguay is a regime that allows a foreign company to settle in the country, or subcontract to existing Paraguayan companies, to process goods and services to be exported with the consequent added value. This includes importing raw materials, machinery and necessary inputs, under the temporary admission regime (suspension of customs duties), and exporting the product to the regional or international market.

Maquila operations are exempt from any tax or tax that affects the process from the importation of raw materials and inputs, the manufacture of products, to the exportation of the same, including VAT. The law establishes a single tax, with an aliquot of 1% applied on the value of the service invoice issued by the maquiladora to the matrix, or on the value of the export invoice when the goods are sold directly to the final customer of the matrix (on your own and order). The tax is levied on the highest value.

These operations are carried out under the maquila contract signed between a company domiciled within the national territory (maquiladora) and another domiciled abroad (parent company).

Through the maquila, domestic or foreign investors can bring raw materials into the country for the purpose of being assembled, repaired, improved, worked or processed for subsequent export, once the added value has been incorporated.

Paraguayan legislation does not impose restrictions on the types of goods or services covered by the maquiladora industry. The national policy of maquiladora activity in Paraguay is regulated and controlled by the National Council of Maquiladora Export Industries (CNIME).

The benefits granted by law may be enjoyed by natural or legal persons, domestic or foreign, domiciled in the country.

The most important benefits are:

- 1 % Unique Maquila Tax (on the national added value, or on the value of the export invoice issued by the maquiladora for the account and order of the matrix, whichever is greater).
- Suspension of tariffs and taxes on imports of raw materials and inputs, and capital goods.
- Recovery of VAT (tax credit) paid on the purchase of goods and services in the domestic market.
- Possibility of developing maquila in Paraguayan industries that have idle capacity.

The Paraguayan maquila is now operational and in full expansion, with the joint work of the private and public sectors, through the National Council of Maquiladora Export Industries (CNIME), the Chamber of Maquiladora Companies of Paraguay (CEMAP), and other interested guilds.

The Maquila Regime, along with other comparative advantages of the country, offers investors excellent conditions linked to lower tax and productive burdens that make Paraguay a strategic ally for production and participation in international trade.

FREE ZONES

Law 523/95 Authorizing and Establishing the Regime of Free Zones

Concept, objectives and operation of the scheme Free zones are defined geographical areas in which a customs procedure is applied which is different from the rest of the territory of a country (customs territory). Free zones generally enjoy certain tax benefits, such as non-payment of import taxes.

The main objectives of the free zones in Paraguay are: to develop business centres, to prevent smuggling and piracy, and to increase the competitiveness of exports.

All types of commercial, industrial and service activities may be carried out in the free zones of the Republic of Paraguay, in accordance with the provisions of Law 523/95 on free zones.

The free zone is operated and administered by a concessionaire, whose concession is granted through a contract signed with the Executive Branch, for a period of 30 years renewable as established in the legislation in force at the time of the extension.

In turn, this concessionaire concludes contracts with the end users who will be the natural or legal persons who will carry out the different operations within the area.

By Decree N.° 952/18 the Government authorized the carrying out of the following services activities aimed at the international market:

- Logistics, transport, handling, packaging, repackaging, packaging, labelling, classification and quality control of goods or goods.
 - Technical assistance, repair and maintenance of ships, aircraft, machinery and boats.
 - Testing and calibration in laboratories, inspection and certification in general.
 - Technical and scientific training and training, distance education in general.
 - Telecommunications services, telematics, information technology systems for data capture, processing, storage and transmission, organization, management or operation of databases and software development.
 - Production, post production and production of photography, film, video and multimedia in general.
 - Civil construction, design, planning, real estate management, management, supervision and maintenance of works, structures, engineering and architectural projects and infrastructure in general.
- Tourist agencies.

Tax considerations of the scheme

The introduction of goods into free zones, whether from third countries or from customs territory, is exempt from any national, departmental or municipal tax, except for fees for services actually provided.

Goods may enter from any customs office in the country.

Companies or industries that are beneficiaries of the scheme will pay a single tax called "Free Zone Tax", whose rate will be 0.5 % (average per cent) being its taxable base the total value of their gross income from sales to third countries.

- Special regime for sale to tourists (according to Art. 30 Law 523/95).
- Convergence of services and infrastructure for the importer/exporter. The products produced within the free zones are not considered made in Paraguayan territory, therefore, considerable care must be taken in the analysis of the feasibility of industrial projects within these areas.

In the Paraguayan experience there are currently two areas for this activity:

International Free Zone

It was awarded for commercial, industrial and service activities by the Executive Power through Decree N.° 17003/02. It is located at km 10.5 of Route 7, in Ciudad del Este. It has 30 (thirty) hectares initially, with 400 more hectares available and to date has 24,000 m² built in warehouses and offices.

Paraguay's Global Free Trade Zone

It was awarded for commercial and service activities by the Executive Branch through Decree N. ° 17003/02. It is located at 4.5 km of Route 7, in Ciudad del Este, with 4.5 hectares available and hosts about 40 companies. So far it has an estimated occupancy of 70%.

RAW MATERIAL REGIME

Concept, objective and operation of the system provided that there is no production of such products on the domestic market.

The aim of this scheme is to encourage imports of raw materials and inputs not produced in the country and in particular to stimulate the creation and growth of SMEs.

To be certified, certain requirements must be met, such as:

- The raw material or input to be imported must not be obtained in the interior of the country.
- The import value shall not be less than USD 1,500. (FOB)

- Raw materials and inputs must be part of the production process and be an integral part of the declared final product.

This regime is currently regulated by Decree N. ° 11.771/00 and is in force until 2020.

Tax considerations of the scheme

Under this system, industries will be able to benefit from imports of raw materials and inputs at a customs duty of zero per cent (0 %) where it is demonstrated that they are used as such in their own production processes and that they do not register domestic production.

The industries operating under this scheme will pay the Value Added Tax for the importation of raw materials.

AUTOMOTIVE POLICY

General considerations

The purpose of the Act is to benefit domestic or foreign companies that produce or assemble goods covered by the Common Nomenclature of Mercosur (NCM) 87, which includes "motor vehicles, tractors, speeders and other land vehicles, their parts and accessories", including auto parts and parts in general.

The eligibility requirements are:

- Production and/or assembly of goods covered by NCM 87.
- Creation of permanent sources of work, which must be integrated with a minimum of 50% (fifty percent) of Paraguayan citizens.
- Gradual and increasing incorporation of national added value, through the implementation of basic production processes related to the annual production program.

Law 4.838/12 Establishing the National Automotive Policy

Incorporation of technology to increase productive efficiency and enable greater and better use of raw materials, labor and national energy resources.

- Export promotion and/or import substitution.
- Development of support programs for social sectors, especially in the area of road education, to be regulated by the competent enforcement authority.
- Submit a plant investment project for the production and/or assembly of goods including an assembly line, testing infrastructure and Vehicle Identification Number (VIN) marking equipment, as appropriate.

- In the case of investments already made in the sector, submit the latest ministerial resolutions, for each category of activity, of investment projects and annual production programmes approved previously under Law 60/90, which shall be valid to demonstrate that they have already invested in capital goods and are producing and/or assembling the goods covered by the law.
- Development of programs for the promotion of research, technological development and innovation in the sector, in conjunction with public and/or private educational entities.

PUBLIC PRIVATE PARTNERSHIP (PPP)

Law 5.102/13. Promotion of investment in public infrastructure and expansion and improvement of goods and services by the State. Amended by Law 5567/2016

General considerations

The purpose of this Act is to establish rules and mechanisms to promote, through public private participation, investments in public infrastructure and in the provision of services to which they are intended or which are complementary to them. The production of goods and the provision of services that are specific to the object of agencies, entities, public enterprises and companies to which the State is a party.

The law establishes the legal concept of public-private participation contracts, provides for the concept of private initiative and regulates the use of trusts for the purposes established in the present law.

They may include projects such as:

- Road, rail, port and airport projects.
- Waterway projects, dredging and maintenance of navigability of rivers.
- Social infrastructure.
- Electrical infrastructure.
- Improvement, equipment and urban development projects.
- Drinking water supply and sanitation.
- Other investment projects in infrastructure and services of public interest.

PRODUCT ASSEMBLY

Law 4.427/2012 Assembly of High Technology Products

Note: this law does not have a regulatory decree, therefore, the procedure for its implementation is not established.

Concept and operation

This law covers all natural and legal persons, domestic or foreign, legally registered and who make investments of capital goods, raw materials, components, kits, parts and parts, whose objective is the production, development and/or assembly of high-tech goods in the electronics, telecommunications and informatics sectors.

The goods produced under this law have a margin of preference of 40 % in the prices offered within the processes of bidding and acquisition of goods by the agencies and entities of the State.

INDUSTRIAL PARKS

Law 4.903/2013 Industrial Parks

General considerations

The purpose of this law is to establish the regulatory framework for industrial parks in terms of their creation, promotion, construction and operation in harmony with the environment, as well as encouraging the installation of industrial parks through the granting of incentives and other advantages, in order to expand industrial activity and contribute to the economic and social progress of the Republic.

Industrial parks can be:

- State (governorates and municipalities).
- Private (natural or legal persons, domestic or foreign).
- Mixed, and their recognition will be granted only and exclusively by the Ministry of Industry and Trade.

4 - SETTING UP A BUSINESS

The main legal forms that a company can have in Paraguay, are the follow:

- Corporation
- Limited Liability Company
- Branches
- Partnership Company
- Limited Partnership Company
- Company Limited by Shares
- Personal Service Companies
- Individual Limited Liability Business

Legal and Mandatory registers common to all types of business

All companies must take the following legal records:

1. Register of Shareholders;(*)
2. Book of deposited shares and attendance record of General Shareholders Meetings;(*)
3. Minutes Book of General Meetings of Shareholders; (*)
4. Minutes Book of Board Meetings; (*)
5. Journal entries book;
6. General ledger;
7. Inventory Book;
8. VAT purchases book;
9. VAT sales book.

(*) only for share based companies

Government oversight is carried out by governmental agencies such as the Department of Registration and Control of Societies and the Sub Secretary of Taxation, both under the sphere of Treasury.

5 - LABOUR

Labour Regime

In Paraguay, the working age population, aged 15 and over, is 5,066,043.

When we talk about the demographic structure of Paraguay, the country is characterized by a high young population. 27% of the population are in the 15-29 age range and 20.6% in the 30-44 age range. These figures characterize Paraguay as a young country, whose population is mainly concentrated in working age. Of every 10 inhabitants, six are in the 15-59 age group, allowing them to adapt to the labour market, with a high capacity for acquiring and employing new knowledge.

Although in Paraguay human capital in terms of qualification is somewhat lower than the levels of the region, it has a system of training for work, financed with funds from the business sector, aimed at implementing training schemes and qualifying the labour force required by the labour market and foreign investment.

This system of work training is attached to the Ministry of Labour, Employment and Social Security (MTESS).

Labour market and labour legislation

Wages in Paraguay may be freely stipulated by agreement between employers and workers, but may not be lower than the statutory minimum. This is set by the Executive Branch at the proposal of the "National Minimum Wage Council," made up of a representative of the State, the employer sector and the labor sector.

Job Guide Service for Investments

The Labour Directorate of the Ministry of Labour, Employment and Social Security, provides the general guidance service on all matters relating to the regulation and application of labour relations and services provided to foreign companies and investors in the field of labour.

Current minimum wage: The current minimum wage for various unspecified activities is G. 2,112,565 per month.

Form of payment of wages

The salary may be paid for:

- Unit of time (monthly, fortnightly, weekly, daily or hourly).
- Per unit of work (piece, task or piece).
- By commissions.

Employees' salaries must be paid in legal tender currency and payment of these in vouchers, promissory notes and coupons is prohibited. The payment may be made partially and exceptionally in kind up to 30 %, provided that it is appropriate for the personal use of the worker and his family, and is established in the contract of employment in a strict manner, at a fair and reasonable value. Art. 23 of the Labour Code.

Legal regulation:

Law 213/93 Labour Code and Law 496/1995, amending it, regulate the relations between dependent workers and their employers.

It does not apply to directors, managers, directors and other executives of a company, who, by the nature of their representatives, the importance of their emoluments, the nature of the work and the high technical capacity enjoy notorious independence in their work, or for independent workers governed by the Civil Code.

The rights recognized by the Labour Code and labour laws to workers may not be the subject of a waiver, compromise or treaty limitation, and any agreement to the contrary shall be null and void.

Duration of employment contract

For its duration the employment contract may be:

- Of indefinite duration.
- Fixed term (not more than one year for workers and five years for employees).
- For specific work or service. The latter two are exceptional and may only be held when the accidental or temporary nature of the service or work so requires.

Form of payment:

For the form of payment of remuneration; the contract may be:

- A. For hire.
- B. On a daily basis.
- C. To commission.
- D. By piece.
- E. In participation.

6 - TAXATION

Since January 2020, the new tax system brought about by unification of taxes on commercial activities, with the objective of facilitating the formalization of micro and small businesses. The Corporate Income Tax (IRE) enters into tax system. The Undersecretary of Taxation (EETS) replaces three taxes that are applied until 2019 separately: the Income Tax on Commercial Activities, Industrial and Services (IRACIS), the Income from Agricultural Activities (IRAGRO) and Taxpayer Income Tax (IRPC). The Income Tax of the Character Service Personnel (IRSCP), valid until 2019 for companies or natural persons, is replaced. Thus, for the case of simple companies, the obligation will be the Corporate Income Tax (IRE) as for natural persons the obligation will be the Personal Income Tax (IRP).

Law on Modernization and Simplification National tax system (Tax Reform)

The Executive Branch promulgated Law 6380/ 19 Modernization and Simplification of the National Tax System, which came into force in January 2020.

In this way, the tax system is restructured as follows:

- Tax to the Rent Income Tax Enterprise (IRE) 10 %
- Tax on the Dividends and Utilities (IDU) 8 % - 15 %
- Income Tax of non-residents (INR) 15 %
- Income Tax Personnel (IRP) 8 %, 9 %, 10 %

7 - ACCOUNTING & REPORTING

Requirements related to accounting and management

The fiscal year of Companies can conclude any month chosen by the shareholders. However, for tax purposes, the financial practice should correspond to the calendar year that ends on December 31, except for certain specific activities. The Tax administration must allow any alteration. All taxpayers should support complete accountings records. The law requires the mandatory use of this registers: “Daily record book, General Ledger and Inventory record Book”. Accounting records can be done manually or electronically. If the taxpayer chooses to conduct its accounting records through electronic means, must be prepared to show to the tax authority the features and the security system of the software that he is going to use for this purpose.

Accounting Policies and Audit Standards

The accounting policies accepted and used in the country, are the “Financial Reporting Standards” (“Normas de Información Financiera” in Spanish) issued by the “Paraguayan Accounting Board” (“Consejo de Contadores Públicos del Paraguay” in Spanish) similar to “International Financial Reporting Standards” (IFRS). Besides, the Central Bank of Paraguay (BCP in Spanish) and the “National Securities Commission” (CNV in Spanish), have issued their own standards that are mandatory for the companies under their control.

8 - UHY REPRESENTATION IN PARAGUAY



UHY CONSULTORIA INTEGRAL DEL MERCOSUR PARAGUAY



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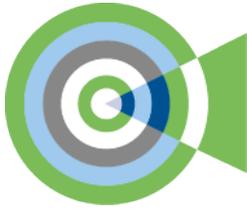
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Year established: 0
Number of partners: 2
Total staff: 26



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