

## TAXES IN PARAGUAY

### 1.0 CONTRIBUTIONS

#### 1.1 Contributions

The contributions established by Law 2421-04 and its amendments established in Law 5061-13 are the following:

#### 1.1 Taxes

##### 1.1.1 Income Tax

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

1.1.1.2 Income Tax on Agricultural Activities (IRAGRO)

1.1.1.3 Small Taxpayer's Income Tax

1.1.1.4 Personal Service Income Tax

##### 1.1.2 Capital Tax (on real estate 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 Regime Import.

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

1.1.4.1.3 Consular replacement.

1.1.4.1.4 Valuation Service

1.1.4.1.5 Computer canon service.

##### 1.1.4.2 Differentiated treatment for imports

1.1.4.2.1 MERCOSUR regime for partner countries (Exonerated)

1.1.4.2.2 Special regime of Tourism merchandise for tourists.

1.1.4.2.3 Minor imports.

1.1.4.2.4 Temporary Admission

1.1.4.2.5 Importation by the Maquila regime.

1.1.4.2.6 Importation by the regime of pacotillas and postal items.

The main characteristics of the aforementioned contributions are described below;

**2.0** The Income Tax for commercial, industrial or service activities that are not personal (IRACIS)

Taxes from Paraguayan sources that come from commercial, industrial or service activities that are not personal are taxed.

#### 2.1. Obligated subjects

**2.1.1 Unipersonal companies**, companies with or without legal status, associations, corporations and other private entities of any nature.

**2.1.2 Public companies**, self-sufficient entities, decentralized entities and mixed economy companies.

**2.1.3 People domiciled or entities established abroad and their branches**, agencies or establishments that carry out activities taxed in the country. The parent company must pay taxes for the net income that they pay or credit.

**2.1.4 Cooperatives**, with the scope established in Law No. 438/94 "Cooperatives"

## **2.2 Residence:**

Only those activities developed within the country, regardless of the nationality, domicile or residence of those involved in the operations and the place where contracts are concluded, are covered by the tax.

However, there are some exceptions to this general rule, such as interest, commissions, income or capital gains placed abroad, as well as exchange differences, when the investor or beneficiary entity is incorporated or located in the country.

## **2.3 Determination of the tax base or loss**

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

Gross Income is considered the difference between the total income coming from commercial, industrial or service operations and the cost thereof. Included in the taxed income is the sale of fixed assets or any increase in assets, with the exception of the one that results from the revaluations of assets of the Fixed Assets and the capital contributions or those from activities not taxed or exempt from the tax.

## **International Income Base:**

Persons or entities located abroad, with or without a Branch that carry out activities taxed in the country, determine their income under the presumed regime over what is collected, with the payer becoming the Withholding Agent.

## **Presumed Income Base:**

The Tax Administration is authorized to establish net income on presumptive basis for those taxpayers who are not obliged to keep accounting records.

## **The deductions allowed by the Law are the following**

- a) The deductible expenses that are necessary to obtain and maintain the production source, provided that they represent a real expense, are duly documented and are 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) Uncollectible accounts

- f) Losses due to unforeseeable circumstances or force majeure.
- g) Lost by alienation of fixed assets, land and shares.
- h) Interest accrued

### **The Exonerations:**

They are exempt from the tax, religious entities of any religion, social welfare or non-profit entities. Private educational institutions do not tax if they do not distribute profits.

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

### **2.4 Fees:**

The general rate is 10% on Net Income but distributes dividends. If it does, an additional 5% is added (total 15%)

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

#### **2.5.1 Statements:**

The Income Tax is caused by fiscal year, on account of it must be paid the advance payment of Income Tax, bimonthly according to the tax settled in the previous year. During the first year, taxpayers are exempt from paying these advances.

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

The insurance companies have the period that covers from May 1 to June 30.

#### **2.5.2 Payments:**

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

#### **2.5.3 Tax procedures**

The Offices of the Ministry of Finance and the Undersecretary of Taxation are the bodies in charge of dealing with taxpayers' procedures, of controlling and supervising compliance with tax obligations, as well as of making refunds requested by taxpayers on balances determined by their taxpayers. favor.

## **2.6 Dividends or Distributed Utilities:**

For income of resident taxpayers

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

For income of foreign taxpayers:

The tax on dividends when these are transferred abroad is imposed another additional rate of (15%) Fifteen percent, which, in this case, the taxpayer pays a total (30%) Thirty percent.

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

The gains on the sale of fixed assets are determined by subtracting the net book value at the sale date from the sale price (Book value plus Revaluation minus Proportional depreciation).

## **2.8 Fiscal stimuli:**

The law establishes fiscal incentives for those who make capital investments, whether national or foreign.

Encouragement to create jobs:

A special law has been passed to occupy the national workforce through the Maquila Law, which is reached with a minimum tax rate of (1%) one percent.

Tax agreements to avoid double taxation

Agreements have been signed to avoid double taxation with Argentina and Chile.

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

In this tax are taxed the sales from the agricultural activity (agriculture and livestock).

The IRAGRO replaces the well-known IMAGRO. On October 8, Law 5061 was promulgated, through which the IRAGRO was created and the IMAGRO was replaced.

The IRAGRO completely eliminates the liquidation of the Tax on the amount of hectares that the producer owns. The tax is calculated on the real profit (income minus expenses).

### **3.1 Obligated Subjects**

**3.1.1** All natural and legal persons who carry out agricultural activities within the country. There are 3 categories:

- Small rural taxpayers: in this category are all the producers who per year sell between 36 minimum wages and Gs. 500,000,000.-
- The (medium) Rural Taxpayers: includes the producers that sell between Gs. 500,000,000 and Gs. 1,000,000,000 per year.
- Large Rural Taxpayers or accounting system: corresponds to those producers that exceed an annual turnover of Gs. 1,000,000,000, these must keep a complete accounting according to the generally accepted standards of Accounting.

### **3.2 Determination of the tax base or loss:**

Gross Income, Net Income: The determination of gross income must be made in all cases, regardless of whether or not an efficient and rational productive use is made in the real estate.

The determination of Gross Income, Net Income and Tax is made according to the following criteria:

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

- Small rural taxpayers: In this case two calculations must be made: the real profit and the presumed profit that consists of 30% of the total sales. On the lower amount of these two must pay 10% of the tax.
- The (medium) Rural Taxpayers: the taxpayers of this regime perform the calculation of the tax on their real profit, that is, on the positive result between their income and their expenses. But they can also include in their expenses the purchase of Fixed Assets such as machinery, rolling stock, corrals, fences, etc. The percentage of the tax is also 10%.
- Large Rural Taxpayers or Accounting System: they pay their tax also on their real profit and can not include the purchase of Fixed Assets within their Expenses. But they are allowed to add to their expenses a Mortality of up to 3% calculated on the total of the Treasury, as long as it was declared in SENACSA. In addition, they can deduct a Depreciation of production cows of up to 8%, without the need for verification. They can also deduct up to 1% on the Treasury (after the mortality and depreciation) as internal consumption in the Estancia. These figures must also be declared in SENACSA, that is, it can not be deducted more in Mortality and Internal Consumption, than was declared in SENACSA.

### **3.3 Fees:**

The applicable rate for all cases will be 10%. Taxpayers must issue legal vouchers for the sales they make, according to the provisions of the SET.

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

## **4.0 Income of the Small Taxpayer**

### **4.1 Subjects obliged**

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

### **4.2 Tax Base**

It is determined on a real or presumed basis, at the option of the taxpayer.

The positive difference between total income and expenses will be considered as real net income and the presumed net income is 30% (thirty percent) of the annual gross income.

### **4.3 Rate:**

The tax rate is also (10%) Ten percent.

## **5.0 Personal Income Tax for personal service.**

Law No. 4673, which "modifies and expands the provisions for the creation of Personal Income Tax on Services," became effective as of August 1, 2012.

The deadline for registration in the RUC is 30 days, counted from the day after having exceeded the established figure. That is, in the case of receiving an income that exceeds 120 minimum wages, the next day begins the countdown of the days established for registration. It should be noted that the tax payment is annual and began in 2013. The presentation of the sworn statement and the payment of the tax will be made until the month of March of the year following the fiscal year that it declares.

The IRP payment must be made as long as the income is greater than the expenses (expenses and investments). Otherwise, the taxpayer will only have to present the sworn statement relieving the movement of income and expenses.

### **5.1 Subjects obliged**

Taxes from Paraguayan sources that come from carrying out activities that generate personal income when the activity takes place within the national territory, regardless of the nationality, domicile, or place of conclusion of the contract, are taxed.

IRP regulations establish that individuals domiciled in Paraguay will be taxpayers if from August 1 to December 31 of 2012 they obtain taxable income that exceeds the non-affected range (G. 198,984,000 for the first year of effectiveness). ).

For the year 2018, the non-incumbent rank corresponds to 48 minimum salaries Gs. 179,089,056 (Guaranies One hundred and seventy-nine million eighty-nine thousand and fifty-six) approximately U \$ 43,000 (American Dollars Forty-three thousand).

For the Year 2019 the non-affected rank corresponds to 36 minimum salaries Gs. 76,052,232 (Guaranies Seventy-six million fifty-two thousand two hundred and thirty-two) approximately US \$ 12,890 (US Dollars Twelve thousand eight hundred and ninety) the taxpayers who exceed this amount of income have 30 days to communicate to the Ministry of Finance.

While physical persons not domiciled in the country will be taxpayers from the entry into force of the tax, without needing to reach the rank affected by the services provided in the country. Likewise, the Simple Companies will be affected by the tax without needing to reach the incised rank.

#### **5.1.1 They are considered included among others.**

The exercise of professional services, trades or occupations or the provision of personal services of any kind independently or in relation to dependence, whether in public or private institutions, decentralized, autonomous, mixed economy, binational entities, any the name of the benefit or remuneration.

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

**5.1.3** Interest, commissions or income from capital and other income not subject to other income taxes.

**5.1.4** The capital gains that come from the occasional sale of real estate, assignment of rights and the income of titles, shares and capital shares of companies.

For people not domiciled in the country and who accidentally obtain income here, the rate will be 20% of the income received, whatever the amount. For example, international artists who make presentations in the country must pay this percentage via withholding taxes.

#### **The taxpayers can be:**

- a) Individuals and
- b) Simple societies.

#### **5.2 Determination of the tax base or loss:**

##### **Presumption of Taxable Income:**

With respect to any taxpayer, it is presumed, unless proof to the contrary, that any enrichment or patrimonial increase comes from income subject to the tax.

## **Net rent.**

For the Physical Persons. All personal expenses and investments of the taxpayer and his family are deductible, since the expenditures refer to maintenance, education, health, clothing, housing and leisure.

For the Simple Societies:

Expenses and investments that are related to obtaining taxable income and maintenance of the source are deductible.

## **Exonerations**

The income from pensions and pensions is exempt from tax, the remuneration of diplomats is provided whenever there is reciprocity, the interest and commissions received for investments made in banking entities, etc.

Non-affected rank: It is not 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 wages until it reaches a ceiling of 36 salaries in the Year 2019.

## **5.3 Rate:**

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

## **5.4 Declarations and payments:**

### **The tax is settled annually.**

Persons not domiciled in the country: Individuals domiciled abroad who accidentally obtain income for the realization within the national territory of any of the taxed activities, will determine the tax applying the rate of 20% (twenty percent) on the net income of Paraguayan source, which will constitute 50% (fifty percent) of the income received in this concept, and must act as a Withholding Agent the person who pays, credits or remits said income.

## **6.0 Capital Tax**

### **6.1 Real Estate Tax**

This tax is not collected by the central government but by the Municipalities. The real estate tax affects real estate located in the national territory. It is annual and is set the first day of the year.



### **6.1.1 Determination of the tax base or loss**

The taxable base constitutes the tax valuation of the properties established by the National Cadastre Service.

Additional tax to the vacant lots: The vacant lots are additionally taxed with a percentage of 4% (four per thousand) in the capital and 1% (one per thousand) in the municipalities of the interior.

Additional tax on large-scale property and large estates. The taxable value of the Property is the tax base and the percentage is from 0.5% to 1% according to the amount of the Area and the location of the property.

If it was a large estate, (there is a special law that clarifies the latifundio regime) an additional 50% fee is charged to the tax.

### **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 alienation of goods.
- b) The provision of services, excluding those of a personal nature that are provided in relation to dependence.
- c) The importation of goods.
- d) The alienation of agricultural products.

#### **7.1.1 Subject Required:**

Taxpayers of this Tax are natural persons and all companies of any nature. The State, as the Central Administration, and the Municipalities are not included.

The legal persons, the exporters, the sole proprietorships that are dedicated from the agricultural activity (agriculture and livestock).

### **Birth of the obligation:**

- a) In the alienation of goods, it occurs with the delivery of the good, or the issuance of the invoice, which was earlier.
- b) In the provision of services, the obligation is specified with the first that occurs of the following acts:
- Issuance of the invoice.
  - Partial or total perception of the agreed price.
  - Upon the expiration of the period foreseen for the payment.
  - With the completion of the service provided.
- c) Import: The obligation is configured at the time of numbering the Customs Declaration.

#### **7.1.2 Residence:**

Disposals and services provided within the national territory are taxed, with some exceptions.

#### **7.1.3 Determination of the tax base or loss**

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

The tax is settled and paid monthly for a positive difference between the fiscal debit and the tax credit.

#### **Exonerations**

Are exonerated: the alienation of foreign currency and public and private securities, the hereditary assets, capital goods that have tax incentives by special laws and others.

All non-profit entities are also exonerated from the tax for normal operations as such, educational entities, religious entities and others.

#### **7.1.4 Rate**

- a) 5% for rental, furniture and real estate contracts and the transfer of goods from the family basket, pharmaceutical products.
- b) Other cases, 10%.

## **7.2 Selective Consumption Tax**

It affects dispensable products both in the importation and in the sale of domestic products. It mainly falls on products derived from tobacco, alcohol, soft drinks, jewelry, perfumes, weapons, watches, etc.

Exceptionally, this tax is levied on certain non-expendable products such as fuels, rather, to facilitate the collection of the Tribute.

### **7.2.1 Fees**

The rates have a particularity when only ceilings are available, and the Executive Branch is responsible for establishing the percentage through Decrees.

In this context, the rates referring to tobacco products are established at an average of 10%, while other products have minimum rates of 1%, 2%, 3%, 4%, 5%, etc. As for petroleum products can reach up to 50%.

## 8.0 Social Security

**The INSTITUTE OF SOCIAL PROTECTION**, was created from Decree Law No. 17.071 of February 18, 1943. With the purpose of protecting the health of salaried workers in our country. Considering that "it is the proper function of the state to assure the citizen the means to protect him from the hazards of life in regard to illness, maternity, disability, accidents at work, etc."

The goal of Social Welfare is to put individuals at risk from the risks that deprive them of earning capacity, whatever their origin: unemployment, maternity, illness, disability and old age, and that could be extended and protect certain family members. of the worker in case of death of the same and that can contemplate the sanitary assistance.

Concomitantly with the right to life, health and education, there is the right to work and with this to Social Security, which has in the social security system a valuable instrument of social compensation that could allow man not to be uprooted or be unprotected, when due to circumstances (unemployment, illness, etc.) or age (retirement), assistance is necessary.

In many countries and especially the so-called developing ones, the family remains the only refuge of assistance when, for the reasons mentioned above, those affected require support, and this is unfair, inconvenient and insufficient.

That is why, in the National Constitution it is established that "The compulsory and comprehensive social security system for the dependent worker and his family will be established by law, and its extension will be promoted to all sectors of the population."

Currently, all the workers in direct relation of the Private Sector and Decentralized Entities, Teachers of the Public and Private Sector, Domestic Workers, Retirees and Pensioners, and Retired Teachers are included in the Pension System. Providing even, a welfare work to the Veterans of the Chaco War, which is not of a contributory nature.

Social insurance covers the health of the worker and his family, as well as the right to retirement.

### 8.1 Rate:

For this purpose, the worker contributes 9% on his salary and the employer 16.5%.

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