



# Paraguay

General	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>VAT standard rate is 10%.</p> <p>A differential (reduced) 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, horticultural products in their natural state and live animals; products obtained from the hunting and fishing, live or not; vegetable oil, virgin or crude degummed; certain products of 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>Exporters have the right to recover VAT incurred on local purchases needed for the manufacture of goods exported overseas.</p> <p>The following events are VAT exempt:</p> <p>— <b>Transfer of:</b></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>— inheritance to heritors, excluding the assigns</li> <li>— cession of credits</li> <li>— capital goods produced by domestic manufacturers applied to the industrial or agricultural/livestock industrial cycle under law 60/90 of investments</li> <li>— books and magazines, printed or digital</li> <li>— handcrafts made by crafters from the Instituto Paraguayo de Artesanía (IPA)</li> <li>— notebooks and their inputs for educational programs for children and adolescents</li> <li>— goods donated to foundations, associations and other non-profit organizations dedicated to education (initial and pre-school, primary school, secondary, technical, tertiary and university) recognized by the Ministry of Education; and non-profit entities dedicated to sports activities</li> <li>— petroleum fuels, including biofuels</li> <li>— bills, tickets and others related to gambling.</li> </ul>

**General  
(continued)**

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

**— Services:**

- interest of private and public securities
- deposits into banks and financial institutions governed by law 861/96 as well as those in co-operatives, entities of the Sistema de Ahorro y Prestamo 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 entity), partnerships and other entities of all nature, whether or non-profit related to initial education and pre-school, primary school, secondary, technical, tertiary and university 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 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 others entities with legal capacity to engage in health care, social, charity, charitable, literary, artistic, unions, sports, scientific, religious, educational 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.

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

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 state, 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.

- Disposals and imports for educational institutions and initial teaching pre-school, primary school, secondary, technical, tertiary and university recognized by the Ministry of Education, namely:
  - equipment and supplies for laboratories
  - tools, furniture and equipment for classrooms, auditoriums, libraries or classrooms
  - computers equipment, copiers and telecommunications
  - teaching service provided to these entities will be exempt from VAT.

Entities considered as VAT exempt bodies:

- political parties, entities of public utility, charity and non-charity organizations
- religious entities recognized by authorities
- educational organizations recognized by the Ministry of Education and Culture or by law for basic, school, technical instruction and university.

**Who is required to register for VAT/GST and  
other indirect taxes?**

VAT taxpayers:

- traders
- manufacturers
- exporters
- leasers of real estate
- professionals
- small taxpayers
- owners, partners and company directors
- educational organizations not recognized by the Ministry of Education
- companies carrying out financing activities (in general)
- cooperatives, organizations of social welfare, charity, scientific, literary, artistic, institutional instruction of physical and sport culture as well as the associations, federations, foundations, corporations and any other organizations which are registered or not if they are active on a regular and permanent basis, commercially or otherwise

<b>General (continued)</b>		<p>— individual businesses (earnings less than 500 million Paraguay guaranis (PYG) annually, approximately USD98,039 at the July 2015 exchange rate).</p> <p>Selective consumption tax taxpayers:</p> <p>— manufacturers of taxable goods</p> <p>— importers of taxable goods.</p>
<b>VAT/GST registration</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)?	No. Foreign companies must have a permanent establishment to be registered for VAT.
	Does an overseas company need to appoint a fiscal representative?	Yes. For VAT, a fiscal representative is mandatory.
	Which forms and supporting documentation does an overseas company need to submit for VAT/GST and other indirect taxes registration?	Not applicable.
	Is grouping* for VAT/GST and other indirect taxes possible?	No.
<b>VAT/GST compliance</b>	How frequently are VAT/GST and other indirect taxes returns submitted?	VAT: monthly. Selective consumption tax: monthly, except for fuels, which are declared weekly.
	What are the exchange rate rules in your country?	<p>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 a sale or a purchase, respectively).</p> <p>The import and export operations will apply the exchange rate of that seller's and buyer's market respectively, whichever considered for this purpose the date of customs clearance.</p>
<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 manufacture of goods exported overseas.
	Are there any restrictions to the deduction of input VAT?	No.
<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 recipients to issue tax invoices/self-invoices (self-invoicing)?	Self-invoices (autofactura) 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 USD358 at the July 2015 exchange rate).

\* 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 fiscal unity for VAT/GST purposes (several taxpayers are regarded as a single taxpayer).

<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 credits amounts, considering that exporters are the only ones allowed to recover VAT credits. The competent authority is the tax office (Subsecretaría de Estado de Tributación).</p> <p>Taxpayers with an annual turnover exceeding 6 billion Paraguayan guaraní (PYG) (approximately USD1,176,470 at the July 2015 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 there 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 to printed invoices (timbrado), preventing the taxpayer from invoicing its operations.
<b>Special indirect tax rules</b>	<b>In your country, are there any special rules for the sale of a company by a taxpayer to another where VAT is not due on the sale?</b>	When a company is transferred as a consequence of a process of reorganization (transformation, merger of existing entities, spinoff, split off/split up) and capital contribution, VAT will not be due on the sale as long as the transaction is notified to the tax office within a legal term established in the law.
	<b>In your country, are there unique, specific indirect tax rules that you would not expect to find in 'standard' VAT jurisdictions?</b>	<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.</li> <li>— 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, 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> </ul>

Special indirect tax rules (Continued)	In your country, are there unique, specific indirect tax rules that you would not expect to find in 'standard' VAT jurisdictions (continued)?	<ul style="list-style-type: none"> <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>
	Does a reverse charge mechanism apply in your country for goods or services?	No.
	Are there indirect tax incentives available in your country (e.g. reduced rates, tax holidays)?	No.
Rulings	Are rulings and decisions issued by the tax authorities publicly available in your country?	Yes. They can be found on the tax office website at <a href="http://www.set.gov.py">www.set.gov.py</a> .