



## Paraguay

<b>General</b>	Types of indirect taxes (VAT/GST and other indirect taxes).	VAT.
	Are there other indirect taxes?	Selective consumption tax (SCT).
	What are the standard or other rates (i.e. reduced rate) for VAT/GST and other indirect taxes?	<p>The standard rate of VAT is 10%.</p> <p>A differential (reduced) VAT rate of 5% applies to:</p> <ul style="list-style-type: none"> <li>— lease and transfer of properties</li> <li>— transfer of agricultural products, fruits,</li> <li>— horticultural products in their natural state and live animals; products obtained from hunting and fishing, live or not; vegetable oil, virgin or crude degummed; certain products from the 'family basket': rice, noodles, mate (yerba mate), edible oils, milk, eggs, raw meat, flour and iodized salt</li> <li>— transfer of pharmaceutical products.</li> </ul> <p>A few examples of other general consumption tax (GCT) rates include but are not limited to:</p> <ul style="list-style-type: none"> <li>— 50% petroleum fuels</li> <li>— 13% cigarettes, champagne and similar</li> <li>— 5 to 11% for brandy, gin, rum, cane and various other alcoholic beverages</li> <li>— 5% perfume, natural pearls, precious stones, precious metals, watches, bracelets, weapons, ammunition and accessories</li> <li>— 1% toys and accessories, machinery for air conditioning, laundry machines and similar, musical instruments and accessories.</li> </ul> <p>There is a long list of VAT exemptions that include but are not limited to the transfer of:</p> <ul style="list-style-type: none"> <li>— foreign currency, public and private security, including the transfer of shares or quotas of capital stock</li> <li>— books and newspapers, either printed or digital</li> <li>— educational, cultural or scientific magazines.</li> </ul>

**General  
(continued)**

What are the standard or other rates (i.e. reduced rate) for VAT/GST and other indirect taxes? (continued)

The following events are VAT exempt.

**Transfer of:**

- foreign currency, public and private security, including the transfer of shares or quotas of capital stock
- inheritance to heritors, excluding the grantees
- cession of credits
- capital goods produced by domestic manufacturers applied to the industrial or agricultural/livestock industrial cycle under law 60/90 of investments
- books and newspapers (printed or digital)
- educational, cultural or scientific magazines
- handicrafts made by crafters from the *Instituto Paraguayo de Artesanía* (IPA)
- notebooks and supplies for educational programs for children and adolescents
- goods donated to foundations, associations and other non-profit organizations dedicated to education (initial and preschool, primary, secondary, technical, and tertiary school as well as university) recognized by the Ministry of Education, and non-profit entities dedicated to sports activities
- petroleum fuels, including biofuels
- bills, tickets and other items related to gambling

**Services:**

- interest from private and public securities
- deposits into banks and financial institutions governed by Law 861/96 as well as those in cooperatives, entities of the *Sistema de Ahorro y Préstamo para la Vivienda* (the public system of savings and loans for housing) and in public financial institutions
- those performed by employees of embassies, consulates and international organizations
- those services, gratuitous and onerous provided by unipersonal companies (sole proprietors or one-person entities)

**General  
(continued)**

What are the standard or other rates (i.e. reduced rate) for VAT/GST and other indirect taxes (continued)?

- partnerships, non-profits and other entities of all natures, related to initial education and preschools, primary, secondary, technical, and tertiary schools as well as universities recognized by the Ministry of Education or by law. Extension or university practice services carried out with third parties are included in this exemption
- those services provided by sports and cultural organizations which are non-profit and do not distribute profits or surpluses directly or indirectly among its partners or members, including the collection of social contributions and income from the sale of tickets to cultural and sporting events organized exclusively by such entities within the terms and conditions established by the executive power.

**Imports of goods:**

- goods considered baggage according to the customs law
- goods introduced by diplomats, consular and international organizations
- capital goods produced by domestic manufacturers applied to the industrial or agricultural/livestock industrial cycle, under the Law 60/90 of investments
- goods exempted by the tax law
- the sale of goods and services provided by associations, federations, foundations, mutual funds and other entities with legal capacity to engage in healthcare, social, charity, literacy, art, unions, sports, science, religion, and education recognized by the Ministry of Education and Culture or by law and legally recognized political parties, provided that they are non-profit and the profits or surpluses are not distributed directly or indirectly between members — who should have as sole target the purposes for which they were created
- this exemption shall not apply in cases of sales of goods or provision of services related to the following economic activities: habitual sale and purchase of real estate, extractive, poultry, beekeeping, sericulture, swine and rabbit raising, floriculture, forestry, consignment of goods, transport, insurance, safety, parking, hotel, lease of properties, carpentry, financial intermediation, rental and exhibition of films, location of property and rights, clubs, transfer of use of intangible property, travel agencies, funeral and related activities, laundry, cleaning and dyeing of garments in general, advertising, construction, renovation and demolition

<b>General (continued)</b>		<ul style="list-style-type: none"> <li>— disposals and imports for educational institutions and initial teaching such as preschools, primary, secondary, technical, and tertiary schools as well as universities recognized by the Ministry of Education, namely: <ul style="list-style-type: none"> <li>— equipment and supplies for laboratories</li> <li>— tools, furniture and equipment for auditoriums, libraries or classrooms</li> <li>— computers equipment, copiers and telecommunications</li> <li>— teaching service provided to these entities will be exempt from VAT.</li> </ul> </li> </ul>
	<p><b>Who is required to register for VAT/GST and other indirect taxes?</b></p>	<p><b>VAT taxpayers:</b></p> <ul style="list-style-type: none"> <li>— individuals</li> <li>— cooperatives, recognized by the Law 438/94</li> <li>— unipersonal companies (sole partnership or one owner)</li> <li>— companies</li> <li>— importers</li> <li>— the entities of social assistance, charity, scientific, literary, artistic, professional, sports and physical education, as well as associations, mutual, federations, foundations, corporations and other entities, regarding the activities not exempt by VAT</li> <li>— autarchic entities, public companies, decentralized entities, and mixed economy companies that carry out commercial, industrial or service activities.</li> </ul> <p><b>SCT taxpayers:</b></p> <ul style="list-style-type: none"> <li>— manufacturers of taxable goods</li> <li>— importer of taxable goods.</li> </ul>
<b>VAT/GST registration</b>	<p><b>Is voluntary registration for VAT/GST and other indirect taxes possible for an overseas company (e.g. if the annual turnover is below the relevant VAT/GST and other indirect taxes registration threshold)?</b></p>	<p>No, foreign companies must have a permanent establishment to be registered for VAT.</p>
	<p><b>Does an overseas company need to appoint a fiscal representative?</b></p>	<p>Yes, for VAT, a fiscal representative is mandatory.</p>
	<p><b>Which forms and supporting documentation does an overseas company need to submit for VAT/GST and other indirect tax registrations?</b></p>	<p>Not applicable.</p>
	<p><b>Is grouping* for VAT/GST and other indirect taxes possible?</b></p>	<p>No.</p>

\* By 'grouping' we mean: either a consolidation mechanism between taxpayers belonging to the same group (payment and refund are compensated but taxpayers remain distinct) or a fiction for VAT/GST purposes (several taxpayers are regarded as a single taxpayer).

<b>VAT/GST compliance</b>	How frequently are VAT/GST and other indirect tax returns submitted?	VAT: monthly. Selective consumption tax: monthly, except for fuels, which are declared weekly.
	What are the exchange rate rules in your country?	The tax rule on the exchange rate provides that the value of transactions in foreign currencies agreed between parties will be converted into local currency at the exchange rate of the buyer or seller on the open market at the close of the banking day (on which the operation took place, depending on whether it was a sale or a purchase, respectively).  The import and export operations will apply the exchange rate of that seller's and buyer's market respectively. Foreign currency transactions should be converted into local currency based on the rate of the open market at the close of the day of the transaction.
<b>VAT/GST recovery</b>	Can an overseas company recover VAT/GST and other indirect taxes if it is not registered for VAT/GST and other indirect taxes locally?	No.
	Are there any exemptions with the right to recover or deduct input VAT?	Exporters have the right to recover VAT incurred on local purchases needed for the manufacturing of goods exported overseas.
	Are there any restrictions to the deduction of input VAT?	Yes, there are restrictions to the deduction of input VAT for individuals. Individuals only can deduct the following items: — health expenses — professional training — public services (electric power, etc.) — office lease, repair or improvement — furniture, professional equipment, tools, office supplies and professional representation expenses — clothing for the professional practice — cars.
<b>Invoices</b>	Is a business required to issue tax invoices?	Yes.
	Is it possible/mandatory to issue invoices electronically?	No.
	Is it possible for the vendor to issue an invoice, i.e. is self-billing possible?	Self-invoices ( <i>autofactura</i> ) can be issued to support services rendered by providers (individuals) who are not obliged to register as taxpayers and when payments do not exceed the minimum monthly wage (approximately USD355 according to the May 2017 exchange rate).

<b>Audits</b>	<b>Do tax audits take place on a regular basis?</b>	<p>No, not on a regular basis. Lately, there have been tax audits focused on exporter companies mainly to verify the validity of their VAT credit amounts, considering that exporters are the only ones allowed to recover VAT credits. The competent authority is the tax office (<i>Subsecretaría de Estado de Tributación</i>).</p> <p>Taxpayers with an annual turnover exceeding 6 billion Paraguayan guaraní (PYG), approximately USD1,043,488 (January 2017 exchange rate), are obliged to have an external tax audit performed by external auditors. The tax report issued by the external auditors is filed to the tax office by the taxpayer.</p>
	<b>Are audits done electronically in your country (e-audit)? If so, what system is in use?</b>	No.
	<b>What penalties can arise from non-compliance?</b>	The main penalty is the refusal from the tax office to refund VAT credits to exporters that did not document their credits connected to export transactions accurately. The tax office can also open an administrative legal process to investigate the compliance of the company's tax obligations. For all kinds of non-compliance (of formal and substantial obligations of all taxes, not only indirect ones), the tax authority is allowed to deny the authorization of printed invoices ( <i>timbrado</i> ), preventing the taxpayer from invoicing its operations.
<b>Special indirect tax rules</b>	<b>Are there any special rules for the sale of a company by one taxpayer to another where VAT is not due on the sale?</b>	When a company is transferred and the acquirer takes over the existing liability at the time of the transfer, the taxable base will be the sum of the agreed price, plus the existing liability, which will constitute the total tax price of the transaction. The assets that constitute the transferred asset must be apportioned between taxed and exempt. The contracts of transfer of companies must expressly establish the price and other conditions of the operation, stipulating that the price established therein must be added in a apportioned manner to the VAT.

<b>Special indirect tax rules (continued)</b>	<p>Are there unique, specific indirect tax rules that you would not expect to find in 'standard' VAT jurisdictions?</p>	<ul style="list-style-type: none"> <li>— Regime of tourism: a tax settlement regime that levies the import of goods sold in the country exclusively to non-domiciled individuals.</li> <li>— Maquila: a local company undertakes the production of goods and services by transforming, elaborating, repairing or assembling foreign raw material and inputs temporarily imported into Paraguay for exportation purposes. The local company (maquiladora) pays a 1% tax on the local value added to the products (value of raw materials and other inputs purchased in the country, as well as all production costs — electricity, water, transport, salaries and fees). Tax recovery of VAT under this regime is allowed.</li> <li>— Temporary admission (established by the customs law): the presence of foreign goods in the customs territory for a particular purpose with full or partial suspension of payment of customs taxes and VAT.</li> <li>— Law 60/90: aimed at promoting investments. It grants the beneficiary with the exemption of all taxes (including VAT) on transactions such as capital stock increases; capital contributions in movable goods, immovable properties, intangible assets and transferred rights; issuance, purchase and sale of bonds, debentures and other debt securities; VAT on imports of capital goods for the initial installation; loans, credits and guarantees thereon; overseas remittance of interests, commissions and capital obtained from loans of USD5 million or more; overseas remittance of dividends and profits from approved investment projects of USD5 million or more; leases, royalties, rights for the use of trademarks and patents, industrial drawings, models and other forms of technology transfer.</li> <li>— Entry of goods into free zones: entry of goods from third countries or from national territory to the free zone is exempted from all national, regional (departmental) or municipal tax, excluding service rates.</li> </ul>
	<p>Does a reverse charge mechanism apply for goods or services?</p>	<p>No.</p>
	<p>Are there indirect tax incentives available (e.g. reduced rates, tax holidays)?</p>	<p>No.</p>
<b>Rulings</b>	<p>Are rulings and decisions issued by the tax authorities publicly available?</p>	<p>Yes, they can be found on the tax office website: <a href="http://www.set.gov.py">www.set.gov.py</a>.</p>