

TAXES IN PARAGUAY

1.0 CONTRIBUTIONS

1.1 Contributions

The contributions provided by Act 2421-04 are:

1.1 Taxes

1.1.1 Income Tax

1.1.1.1 Tax Income of Commercial Activities, Industrial or Services that are not personal.

1.1.1.2 Income Tax on Agricultural Activities.

1.1.1.3 Income Tax of Small Taxpayers

1.1.1.4 Income Tax Personal Service

1.1.2 Capital Tax (of 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 Import General Scheme.

1.1.4.1.2 Special tax on imports for the National Indigenous Institute (INDI)

1.1.4.1.3 Replacement consular.

1.1.4.1.4 Valuation Service

1.1.4.1.5 canon service computing.

1.1.4.2 Differential treatment to imports

1.1.4.2.1 MERCOSUR regime for partner countries (Exempt)

1.1.4.2.2 Special arrangements Tourism tourist goods.

1.1.4.2.3 Imports minors.

1.1.4.2.4 Temporary Admission

1.1.4.2.5 Import by the Maquila regime.

1.1.4.2.6 Import by pacotillas regime and mail.

The following describes the main features of the contributions mentioned;

2.0 The Income Tax to commercial, industrial or services which are not personal (IRACIS)

They are taxed Paraguayan source income coming from commercial, industrial or services that are not personal.

2.1. Obligated

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

2.1.2 Public companies, independent agencies, decentralized and mixed companies.

2.1.3 A person domiciled or incorporated entities and their foreign branches, agencies or establishments carrying out taxable activities in the country. The parent must pay tax on the net income than those you paid or credited.

2.1.4 Cooperatives, with the scope set forth in 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, there are some exceptions to this general rule such as interest, fees, income or capital gains placed abroad and exchange differences, when the investor or beneficiary entity incorporated or established within the country.

2.3 Determination of the taxable income or loss

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

Gross Income is considered the difference between total revenue from commercial operations, industrial or services and the cost of the same. Within the taxable income is the sale of fixed assets or any increase in equity, except that resulting from the revaluation of assets and fixed assets or capital contributions from activities taxed or exempted from tax.

International Income Base:

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

Income Base alleged:

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

The deductions allowed by the Act are as follows

- a) deductible expenses necessary to obtain and maintain the production source representing an expenditure always true, are properly documented and at market prices.
- b) Cost of sales
- c) Returns, discounts and sales bonuses.

- d) Depreciation and amortization of fixed assets, deferred expenses and deferred charges.
- e) uncollectible accounts
- f) Losses by accident or force majeure.
- g) Loss on disposal of fixed assets, land and shares.
- h) Interest accrued

Exemptions:

They are tax exempt, religious institutions of any religious, social assistance agencies or nonprofit. Private educational institutions not taxed if distributed profits.

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 it does, add an additional 5% (total 15%)

2.5 Statements, payment and tax

2.5.1 Statements:

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

The fiscal years include January 1st to December 31st, except for commercial insurance companies.

The insurance companies are covering the period May 1 to June 30.

2.5.2 Payments:

The tax must be paid within four months following the end of the fiscal period according to a termination of the Registry of Taxpayers (RUC) and for which stable a perpetual calendar.

2.5.3 Fiscal Procedures

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

2.6 Dividends and Distributed Utilities:

For taxpayers income residents

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

For foreign income taxpayers:

The tax on dividends when they are transferred abroad is given a further 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:

Gains on sale of fixed assets are determined by subtracting the sale price net book value at the date of sale, (book value less depreciation over revalued proportional).

2.8 Tax incentives:

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

Stimulus to create jobs:

It has passed a special law to occupy the national workforce by Maquila law, which is achieved with a minimum 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 (IMAGRO)

This tax is levied on sales from agricultural activities (agriculture and livestock).

3.1 Obligees

3.1.1 All natural and legal persons performing agricultural activities within the country.

3.2 Determination of the taxable income or loss:

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

Determination of Gross Income and Net Income Tax is made according to the surface properties useful agrológicamente and efficient and rational exploitation according to the following criteria:

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

Great Estate:

a) Gross Income: The annual gross income for rural properties individually or jointly meet or have a useful agrológicamente area exceeding 300 hectares. (Three hundred acres) in the Eastern Region and 1,500 hectares. (Fifteen hundred acres) in the Western Region with an efficient and rational productive use will be the total income generated by agricultural activities.

b) Net Income: To set the net income is deducted from the gross income all expenses associated with the rotation of the activity, from expenses and investments that relate to the production of taxable income and the maintenance of its source, provided they are real and are properly documented in accordance with the provisions of this Act and its regulations.

From the division of plots, in large, medium and small producers.

These latter are free from tax.

Tax Base: The tax base in terms of land area that agrológicamente are useful, ie, which are not accounted for taxable parcels that are not suitable for agricultural production, such as rocky soil, flooded forests etc.

3.3 Fees:

Tax clearance Form.

In all cases, the taxpayer has option to use three different methods.

- a) For the actual utility system, as balance the rate is 10% (ten percent).
- b) For the simplified system, which consists pay the tax on the difference between the inflow and outflow, the rate is 10% (ten percent).
- c) alleged System: Based on a presumed production scale according to a pre-set according to the characteristics of each production area multiplied by the average price of the good produced and the result is a fee of 2.5% (Two, five percent)

Exemptions: They are exempt from tax for small taxpayers, according to the following classification.

- small taxpayers are considered those with less than 20 hectares in the Eastern Region and 100 in the Western Region.

4.0 Income of Small Taxpayers

Obligated 4.1

The event also gravel commercial, industrial or services which are not personal and whose income does not exceed about (20,000) twenty thousand dollars a year.

4.2 Taxable

Are determined on a real or perceived, at the option of the taxpayer.

Be considered as real net income positive difference between total revenues and expenditures and net income is alleged 30% (thirty percent) of annual gross turnover.

4.3 Rate:

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

5.0 Income Tax Personal Service.

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

The deadline for registration in the RUC is 30 days, counting from the day after you passed the figure set. This means that in the case of an income exceeding 120 minimum wage, the next day begins the countdown of the days set for enrollment.

Note that the tax payment is annual and began in 2013. The filing of the affidavit and the tax payment will be made until March next year declaring fiscal year.

IRP Payment must be made as long as the income is greater than expenses (expenses and investments). Otherwise, the taxpayer need only file the affidavit relieving the movement of income and expenses.

Obligated 5.1

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

IRP legislation provides that persons domiciled in Paraguay will be taxpayers if from 1 August until 31 December 2012 to obtain taxable income in excess of the range not affected (G. 198 984 000 for the first year of).

For the year 2013 the range is not affected up to 108 minimum wages Gs. 179 089 056 (Guarani hundred seventy-nine million eighty-nine thousand and fifty-six) approximately U.S. \$ 43,000 (U.S. Dollars Forty-three thousand), taxpayers who exceed this amount of income have 30days to inform the Ministry of Finance.

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

While physical persons not domiciled in the country will be contributing 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 tax without reaching the affected range.

5.1.1 shall 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, decentralized, autonomous, mixed economy binational entities, anybody the name of profit or remuneration.

5.1.2 50% (fifty percent) on dividends.

5.1.3 Interest, commissions or other returns of capital and income not subject to other taxes on income.

5.1.4 Capital gains arising from the occasional sale of property, transfer of rights and income securities, equity shares and Corporations.

For individuals not domiciled in the country and accidentally obtaining income here, the rate is 20% on 50% of earned income, whatever the amount. For example, the international artists who make presentations in the country must pay this tax via withholding percentage.

Taxpayers may be:

- a) Individuals and
- b) Simple Societies.

5.2 Determination of the taxable income or loss:

Presumption of Taxable Income:

For any taxpayer, it is presumed, unless proven otherwise, all enrichment or increased income derived from assets held by the tax.

Net Income.

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

For Simple Societies:

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

Exemptions

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

Not affected range: is not affected by the tax in the first year of implementation of the law, whose income does not reach 120 minimum wages annually, and each year this amount is reduced to 12 minimum salaries to reach 36 basis salary cap .

5.3 Rate:

The rate is (10%) Ten percent of the net taxable income when income exceeds 120 annual wages in the first year and then reduced this amount to 12 minimum salaries to reach 36 basis salary cap and 8% when were inferior to them.

5.4 Declarations and payments:

The tax is assessed annually.

Initial Affidavit

Another obligation of the taxpayer is filing an Initial Equity Statement and each year so as to update the data.

Persons not domiciled in the country: natural persons domiciled abroad who accidentally obtain income by performing on the national territory of any of the activities taxed, the tax determined by applying the rate of 20% (twenty percent) of the net income of Paraguayan, which constitute 50% (fifty percent) of income in this concept and should act as the person Withholding Agent to pay, such income credited or remese.

6.0 Tax on Capital

6.1 Property Tax

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

The estate tax affects property located in the country.

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 tax to wasteland: The lots are additionally taxed at a rate of 4% (four per thousand) in the capital and 1% (one per thousand) in the towns of the interior.

Additional tax to the property of large size and large estates. As the tax base Avaluation Property Tax and the percentage is 0.5% to 1% according to the amount of area and location of the property location.

If whatever estates, (there is a special law that clarifies the regime of large estates) tax is charged an additional fee of 50%.

6.1.2 Rate

The tax rate is 1% (one percent). For rural properties, under 5 hectares the 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 rendered in dependency.
- c) The importation of goods.

Obligee 7.1.1:

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

Birth of the obligation:

a) In the sale of goods, is produced with the delivery of goods, or the issuance of invoice, whichever is earlier.

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

- Issuance of invoice.
- Perception or part of the agreed price.
- Upon expiration of the period for payment.
- With the completion of the service.

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

7.1.2 Residence:

They are taxed divestitures and supply of services within the national territory, with some exceptions.

7.1.3 Determination of the taxable income or loss

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

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

Exemptions

Are exempt: the sale of unprocessed agricultural products, foreign exchange and public and private securities, the stock inherited capital with tax incentives and other special laws.

They are also exempt from tax all non-profit entities for normal operations as such, educational institutions, religious organizations and others.

Exports:

Exports of goods and freight affected to them, are exempt from tax. When buying raw materials and inputs, including VAT, for the production of the exported product, refund mechanism exists for such taxes paid.

7.1.4 Rate

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

b) The remaining cases, 10%.

7.2 Excise

Expendable products affects both imports and in the sale of domestic products. The same falls mainly on snuff products, alcohol, carbonated beverages, jewelry, perfumes, guns, watches, etc..

Exceptionally levied this tax certain non expendable such as fuel, rather, to facilitate the collection of tribute.

7.2.1 Fees

Special rates are available only to stops being in charge of establishing the percentage Executive 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

SOCIAL SECURITY INSTITUTE, was created from the Decree Law No. 17,071 of February 18 1943. Con the purpose of protecting the health of employees in our country. Whereas "is the proper function of the state to ensure the citizen media put him under cover of the hazards of life in terms of sickness, maternity, disability, accidents, etc.".

The goal of Social Welfare, is put individuals at risk covered that deprive them of earning capacity, whatever their origin: unemployment, maternity, sickness, disability and old age, and could extend and protect certain family the worker in case of death of it and you can see healthcare.

Concomitant with the right to life, health and education, is the right to work and for this to Social Security, which is in the pension system a valuable tool for social compensation, could allow man not uproot or being unprotected, when circumstances Empire (unemployment, sickness, 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.

This is why in Constitution states that "The mandatory comprehensive system of social security for the worker and his family dependent shall be established by law, and will promote its extension to all sectors of the population."

Currently, are included in the pension system, all workers in direct relation Decentralized Entities Private Sector, Public Sector Teachers and Private 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 retirement.

8.1 Rate:

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