

## **TAXES IN PARAGUAY**

### **1.0 CONTRIBUTIONS**

#### **1.1 Contributions**

Contributions established by Act 2421-04 and its amendments established by Law 5061-13 are:

##### **1.1 Taxes**

###### **1.1.1 Income Tax**

- 1.1.1.1- Tax Income Commercial, Industrial or Services other than personal activities.
- 1.1.1.2 Income Tax on Agricultural Activities. (IRAGRO)
- 1.1.1.3 Income Tax of Small Taxpayers
- 1.1.1.4 Income Tax Service personal

###### **1.1.2 Capital Tax (on buildings and improvements)**

###### **1.1.3 Consumption Tax**

- 1.1.3.1. Value Added Tax (VAT)
- 1.1.3.2. Excise Tax.

###### **1.1.4 Import Tax (Customs Law)**

- 1.1.4.1 Customs Procedures
  - 1.1.4.1.1 General Import Regime.
  - 1.1.4.1.2 Special tax on imports for the National Indigenous Institute (INDI)
  - 1.1.4.1.3 Consular Replenishment.
  - 1.1.4.1.4 Valuation Service
  - 1.1.4.1.5 Service computer canon.

###### **1.1.4.2 Differential treatment to imports**

- 1.1.4.2.1 Rules for partner countries of MERCOSUR (Exempt)
- 1.1.4.2.2 Special arrangements Tourism tourist goods.
- 1.1.4.2.3. Lower imports.
- 1.1.4.2.4 Temporary Admission
- 1.1.4.2.5 Importing the Maquila regime.
- 1.1.4.2.6 Importing the regime pacotillas and mailings.

The following describes the main features of the contributions mentioned;

### **2.0 The Income Tax to commercial, industrial or service activities that are not of a personal nature (IRACIS)**

Are taxable income from Paraguayan source derived from commercial, industrial or service activities that are not personal.

#### **2.1. Obligors**

2.1.1 Sole proprietorships, partnerships with or without legal personality, associations, corporations and other private entities of any nature.

2.1.2 Public companies, autonomous bodies, decentralized entities and mixed companies.

2.1.3 Domiciled persons or entities incorporated abroad and its branches, agencies or establishments carrying out taxable activities in the country. The parent must pay tax on the net incomes than those you pay or credit.

#### 2.1.4 Cooperatives, with the scope established by Law No. 438/94 "From Cooperatives"

### **2.2 Residence:**

They are made by the tax only those activities within the country, regardless of nationality, domicile or residence of those involved in the operations and venue contracts.

However, some exceptions to this general rule such as interest, commission, capital gains or income invested abroad and exchange differences, when the investing institution or a beneficiary is incorporated or established within the country.

### **2.3 Determination of the taxable income or loss**

The birth of the tax liability occurs at the close of the fiscal year but the taxpayer has 4 months to file the affidavit and payment.

Gross Income is considered the difference between the total income from commercial, industrial or services and the cost of these operations. Within the taxable income is the sale of fixed assets or capital gains, except that resulting from the revaluation of assets Fixed assets and capital contributions or from non-taxed or exempted activities.

### **International Base Rent:**

Individuals or entities located abroad, with or without Branch performing activities taxed in the country determine their income under the presumptive regime on the perceived, becoming the payer Withholding Agent.

### **Base Rent alleged:**

The Tax Administration is authorized to establish net income on alleged grounds for those taxpayers who are not required to keep accounting records.

### **The deductions allowed by the Act are as follows**

- a) Deductible expenses that are necessary to obtain and maintain the production source that it represent an actual outlay, are properly documented and at market prices.
- b) Cost of sales
- c) Returns, discounts and bonuses on sales.
- d) Depreciation and amortization on fixed assets, deferred expenses and deferred charges.
- e) Bad debts
- f) Loss by accident or force majeure.
- g) Loss on disposal of fixed assets, land and shares.
- h) Interest income

### **Exemptions:**

They are tax exempt, religious institutions of any denomination, welfare institutions or nonprofit. The private educational institutions not taxed if they distribute dividends.

There are also institutions which are exempt from tax under special laws, such as cooperatives, capital investments, etc.

## **2.4 Fees:**

The general rate is 10% Net Income but distributes dividends. If you do, you add an additional 5% (total 15%)

## **2.5 Statements, payments and tax filings**

### **2.5.1 Statements:**

The income tax is due by fiscal year, on account of it must be entered advance payment of income tax, paid bimonthly under the previous tax year. During the first year taxpayers are exempt from paying these advances.

Fiscal years include January 1 to December 31, except for commercial businesses insurance companies.

Insurance companies are covering the period May 1 to June 30.

### **2.5.2 Payments:**

The tax must be paid within four months from the end of the fiscal period in accordance with the termination of a Taxpayer Registration Number (RUC) and a perpetual calendar which is stable.

### **2.5.3 Fiscal Procedures**

The Offices of the Ministry of Finance and the Secretary of Taxation are the entities responsible for dealing with the formalities of taxpayers to control and monitor compliance with tax obligations and making the taxpayers requesting refunds on balances that determine their favor.

## **2.6 Dividends and Distributed Utilities:**

For resident income taxpayers

The tax on dividends is (5%) five percent of the amount of income to be distributed.

For foreign income taxpayers:

The tax on dividends when they are transferred abroad is imposed additional rate (15%) fifteen percent, which, in this case, the taxpayer paid a total (30%) Thirty percent.

## **2.7 Gain on sale of fixed assets and shares:**

Proceeds from sale of fixed assets are determined by subtracting the net selling price at the date of sale book value (book value less proportionately more Revaluation Depreciation).

## **2.8 Tax incentives:**

The law provides tax incentives for those who invest capital either domestic or foreign.

Incentives to create jobs:

Has been issued a special law to occupy the national workforce by Maquila law, which is achieved with a low tax rate (1%) one percent.

Tax treaties to avoid double taxation

They have signed agreements to avoid double taxation with Argentina and Chile.

### **3.0 Income Tax on Agricultural Activities (IRAGRO)**

In this sales tax from agricultural activities (farming) are taxed.

The IRAGRO replaces IMAGRO known. On October 8, 2013 the 5061 Act, whereby the IRAGRO is created and enacted IMAGRO replaced.

The IRAGRO completely eliminates the tax settlement amount of acres owned by the producer. The tax is calculated on the actual gain (income less expenses).

#### **3.1 Obliges**

**3.1.1 All natural and legal persons engaged in agricultural activities in the country. There are 3 categories:**

- Small rural taxpayers: This category includes all producers who sell between 36 year minimum wages and Gs. 500,000,000
- The (middle) Rural Contributors: includes producers that sell between Gs. 500,000,000 and Gs. 1 billion per year.
- Major Contributors • Rural or accounting regime: corresponds to those producers who exceed an annual turnover of Gs. 1,000,000,000, they must keep complete accounting under generally accepted accounting standards.

#### **3.2 Determination of the taxable income or loss:**

Gross Income Net Income: The determination of gross income should be performed in all cases, regardless of whether the property is not made or a rational and efficient productive use.

Determination of Gross Income and Net Income Tax is made on the following criteria:

The taxable event is set annually at the end of the fiscal year.

- Small rural taxpayers: In this case you must make two calculations: the actual gain and the notional income is 30% of total sales. On the lesser of these two should pay 10% tax.
- The (middle) Rural Contributors: taxpayers of this regime made the calculation of tax on their taxable income, ie the positive result between your income and expenses. But be included in their expenses also purchase fixed assets such as machinery, vehicles, yards, fences, etc. The tax rate is 10%.

Major Contributors • Rural or accounting basis: pay your tax also on its actual profit and may not include within its purchasing costs Fixed Assets. But he admitted them to add one to their die-costs up to 3% based on the total of the Property, provided SENACSA was declared. They can deduct a depreciation of cows producing up to 8% without verification. They can also deduct up to 1% of the Treasury (after the plague and depreciation) in respect of domestic consumption at the farm. These figures must also be declared in SENACSA, you can not deduct more in Domestic Consumption and Mortality, what was declared in SENACSA.

#### **Compensation of Losses:**

Losses may be carried forward for 5 years, up to 20% of Net Income for each fiscal year.

Loss Compensation shall apply only to taxpayers who settled the IRAGRO by the accounting regime.

#### **3.3 Fees:**

The applicable rate for all cases is 10%. Taxpayers should issue legal receipts for sales made in accordance with the provisions of the SET.

Exemptions: Individuals, who are farmers whose income does not exceed 36 minimum wages in the year, are not reached by the tribute.

#### **4.0 Income of Small Taxpayers**

##### **4.1 Persons subject**

The operative event also levied on commercial, industrial or service activities that are not of a personal nature and whose income does not exceed approximately twelve thousand dollars a year (112,000) hundred.

##### **4.2 Taxable**

It is determined based on an actual or perceived, at the option of the taxpayer.

The positive difference between total revenue and total expenditure and net income will be considered as alleged actual net income is 30% (thirty percent) of the annual gross revenue.

##### **4.3 Rate:**

The tax rate is also the (10%) ten percent.

## **5.0 Income Tax Service personal.**

Law No. 4673 "amends and expands provisions of the creation of the Income Tax Personal Data Service" went into effect from August 1, 2012.

The deadline for registration in the RUC is 30 days counted from the day of passing the stated figure. That is, in the case of an income exceeding 120 minimum wages, the day begins to count down the days established for enrollment.

Note that the tax payment is annual and in 2013 began the filing of the tax return and payment of tax shall be made until March of the year following the tax year stated.

Payment of the IRP should always be performed and when revenues are greater than expenses (expenses and investments). Otherwise, the taxpayer must file the affidavit only relieving the movement of income and expenses.

### **5.1 Persons subject**

Paraguayan sources of income arising from the performance of personal income generating activities when the activity takes place within the national territory, regardless of nationality, residence or place of the contract are taxed.

The IRP regulations provides that natural persons domiciled in Paraguay if taxpayers will from 1 August until 31 December 2012 to obtain taxable income in excess of the non-affected range (G. 198 984 000 for the first year of).

For the year 2014 the range affected not for minimum wage 96 Gs. 158.710.272. - approximately \$ 36,000 (American Dollars Thirty-six thousand), taxpayers who exceed this amount of income they have 30 days to inform the Ministry of Finance .

Then, the range will decrease in 12 minimum wages for each year of operation, up to 36 annual minimum wage (2019), the date on which the tax will be in full force.

While physical persons not domiciled in the country will taxpayers from the effective date of the tax, without going to the range affected by the services provided in the country. So Simple Societies also be affected by the charge without reaching the affected range.

#### **5.1.1 Be considered included among others.**

The exercise of professional services, trades or occupations or personal services of any kind independently or dependency relationship, whether in public or private institutions, decentralized entities, autonomous, semi-public, binational entities, whatever is the name of profit or remuneration.

#### **5.1.2 50% (fifty percent) on dividends.**

**5.1.3 Interest**, commissions or other income from capital and not subject to the other income tax revenue.

**5.1.4 Capital** gains arising from the occasional sale of property, transfer of rights and income securities, shares and capital Societies.

For persons not domiciled in the country and accidentally obtaining income here, the rate will be 20% to 50% of earned income, whichever amount. For example, international artists performing submissions in the country must pay this percentage via withholding.

**Taxpayers may be:**

- a) Individuals and
- b) Simple Societies.

**5.2 Determination of the taxable income or loss:**

**Presumption of Taxable Income:**

With respect to any taxpayer shall be presumed, unless evidence to the contrary, that any enrichment or increase equity comes from income subject to the tax.

**Net Income.**

For Individuals. All deductible personal expenses and investments of the taxpayer and his family, since the expenditures relating to the maintenance, education, health, clothing, housing and recreation.

**Simple For Companies:**

Deductible expenditures and investments that relate to obtaining taxable income and maintenance of the source.

**Exemptions**

Income and retirement pensions, salaries of diplomats on a reciprocal basis, the interest and fees paid to investment in banks, etc. are exempt from tax

Range no effect: Not found affected by the tax in the first year of the law, whose income does not reach 120 minimum wages annually, and each year this amount is reduced by 12 minimum salaries to reach base top 36 salaries.

**5.3 Rate:**

The rate is (10%) ten percent of net taxable income when income exceeds 120 annual salary in the first year and then this amount is reduced by 12 minimum salaries to reach 36 as a stop based on wages and 8% when were inferior to them.

**5.4 Declarations and payments:**

The tax is paid annually.

Initial Sworn Statement

Another obligation of the taxpayer is filing an Initial Asset Declaration and each year to update the data.

Persons domiciled in the country: natural persons domiciled abroad who accidentally obtain income by performing within the national territory of any of the taxable activities, determine the tax at the rate of 20% (twenty percent) of the net income Paraguayan source, which constitute 50% (fifty percent) of the proceeds received on this concept, having to act as agent of the person paying retention, such income credited or remese.

## **6.0 Capital Tax**

### **6.1 Property Tax**

This tax does not perceive the central government to the municipalities.

The estate tax affects property located in the national territory.

It is annual and is set on the first day of the year.

#### **6.1.1 Determination of the taxable income or loss**

The tax base is the assessed value of the property established by the National Cadastre.

Additional vacant tax: Vacant are additionally taxed at a rate of 4% (four per thousand) in the capital and 1% (one thousand) in the interior villages.

Additional property tax extension and large estates. Being the taxable valuation of Property Tax and the percentage is 0.5% to 1% according to the amount of area and site for the property.

If it were large estates, (there is a special law that clarifies the rules on large estates) tax is charged an additional fee of 50%.

#### **6.1.2 Rate**

The tax rate is 1% (one percent). For rural, under 5 hectares property tax rate is 0.50% (zero point fifty percent).

## **7.0 Consumption Tax**

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

The tax affects the following acts:

- a) The sale of goods.
- b) The provision of services, excluding personal information to be provided as an employee.
- c) The importation of goods.
- d) The sale of agricultural products.



#### **7.1.1 Oblige:**

Taxpayers of this tax are individuals and all businesses of any kind. Not included are the state as central government and the municipalities.

Legal entities, exporters, sole proprietorships engaged from agricultural activities (farming).

Birth of the obligation:

a) In the sale of goods, it occurs with the supply of goods or issuance of invoice, whichever is earlier.

b) In providing services, the obligation is specific to the first to occur of the following acts:

- Issuance of invoice.
- Perception of partial or total agreed price.
- On expiry of the deadline for payment.
- With the completion of the service.

c) Import: The obligation is set at the time of numbering the Customs Declaration.

#### **7.1.2 Residence:**

Are taxable disposals and services within the national territory, with some exceptions.

#### **7.1.3 Determination of the taxable income or loss**

In operations for consideration, the tax base is the net accrual. This price is integrated with all amounts charged to the buyer, the service user or importer.

The tax is assessed and paid monthly by the positive difference between debit tax and the tax credit.

#### **Exemptions**

They are exempt: the sale of foreign currency and public and private securities, your estate, capital goods with tax incentives and other special laws.

All entities without gainful intent by normal operations as such, educational institutions, religious organizations and others are also exempt from tax.

#### **7.1.4 Rate**

a) 5% for leases of real and personal property and the sale of assets of the basket, pharmaceuticals.

b) The remaining cases, 10%.

## **7.2 Excise**

Dispensable product affects both imports and the sale of domestic products. The same falls mainly on the snuff products, alcohol, soft drinks, jewelry, perfumes, guns, watches, etc.

Exceptionally duty is payable on certain non-essential goods such as fuel, rather, to facilitate the collection of tribute.

### **7.2.1 Fees**

The rates are a feature available only to stops being in charge of the executive branch to establish the percentage by decrees.

In this context, concerning rates of snuff products is set to an average of 10%, while other products have minimum rates of 1%, 2%, 3%, 4%, 5%, etc. As for petroleum products can reach 50%.

## **8.0 Social Security**

INSTITUTE OF SOCIAL WELFARE, was created under Decree Law No. 17,071 of 18 February 1943. Con the purpose of protecting the health of employees in our country. Whereas "is the proper function of the state media to ensure citizens get stronger immune from the vagaries of life in respect of sickness, maternity, disability, accidents, etc.".

The objective of social Welfare, is put individuals at risk covered that deprive them of earning capacity, whatever their origin: unemployment, maternity, sickness, invalidity and old age and could extend and protect certain family the worker in case of death of the same and can contemplate healthcare.

Concomitant with the right to life, health and education, is the right to work and with this social security, which is in the pension system a valuable tool for social compensation that could allow man not uproot or being unprotected when by force of circumstances (unemployment, illness, etc.) or age (retirement), assistance is needed.

In many countries and especially developing called, the family remains the only shelter care when indicated by pre reasons, those affected need support, and this is unfair, inconvenient and inefficient.

It is for this reason that Constitution provides that "A mandatory comprehensive social security system for workers and their dependent family shall be established by law, and its extension to all sectors of the population will be promoted."

Currently, they are included in the pension system, all workers in direct relation Private Sector Entities and Decentralized Teachers of Public and Private Sector, Domestic Workers, Pensioners and Retired Teachers. Providing even on assistance to Veterans of the Chaco War, which is not contributory.

Social insurance covers worker health and your family, as well as the right to retire.

### 8.1 Rate:

To this end, the worker contributes 9% of salary and the employer 16.5%.

### Data base



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