Business & Investment Guide Paraguay

Issue 2019/2020

with a contribution of
Introduction

Dear Reader,

I am pleased to present this new Business & Investment Guide of the German-Paraguayan Chamber of Industry and Commerce - AHK Paraguay. This practical handbook for your business in Paraguay is the result of dedicated work of our Market Consulting Department and specialized firms, all members of the AHK community. Their exhaustive expert knowledge in different subjects related to investing and doing business in Paraguay is the basis of this publication. I am especially pleased that we have been able to collaborate with Germany Trade & Invest for this new edition, presenting an economic introduction of the Paraguayan market.

With its stable macroeconomic fundamentals, Paraguay gains on attractiveness for international market players. A growing young population, comparatively low production costs, fiscal incentives and extensive natural resources create an interesting market within the Mercosur region and in the heart of South America. However, Paraguay still has a challenging way to go in order to develop a competitive and diversified economy.

The first need of companies looking for business opportunities in Paraguay is accurate and reliable market information. This Business & Investment Guide gives useful and up-to-date information about establishing a company in Paraguay, current local incentives for investment, tax system and rules of the labor market. This third edition also includes a new chapter about e-commerce in Paraguay as this communication and sales channel is becoming a very important part of every kind of business.

This guide is a short resume for your overview of the Paraguayan market. If you need any further assistance or information, please don’t hesitate to contact the AHK Market Consulting Team. We are looking forward to foster your business in Paraguay!

Yours,

Jan Hoeckle

President of the German-Paraguayan Chamber of Industry and Commerce (AHK Paraguay)
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Economic Outlook Paraguay
The Paraguayan Government is ambitious / By Judith Illerhaus
July 2019

Paraguay’s economy is withstanding regional shocks
Paraguay’s economy continues to grow, in part due to the commodity boom, and despite the recessions in neighbouring Brazil and Argentina. According to the World Bank, the country’s real gross domestic product (GDP) grew at an average rate of 4.5 percent per year between 2004 and 2017. The International Monetary Fund (IMF) predicts an above-average growth rate in the Latin American comparison. The Latin American countries’ GDP is predicted to expand by 3.5 percent on average in 2019.

Nonetheless, major challenges remain. The deficient infrastructure, a poor quality of the education system and correspondingly a lack of skilled workers stand in the way of productivity growth. In addition, there is a need to diversify Paraguay’s economy, as the country is heavily dependent on agriculture, especially on soy and meat production. About 24 percent of Paraguay’s GDP is generated in the agricultural sector and livestock farming.

In addition, the energy sector plays a central role, in particular the power generation of the two governmental hydropower plants Itaipú and Yacyreta, which contributed 8.7 percent to Paraguay’s GDP in 2017. The two plants are run jointly with Brazil and Argentina respectively. Surplus electricity generated in these plants is partly exported to these countries. The construction sector has also become significantly more important. According to central bank statistics it expanded with an average quarterly growth rate of almost 13 percent since 2017.

Although Paraguay’s industry is still relatively weak and limited in its competitiveness, the manufacturing sector has recorded an average growth of about 7 percent per quarter in 2017 and 2018. And although its share is still comparatively small, especially the so-called Maquila sector is growing quickly. The Maquila law provides tax advantages to foreign investors setting up production facilities in Paraguay. Combined with favourable production factors such as labour and energy, this has led foreign companies to outsource labour-intensive or energy-intensive processes to Paraguay. There are now more than one hundred Maquila holdings which have invested a total of US$ 300 million. To supply their domestic market, especially Brazilian companies of sectors such as textile manufacturing, plastics processing, leather processing and automotive supply industries have taken advantage of the law. However, German companies have also started to consider Paraguay as a regional production location.

Paraguay does not exactly enjoy a good reputation among its South American neighbours and is widely regarded as a smuggler’s paradise. Products of Paraguayan origin are often considered of low quality; not least, because the country often acts as the source of rumpled alcohol or counterfeit products, which are distributed extensively in the neighbouring countries.

Nevertheless, the Economist Intelligence Unit (EIU) expects the economy to grow by 2.5 percent in 2020, which comes along with the eventual recovery of the principal customers’ economies, Argentina and Brazil. The agreement on the trade deal between Mercosur and the European Union (EU) after more than 20 years of negotiations should also be a driver of further economic growth in the landlocked country.

Key Facts of Paraguay

<table>
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<tr>
<th>Indicator</th>
<th>2018 1)</th>
<th>2019 2)</th>
<th>Comparison Germany 2018</th>
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<tr>
<td>GDP (nominal, bn US$)</td>
<td>41,6</td>
<td>42,4</td>
<td>4,001,5</td>
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<tr>
<td>BIP per head (US$)</td>
<td>5,899</td>
<td>5,921</td>
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<td>Population (m)</td>
<td>7,1</td>
<td>7,2</td>
<td>82,9</td>
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<td>5,739,88</td>
<td>6,620,67</td>
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Sources: IMF; German Federal Bank; Federal Statistical Office
1) Estimates; 2) Forecasts

Investment: Paraguay’s government finally springs into action
In June 2019, the government announced a long overdue fiscal stimulus package of US$ 1.5 billion. The money is intended to promote significant infrastructure investment. These include widening and rehabilitating several highways, investments in the generation, distribution and transmission of energy, as well as education and other social infrastructure, such as hospitals and water and sanitation systems. Another component of the package focuses on strengthening production and trade. The establishment of an export corridor by connecting the Paraguayan departments of Itapúa and Alto Paraná is one of the intended projects.

Moreover, new loans will be available to the agricultural sector and the manufacturing sector. Small and medium-sized enterprises in particular should profit from this stimulus, which also aims to increase employment. In addition, the government plans to provide food and new homes to approximately 30,000 people who lost their homes due to flooding in March 2019.

According to EIU, the fiscal stimulus package is expected to boost economic activity in the second half of 2019, without putting pressure on the fiscal deficit.
Consumption: A moderate inflation favours the climate

Weaker performance in agriculture and services will lead to weaker real GDP growth in the first quarter of 2019. Private and public consumption will likely remain the main drivers of the economy.

Paraguay’s inflation rate dropped to 2.8 percent in June 2019 from 3.8 percent in the previous month, putting it at the lower end of the central bank’s target range (2 to 6 percent). According to EIU, inflation will average around 3.7 percent within the next five years. Overall, consumer prices fell slightly. Food (32 percent), transport costs (14.8 percent) and housing, home furnishings and supply (8.9 percent) account for the main share of Paraguay’s consumer price index.

Foreign trade: agriculture remains the most important driver

Despite the less stable economies of its main trading partners Argentina and Brazil, exports are expected to grow further in 2020. However, Paraguay’s most important export goods still derive from the agricultural sector. According to the Paraguayan Ministry of Finance, the most important products are oil seeds (33 percent), oils, fats and pellets (21 percent) and beef (17 percent). Therefore, crop failures and adverse climatic conditions such as droughts or floods are considered risks for the forecasts.

According to the IMF, the average annual export growth has been over 20 percent, starting from a very low base. As mentioned before, the Maquila industry has grown significantly in recent years, which has led to an increase in exports of manufacturing products. Nevertheless, the non-energy and non-agriculture export sectors account only for around 7 percent of total exports.

China and Brazil regularly compete for the first rank among the country’s export destinations. The industry association Unión Industrial Paraguaya (UIP) presented a study according to which exports are significantly hampered by mainly bureaucracy and the lack of training of civil servants.

In 2018, about 28 percent of the imports came from China. Germany is Paraguay’s most important trading partner in the EU and supplies the country primarily with motor vehicles and parts as well as machines. Especially high-quality agricultural machinery such as plows, tractors, drilling and grading equipment and construction machinery are in demand. Good sales opportunities are likely to continue in the near future.

Foreign trade of Paraguay (million US$; Change in percent)

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<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>Change 2018/2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Imports</td>
<td>11.875</td>
<td>13.334</td>
<td>12.3</td>
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<tr>
<td>Exports</td>
<td>8.680</td>
<td>9.045</td>
<td>4.2</td>
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<tr>
<td>Trade Balance</td>
<td>-3.195</td>
<td>-4.289</td>
<td>-</td>
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Source: UN Comtrade
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Working in Paraguay
1. Working in Paraguay

Persons who intend to work in Paraguay must necessarily obtain a residence permit, which is issued by the General Directorate of Migrations (Dirección General de Migraciones or “DGM”). Foreign citizens entering the country (excluding those who are official visitors) as tourists can stay in Paraguay for up to 90 days from the entry date. If a foreigner wishes to carry out income-generating activities in Paraguay, the person must apply to obtain one of the following residence permits:

a) Precarious Residence: this permit allows foreign citizens to live in Paraguay for a period of 6 months and can be renewed for an equal period.

This permit also allows the holder to work in Paraguay. However, the person cannot enroll at the Social Security Institute (Instituto de Previsión Social or “IPS”) and subsequently access the social security system in Paraguay, nor as a taxpayer at the State Subsecretariat of Taxation (Sub Secretaría de Estado de Tributación or “SET”).

b) Temporary Residence: this permit allows a foreign citizen to live in Paraguay for up to 1 year, and perform the activities for which the person was admitted during such time. The permit can be renewed for up to 6 times. Unlike the precarious residence permit, this permit allows the holder to enroll at IPS and SET, enjoying the social security benefits and becoming a registered taxpayer.

Temporary residents can only perform the kind of work for which they were admitted in Paraguay, such as performing as managers in limited liability companies (Sociedad de responsabilidad limitada) or as directors in joint stock corporations (Sociedad Anónima).

This residence permit also allows foreigners to register as taxpayers at SET, obtaining the Unique Tax Payer Registration (Registro Único del Contribuyente or “RUC”).

c) Permanent Residence: this permit allows foreign citizens to live in Paraguay for an indefinite time and to obtain the Paraguayan identity card. Foreigners holding a permanent residence permit enjoy the same rights and have the same obligations as Paraguayan citizens, with the modalities and limitations established by law. The granting of permanent residence may be extended to the spouse, minor children and foreign parents of the holder of a permanent residence permit. Permanent residents can carry out any lucrative activity in Paraguay.

This residence permit also allows foreigners to register as taxpayers and obtain the RUC.

Permanent resident status may be revoked by local authorities upon occurrence of any of the causes established in the law, such as remaining absent from Paraguay for more than 3 years or breaching local laws, in which case the foreign citizen may be subsequently expelled from the country.

The requirements and proceedings to apply for a temporary or permanent residence permit can be found at the DGM’s website: http://www.migraciones.gov.py/ . Nonetheless, it is advisable to contact the DGM by phone to check the application procedures and processing times.

The original documents filed to apply for the residence permits are returned to the applicant once the permit is issued.

Paraguay has taken an open policy to attract foreign investment and to provide national transparency, so there are various domestic laws and international treaties signed with this purpose that positively affect the Paraguayan immigration policy.

In this regard, at national level, it is worth mentioning the following provisions: Law 60/90 “On Investments”, and its regulations (Decree 22,031/03); Law 1,064/97 “Which Governs the Maquila Industry” and with its regulations (Decree 9,585/00); and an agreement of mutual assistance and cooperation among the DGM and the Ministry of Industry and Commerce, entered into force in 2013 and was updated in 2019, which created the Unified System for Opening and Closing Businesses (Sistema Unificado de Apertura y Cierre de Empresas or “SUACE”). With SUACE, foreign investors can open a company and apply for a permanent residence permit, all in one place. This represents a great advantage in terms of speed, as SUACE itself manages the permanent residence application and helps to obtain it as soon as possible.

At an international level it is worth mentioning Law 4,987/13, which approved the Hague Apostille Convention of 1961, aiming to eliminate the requirement of legalization of foreign public documents among the signatory countries. This helps the exchange of public documents between member states.

Additionally, Paraguay has signed several agreements to eliminate the requirement of visas with some countries, and passport exemptions to foreign citizens from Mercosur and other associated countries, such as Argentina, Brazil, Paraguay, Uruguay, Bolivia, Chile, Peru, Colombia and Ecuador. German citizens can freely enter Paraguay with their passports.

Citizens from certain countries, such as USA, Canada, Taiwan, New Zealand and Australia, can apply for a visa upon arriving at the Silvio Pettirossi International Airport.

1.1. Paraguayan identity card

The Paraguayan identity card must be requested at the Paraguayan Identification Department within 180 days of obta-
ing the permanent residence. This document is valid for 10 years, and its issuance takes approximately 45 days after the application is filed.

The documents needed to request the Paraguayan ID are similar to those required for a permanent residence permit.

It is important to note that having the Paraguayan ID is not equal to having Paraguayan citizenship. However, it allows foreigners to vote in municipal elections.

1.2 Other documents needed to work in Paraguay, practice a profession or install a company in Paraguay

a) RUC: It is the registration number of the tax identification of a person in Paraguay, which is granted by SET. It is a mandatory identification required for all persons and companies which perform economic activities in Paraguay.

b) Commercial License and Commercial Patent: Persons and companies that perform commercial or industrial activities or provide services for a price must obtain a commercial license from the City Council where those activities are carried out, and pay the commercial patent tax each year.

c) Trader License (Matricula del Comerciante): Pursuant to article 11 of Law 1,034/83 “On Traders”, persons engaged in trade in Paraguay must apply for registration as traders before a Civil and Commercial Court, and register the license granted at the Public Register of Commerce.

d) Environmental License: As per Law 294/93, works and activities that may modify the environment and therefore affect biodiversity and the quality or a significant quantity of natural resources or the environment, are obliged to undergo an environmental assessment process and obtain an environmental license from the Ministry of the Environment. Having this license is a mandatory requirement to conduct the activity, and to obtain other licenses and registrations before other public entities. Conducting an activity subject to this license without having it may result in the suspension of such activity and significant fines.

e) Trademark: If the activity includes the use of a trademark, the same should be registered at the National Directorate or Intellectual Property (Dirección Nacional de Propiedad Intelectual or “DINAPI”) to obtain protection in Paraguay under Law 294/98. The register is valid for 10 years and can subsequently be renewed indefinitely.

f) Importer/Exporter License: To import and export goods into Paraguay or from Paraguay, the importer/exporter must be registered as such at the National Custos Directorate (Dirección Nacional de Aduanas or “DNA”).

1.3. Legal acts of interest for this chapter, which can be carried out without a residence permit, and with the sole possession of a valid passport:

Foreign natural persons without a residence permit, only holding a valid passport, or foreign companies, can conduct several economic transactions in Paraguay, such as:

a) Purchasing or selling real estate property or any other kind of asset, save for foreigners from any of the bordering countries of Paraguay (Argentina, Brazil and Bolivia), or legal entities mostly integrated by foreigners from these countries, who as per Law 2,532/05 “On the Border Security Zone”,¹ cannot own rural real estate within a strip of 50 kilometers from the border lines;

b) Rent real estate;

c) Purchase Shares in Paraguayan Companies; and

d) Invest in projects in Paraguay.

As per article 1.,196 of the Civil Code, however, foreign companies must incorporate a local subsidiary or branch if they intend to regularly carry out their activities in Paraguay.

¹ Law 2,532/05 can be accessed at: http://www.catastro.gob.py/archivos/leyes/leyes_20relacionadas_20al_20catastro/ley_202532-05_20seguridad_20fronteriza.pdf
2 The Importation of Goods
2. The Importation Of Goods

To provide information on the importation of goods into Paraguay, one has to take into account trade policy and international agreements in order to be able to import into Paraguay. Depending on the product you want to import, the following institutions authorize the entry to the country:

- **Senave**: Agrochemicals - Vegetable products
- **Senacsa**: animals, balanced etc.
- **Dinavisa**: Cosmetics, medications, etc.
- **Infona**: Forest Products
- **Inan**: Food.
- **Mades**: Import of products that have implications for the environment.
- **MIC**: Garments, Wires, Footwear, cements, etc.

In the framework of the promotion as of 12/28/2018, a CIVECA computer system has been implemented for the registration and verification of all merchandise from the People's Republic of China and Hong Kong to Paraguay through a digital identification code for each container which provides information on the merchandise histories such as the logistic means used, data from the exporter from China, as well as basic information on the merchandise among others.

What Paraguayan importers should do: They should ask their Chinese suppliers to register their merchandise as shipped to Paraguay in the SIVECA system of China.

The Secretariat for the Prevention of Money or Property Laundering (SEPRELAD) and the National Customs Directorate have published new provisions for the transfer of funds abroad for merchandise payments to be imported to assist in the prevention of money laundering. The procedure for payments of imports can be prepared in the Single Import Window (VUI).

2.1. Paraguay trade policy and international agreements

Paraguay is a member of the World Trade Organization (WTO) and the Latin American Integration Association (ALADI). ALADI member countries are: Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela. The complementary regional agreement on the opening of markets for Paraguay in the month of April 30, 1983 grants a 100% tariff preference for special products originating in Paraguay. ALADI includes three groups of countries. Bolivia, Ecuador and Paraguay are considered be the least developed countries in the region and therefore enjoy a preferential system within the association, including regional open market lists, cooperation, special programs, economic promotion and compensation measures for landlocked countries. The government of Paraguay has entered into a multilateral agreement with Argentina, Brazil and Uruguay, with the intention of creating a common subregional market, known as MERCOSUR. Paraguay has signed economic cooperation agreements with Spain, Romania, Russia, Chile, China (Taiwan) and Ecuador. Financial Cooperation has been signed with the German government. Investment protection and promotion agreements are already effective with Spain, Romania, Germany, Austria, Chile, China (Taiwan), Korea, Ecuador, the United States, Great Britain, Hungary, the Netherlands, Peru and Venezuela. Paraguay has signed the following treaties to avoid double taxation on matters related to incomes taxes:

- **CHILE - PARAGUAY**, Law 2965/2006, to avoid double taxation and tax evasion.
- **CHINA (Taiwan) - PARAGUAY**, Law 3972/2010, income tax.

Treaties or guarantee of cooperation in investments were signed by Paraguay with the governments of Belgium, Netherlands, Luxembourg, Brazil, Chile, China, Germany, Great Britain, Italy, Korea, Mexico, Bancomext), Switzerland, South Africa, United States of America and the OFIC.

**AUTHORIZED ECONOMIC OPERATOR (OAS):** the authorization or recognition granted by a customs authority to a company that proves to be committed to security throughout its supply chain through the adoption of practices based on the improvement and compliance with security requirements and satisfactory record of obligations regarding taxes and customs. Such compliance generates a series of benefits for your foreign trade operations and recognition as a safe company for both your business associates and the customs authority. The objective of the Authorized Economic Operator programs is to guarantee minimum levels of security and facilitate the flow of international trade, forging solid alliances between the public and private sectors that strengthen the security of the entire supply chain and build relationships of trust that allow the consolidation of mutual recognition with the customs of other countries.
2.2. Importers registry

The “Registry of Importers” is an official authorization of the importing firm to make imports of goods before the National Customs Directorate, it must have a token as a requirement for obtaining the signature for registration and approval of digital documents for shipments.

To obtain the previous import license, the registration must be requested by the importer in the Ministry of Industry and Commerce (MIC), Av. Mcal López 3333 c / Dr. Weiss, Villa Morra, PY-Asunción, telephone number: +595 216163000. The application must be completed in Spanish and submit the original documents. In the case of certain products, such as clothing and footwear, the application must be filed electronically through the “Single Registry” of the MIC. The validity of the registration period is one year. The “Single Registry” has been created to provide a single window for business registrations in the MIC that have previously requested different administrative units of the ministry. When using the unified database, companies must submit the backup documents of different records only once in the MIC connector. The “Single Registry” is administered by the General Directorate of Exporters “Ventanilla Unica” (VUE), since the management has adequate technology and infrastructure.

These documents are necessary for importers registration:
- Application letter.
- Certified copy of the company registry.
- Certified copy of the customs registry authorities.
- Certified copy of the tax return from the previous financial period.
- Certified copy of the VAT refund (I.V.A.) for the last three months.
- Certified copy of the entry to the importer in the registry of service providers.

Managed by the MIC: “Registry of Service Providers” - REPSE, (Registration Service providers)
- Certified copy of the tax compliance, “Tax Compliance Certificate”
- Certified copy of the deed of incorporation certificate.
- Certified copy of the set of facts that contains the appointment of the directors of the current company (only for companies)
- Copy of the register of food products and additives issued by the National Institute for Food and Nutrition (INAN), if applicable.
- Certified copy of the Registry of Importers of food products, when applicable
- Environmental license issued by the Ministry of Environment and Sustainable Development (MADES), if applicable.

2.3. Customs procedures and Requirements

To make a customs declaration, the automatic import pre-license, “Prior Automatic Import License”, is a document that demonstrates that the importer is authorized to import

Raw materials license. The license must be requested by the importer at the Ministry of Industry and Commerce (MIC), Av. Mcal López 3333 c / Dr. Weiss, Villa Morra, PY-Asunción, telephone number: +595 21 6163000. The application must be done in Spanish.

An automatic import license must be submitted electronically through the Single Window Importer, “Single Window of the Importer” (VUI) before the Customs Import Declaration to access the Single Window of the Importer” must be registered previously with VUI. The processing time is 60 days and when applying the Preliminary License, “Prior License” and being authorized by The MIC is valid for 30 days. Only importers that have obtained the registration of importers from the Ministry of Industry and Commerce can request this license. The requested documents (see below) established in VUI must bear a digital signature of the importer or legal representative. A certified copy of the commercial invoice must be presented at the MIC 15 days before shipment. The FOB value of the goods may exceed the value indicated on the proforma invoice for a minimum below 5% or above the maximum 10%. Require prior automatic import license, “Prior Automatic Import License” refers to a wide range of goods, resulting from the information provided in the application or the documents may vary depending on the class of goods.

Minimum content:
- Description of the goods to be imported and the corresponding tariff items in the Mercosur Common Nomenclature (NCM).
- Product brand, if necessary.
- Country of origin.
- Number and total value of its origin (steel products).
- Detailed information about the importer, manufacturer and exporter.
- Exact number and weight (for meat).
- For cosmetics and insecticides for domestic use:
  - Net content per unit, the total weight of kg, FOB in USD.
  - Data on the manufacturing laboratory.
Attachments:
  • Letter of application, if applicable
  • Registration of importers in the MIC.
  • Commercial invoice.
  • Certified copy of the Certificate of Origin, if applicable.
  • Authenticated copy of bill of lading.
  • Certified copy of the certificate of registration to the customs authorities (DNA Signature Signature).
  • Certification issued by the National Institute. Food and Nutrition (INAN) test of compliance with the current technique and legal requirements, if applicable.
  • A copy of the import authorization permit for animals or products issued by SENACSA Certified copy of the import authorization. Insecticide for domestic use the Ministry of Public Health and Social Welfare.
  • Certified copy of the environmental license. issued by the Ministry of Environment (SEAM), if applicable.
  • Manufacturing certificate (for cosmetics, household insecticides and steel products).
  • Copy of the phytosanitary import accreditation, if applicable.
  • SENAVE registration, if necessary.
  • Certified copy of the commercial license, if applicable.
  • A copy of the phytosanitary certificate, if applicable.
  • Industrial Registry, “Industrial Registry” of the MIC for industries - The Commercial Invoice, “Commercial Invoice” that contains the details of the transaction and is required for customs clearance. - The commercial invoice must be legalized. by the Consulate of Paraguay in the issue country issue related to goods.
  • Payment conditions and currency.
  • Delivery terms (use of Incoterm).

Information to be provided in accordance with the customs code:
  • Name and address of the exporter.
  • Name and address of the recipient.
  • Merchandise description.
  • Marks and numbers and, if available, reference number.
  • Number and type of packages.
  • Net weight and gross weight of packages.
  • Country of origin or origin.
  • Unit prices and total value.
  • Reductions and bonuses (if applicable).
  • Transportation costs and other costs related to goods.
  • Payment conditions and currency.
  • Delivery terms (use of Incoterm).

Machine
This law aims to promote the establishment and regulate the operations of industrial maquiladora companies totally or partially dedicated to perform industrial processes or services incorporating labor and other national resources to process, repair or assemble foreign goods temporarily imported for this purpose to its subsequent re-export, in execution of a contract with a company domiciled abroad. Created by the National Council of the Export Industry Maquiladora (CNIME), as an advisory body of the Ministries of Industry and Commerce and the Ministries of Finance, which will consist of the following members, appointed by the Executive at the proposal of the respective departments:
  a) A representative of the Ministry of Industry and Commerce;
  b) A representative of the Ministry of Finance;
  c) A representative of the Central Bank of Paraguay;
  d) A representative of the technical Secretariat of Economic Planning and Social Development; and
  e) A representative of the Ministry of Foreign Affairs.

All the corresponding permits to these companies:
  a) program activities;
  b) Initial permit for the importation of machinery and equipment;
  c) Permission to import raw materials and supplies necessary for production; and
  d) Permission to modify, expand, reduce, suspend or cancel the maquila program.

Temporary Admission:
The customs procedure can be taken to a customs territory with suspension of duties and taxes on imports, certain goods for a certain purpose and intended for re-export within a specified period; either without undergoing transformations or having suffered a process, manufacturing or repair.

Documents necessary for temporary admission:
  • Customs declaration in detail the contents of the package, nature and type of merchandise.
  • The description of the goods that allow their perfect
identification and tariff classification.

- Presentation of original documents or contracts, bill of lading, commercial invoice, etc.
- Information on where the goods will be used and the purpose for which it was imported.
- Warranty policy.

**Law 60/90**

The purpose of this Law is to promote and increase investment of capital of national origin and/or abroad. For this purpose, the tax benefits will be granted to individuals and legal entities based in the country, whose investments are made in compliance with the economic and social policy of the National Government and aims to:

a) The increase in the production of goods and services;

b) The creation of permanent jobs;

c) Export promotion and import substitution.

d) The incorporation of technologies to increase production efficiency and allow greater and better use of raw materials, labour and household energy resources; and

e) Investment and reinvestment of profits in capital goods.

**Tax benefits and exemptions**

Approved investment projects can enjoy, depending on the characteristics of each investment project, pay the following exemptions:

- Value-added tax on the purchase of imported goods, capital goods used in the installation for industrial or agricultural production. Since 2006, the exemption will also cover capital goods produced in Paraguay.

- All taxes collected in the creation, registration or registration of companies and companies.

- Tariffs and internal taxes on imports of capital, goods, raw materials and inputs used in investment projects for the production of capital goods.

- Taxes and other levies on remittances and payments abroad for interest, commissions and capital thereof when the investment is financed from abroad and is less than US $ 5,000,000 (five million dollars).

- Steps to request the benefits granted by law 60/90

- Presentation of the investment project.

- Presentation of the application signed by one of the businessmen and those responsible for the project, indicating: Full name, (attached photocopy of the Police Identity Certificate), address, position in the company, specifying the activity that will develop the project, location of the establishment, the benefits for the country of implementation of the project, details of the requested benefits, justification and quantification amounts subject to appropriate exemption,

- Appropriation of the person authorized by signing the corresponding documentation, telephone number and/or fax,

- Presentation of the study on investment, project in three (3) copies (one original and two copies) with the signature of technicians or professional responsibility, your name, address and professional title and the applicant,

- Commitment laws or Constitution of the Company authenticated by Instand,

- Balance of the last visa of the financial year by the General Directorate of Fiscal Audit, and the taxpayer registration number, “Registration Unique Taxpayers”, or Affidavit where applicable,

- Tax compliance certificate,

- Proforma invoice in Spanish, or translation done by a licensed professional,

- Catalogue of machinery and equipment,

- Environmental license granted by favourable resolution of the Ministry of Environment. In cases of civil works and facilities, relevant rigorous drawings will be presented, with corresponding spreadsheets, metric calculation and budget prepared by a competent professional in the field.

**Duration of the procedure:** 5 MONTHS OR LESS.

**Delivery of the Certificate to the applicant.**

- Deadline for certification 3 to 5 business days.

- Requirements for issuing the certificate.
  - The industry must be registered in the Industrial Registry, “Industrial Registry” of the MIC.
  - Having approved the Annual Production Program.
  - The entry of raw material or requested must not register the national production.
  - The amount of the import shall not be less than 1,500 US $ FOB. - The application must be approved by the Inter-Institutional Technical Committee (CTI).

- Bi-monthly report: The beneficiary must submit to the MIC industry a bimonthly report on the use and allocation of raw materials and inputs imported under this special regime, Res. No. 01/2001 MH, chap. III, art. Nineth.
The Importation of Goods

- Required documents Commercial invoice, AFIDI, APIM or import authorization issued by SENAVE or SENACSA also allows DINAVISA, depending on the raw materials to be imported and eventually technical information.
- Legal framework Decree No. 11.771 / 00 and amended Decree No. 2.884 / 14 - Resolution No. 1/01 MH cost
- No administrative cost
- Import of raw materials and supplies.
- Purpose: Encourage investment and stimulate existing industrial companies, through tariffs, launches, improving the competitiveness of industries as a source of jobs and added value, particularly to stimulate the creation and growth of SMEs.

“SMEs”

- Benefits: Industries eligible for the benefits of Decree 11.771 / 00, “Import of raw materials and introduces a customs tariff of zero percent (0%), where it is shown that they are used as such in their own production processes”.
- Who can access?: All industries in the country, registered as with the Ministry of Industry and Commerce.
- Description of the procedures:
  - Request the user’s password in the single export window, “Single Export Window”, VUE, to access the electronic system.
  - Reception via electronic system, import request the Directorate of Special.
    Regimes, accompanied by the commercial invoice and special permits required of the product (SENAVE, SENACSA, DINAVISA).
  - Study and consideration of the request by the CTI Interinstitutional Technical Commission (MIC, UIP, MH / DNA and MAG / SENAVE / SENACSA) by electronic system.
    Issuance and signature of the Customs Duty Exemption Certificate, by SSEI / DGDE / DRE once the application is approved.
    Normal Import: REGISTRATION REQUIREMENTS FOR IMPORTER art. 19 Decree 4672/2005 (Regulation).
  - Unique Taxpayers Registry, Unique Taxpayers Registry “R.U.C.
  - Municipal license.
- Opening balance of the last year, certified by the competent office.
- Signatory Identity Card.
  - (S.R.L).
- Deed of incorporation and capital contribution.
- Registration in the Public Registry of Commerce and registration in the registry of legal persons.
  - (S.A.) Empresa SA.
  - Social position.
  - Minutes of the last assembly.
  - (Unipersonal).
- Registration Merchant.
  - Bank reference (original), checking account, certified by a local bank.
- Communicate real address, title or rental Agreement.
- Contact the National Customs office, change of address within a period not exceeding five (5) business days.

We thank Hiperlogistical Services for the preparation of the article.

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Asunción, Paraguay.
3 Transport and Logistics
3. Transport and Logistics

3.1. Overview

Paraguay has a land surface of 406,752 Km² and is the eighth largest South American country. Its location in the center of South America makes it an important player with respect to the land routes of the countries in this part of the continent.

Paraguay is a landlocked country, connected to the Atlantic Ocean by the Paraguay and Parana River. It has a total of 3,477 kilometers of navigational rivers. Its capital city, Asuncion, is located at 1,600 kilometers from the River Plate basin. Transit countries are Argentina, Brazil, Uruguay and Bolivia by river and roads.

The main corridors are shown on the graphic below.

3.2. Ground Transportation

The country has approximately 81,000 kilometers of roads, of which about 12% are paved, according to data available for 2018. The main paved routes are Ruta N° 2, which connects Asuncion to Ciudad del Este, Ruta N° 6 which connects Encarnación to Ciudad del Este and Ruta N° 1 that connects Asunción and Encarnación.

Other important roads include Coronel Oviedo to Pedro Juan Caballero in the north, and the Transchaco route from Asunción, through a bridge over the Paraguay River, to Nueva Asunción city at the Bolivian border. In addition, Paraguay maintains roads to international ports in Brazil, Uruguay and Argentina. Two new bridges are being built, one connecting the cities Carmelo Peralta in Chaco Paraguay, and Puerto Murtinho in Brazil. The other connects the city of Presidente Franco, next to Ciudad del Este, and Foz do Iguaçu in Brazil.

3.3. Air Transportation

There are three airports with capacity for large-sized commercial aircrafts. The Silvio Pettirossi International Airport that serves Asunción city, the Guarani International Airport in Ciudad del Este and the airport in Mariscal Estigarribia city in the Chaco. Silvio Pettirossi’s airport has daily commercial and cargo flights to main cities in South America and direct flights to Madrid and Panama. The Guarani International Airport is also a well known airport for its cargoes, with direct flights from Hong Kong and Dubai with imports of different products.

Major Commodities

3.4. River Transportation

80% of the Paraguayan international commerce is traded through the river network, making it the most important infrastructure system of the country. The Paraguayan river fleet is the third largest in the world, with more than 2,500 barges and 300 pusher boats, just behind United States and China.
Main products handled in the Hidrovía Paraguay - Paraná

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<tr>
<td>Grains</td>
<td>4.500.000</td>
<td>7.000.000</td>
<td>7.500.000</td>
<td>6.500.000</td>
<td>7.500.000</td>
<td>8.000.000</td>
<td>11.000.000</td>
<td>8.900.000</td>
<td>10.729.000</td>
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<tr>
<td>Iron Ore from Brazil</td>
<td>4.800.000</td>
<td>5.000.000</td>
<td>6.000.000</td>
<td>7.500.000</td>
<td>9.000.000</td>
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<td>2.100.000</td>
<td>1.700.000</td>
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<tr>
<td>Fuel-Import</td>
<td>1.350.000</td>
<td>1.480.000</td>
<td>1.600.000</td>
<td>1.750.000</td>
<td>1.900.000</td>
<td>2.000.000</td>
<td>4.201.891</td>
<td>3.347.000</td>
<td>3.742.000</td>
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<tr>
<td>Containerized cargo imp/exp</td>
<td>1.170.000</td>
<td>1.305.000</td>
<td>1.410.000</td>
<td>1.470.000</td>
<td>1.635.000</td>
<td>1.740.000</td>
<td>1.700.000</td>
<td>1.800.000</td>
<td>1.650.000</td>
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<tr>
<td>Vegetable oil</td>
<td>400.000</td>
<td>400.000</td>
<td>400.000</td>
<td>450.000</td>
<td>500.000</td>
<td>1.300.000</td>
<td>1.200.000</td>
<td>789.000</td>
<td>771.000</td>
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<td>Teus Export</td>
<td>30.000</td>
<td>35.000</td>
<td>38.000</td>
<td>42.000</td>
<td>46.000</td>
<td>48.000</td>
<td>500.000</td>
<td>480.000</td>
<td>600.000</td>
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<tr>
<td>Projection TM/year</td>
<td>12.250.000</td>
<td>15.220.000</td>
<td>16.948.000</td>
<td>17.712.000</td>
<td>20.580.000</td>
<td>21.040.000</td>
<td>20.701.891</td>
<td>17.016.000</td>
<td>18.992.000</td>
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The main products exported by Paraguay besides grains and its derivates, are meat, charcoal, rice, organic sugar, leather and derivates, auto parts, tobacco and wood.

The chart below shows the main destinations for export products in 2014.

The main import products are oil/fuel, household goods, raw material for industries, vehicles, agrochemicals and fertilizers, electronic goods, drinks and food and machinery.

The following chart depicts the main origin of import products.

Port in the Hidrovía Paraguay – Paraná

In 1994 the government created the law 419/94, which allows the construction and operation of private ports in all waterways of the Paraguayan navigable system.

Since then more than 35 private ports have been built, creating investments of over USD 1,500 million and more and 3,500 jobs, facilitating commerce and reducing extra costs for importers and exporters. Some public ports are still operating, under the dependence of ANNP, National Administration of Ports and Navigability.

Below is a chart of main private and public ports operating.

<table>
<thead>
<tr>
<th>General Cargo &amp; Containers</th>
<th>Grain Terminals</th>
<th>Grain Terminals</th>
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<tr>
<td>8 Acep Par</td>
<td>15 Annp</td>
<td>24 Gical</td>
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<tr>
<td>9 La Lucha</td>
<td>16 Paksa</td>
<td>29 Concremex II</td>
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<tr>
<td>10 San José</td>
<td>20 Annp – Ita Enramada</td>
<td>31 CAIASA (LDP/Bunge)</td>
</tr>
<tr>
<td>12 Fenix</td>
<td>22 Normento</td>
<td>14 Puerto Unión</td>
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<tr>
<td>13 Caacupemi</td>
<td>28 TERPORT</td>
<td>18 Mol. Harineros de Py</td>
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<tr>
<td></td>
<td>30 Puerto Seguro Fluvial</td>
<td>19 Nav. Conosur</td>
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<td>23 Concretmix I</td>
</tr>
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</table>

Business & Investment Guide Paraguay 21
4 Establishing a Company in Paraguay
4. Laws governing the incorporation of legal entities in Paraguay

The Paraguayan Civil Code and its complementing and amending laws (such as Law No. 117/93, Law No. 388/94, and Law No. 3.228/07) regulate the procedure for the formation of companies in the country.

4.1. The types of companies ruled are:

1. Joint-Stock Companies
2. Limited Liability Company
3. General Partnership
4. Limited Partnership
5. Partnership Limited by Shares
6. Industrial Partnership (Capital + Industry)
7. Branch Office.

The types of companies preferred by foreign companies or investments are those indicated in numbers 1, 2 and 7.

4.2. Are there restrictions for the establishment of companies? If so, which ones?

In general, there are no legal restrictions for the establishment and the exercise of actions and rights pertaining foreign companies.

However, in order to regularly exercise all of the acts covered by the activities of the company as defined by the Articles of Association within Paraguayan territory, foreign companies must establish a representation with domicile in the country, prove that the company has been incorporated pursuant to the laws of its home country, and justify the agreement or decision to create the branch or representation, the capital allocated, if so, and the appointment of representatives (Art. 1.197, Civil Code).

On the other hand, the Law which establishes a border security zone in the Republic of Paraguay (Law No. 2.532/05, partially amended by Law No. 2.647/05), prohibits foreign citizens from bordering countries (Argentina, Brazil and Bolivia) to own rural estates within a strip of 50 km adjacent to the land and river border lines, or to be members of companies owning such estates.

4.3 Legal entities for foreign companies

What are the types of legal entities that foreign companies may choose to establish in order to execute their businesses?

The types of legal entities most frequently chosen by foreign companies are the joint-stock company/limited company (Ltd), the limited liability company (LLC), and the branch office.

What are the requirements to be fulfilled for each type of legal entity?

The main legal requirements are:

- **a) Joint-stock companies/Corporations ("S.A." in Spanish)**

The name of the company must include the acronym “S.A.” (Sociedad Anónima). This type of company mandatorily requires at least two shareholders, whether natural persons or legal entities. The joint-stock companies can be closed joint-stock companies or public companies. The public joint-stock companies must include the expression “Sociedad Anónima de Capital Abierto”, being able to abbreviate to the acronym “S.A.E.C.A.”. The public offer of its shares must comply with the regulations of Law No. 5.810/17 of “Stock Markets”.

The Articles of Incorporation (Association) must be drafted by Public Deed, with the intervention of a Notary Public, and registered in the Public Registries.

Public joint stock companies that sell their securities in the stock market must comply with additional requirements and procedures for their constitution, such as the inscription before the National Securities Commission (Comisión Nacional de Valores in Spanish). The Civil Code does not indicate a minimum amount of capital necessary to establish a closed joint stock company.

Public joint stock companies require a minimum capital, which is established by the National Securities Commission through a General Resolution.

The formation of closed joint stock company takes around 30 to 45 days, and its cost depends on the share capital and the services to be quoted regarding the incorporation and operation.

The formation of a public company takes longer and involves more costs.

- **Shares**

The share capital is represented by nominal shares and their transfer is subject to the conditions established for registered securities, with the exception of shares that are applicable to Public limited companies issuing public
offer securities operating in the stock markets. In public joint stock companies, the share capital is represented by nominal shares that are subject to public negotiation in the stock market.

It is worth noting that, in accordance to the Law No. 5.895/17 "That establishes rules of transparency in the regime of joint stock companies" the provisions regarding bearer shares were modified, and are now eliminated from the Paraguayan legal system. In consequence, all joint stock companies incorporated, whose domicile is in the Republic of Paraguay, must be represented by nominal shares, even foreign joint stock companies that transfer their domicile to the Republic of Paraguay.

Each share gives the right to one vote and to participate if the social profits, in accordance to the Civil Code. The privileges that may be granted within the vote are incompatible with personal preferences regarding assets.

- Board of Directors

The Stock Company is managed by one or more directors who do not need to necessarily be stockholders of the Company. They are appointed by the Ordinary General Meeting of Stockholders for a fixed term (one year, unless otherwise stipulated by the company's bylaws, and up to three years). The representation of the company is exercised pursuant to the provisions stated by the bylaws of the company.

For public joint stock companies, the Board of Directors has to be formed by a fixed and odd number of at least three (3) members.

The appointed directors may be of Paraguayan or foreign nationality residing in Paraguayan territory.

- Syndics

They are appointed by the stockholders in the Ordinary General Stockholders Meeting, and they do not have to be stockholders. The syndics are legally empowered to inspect the management of the directors.

- Legal Reserve

The Commercial Law compels companies to establish a legal reserve of 20% of the share capital, to be constituted annually by at least 5% of the profits.


The name of the company must include the denomination “S.R.L.” (Sociedad de Responsabilidad Limitada in Spanish). This type of company mandatorily requires at least two partners, but not more than twenty-five. The Articles of Incorporation (Association) must be drafted by Public Deed and registered in the Registry of Legal Entities and Associations, as well as in the Public Registry of Commerce.

This type of companies cannot perform banking, insurance, capitalization or savings operations, or those activities in which the law requires the constitution of another type of company.

The Civil Code does not foresee a minimum amount of capital necessary to establish an LLC.

The formation of an LLC takes approximately 45 days, and its cost depends on the capital and the services to be quoted regarding the incorporation and operation.

- Contribution

The capital is represented by nominal contributions, and not by shares. The assignment of the contribution requires the authorization of the other members, and if this is not possible, it can be authorized by a Judge in Civil and Commercial Matters. The assignment of contributions is formalized by public deed and registered in the Public Registries.

- Managers

LLC’s can be managed by one or more managers, whom may be quota-holders or not. The managers must be Paraguayan or foreign individuals domiciled in Paraguayan territory.

- Legal Reserve

Limited Liability Companies are obligated to establish a legal reserve of 20% of the capital, to be constituted annually with at least 5% of the profits.

c) Branches

Companies established abroad have their domicile in the place where their main place of business is located.

The foreign companies that have decided to operate regularly in Paraguay must establish a branch or representation with domicile in the country, as well as to observe the obligations and formalities provided for the type of company that is most similar to that of their incorporation.

As with Paraguayan companies, those companies must be registered in the Public Registry of Commerce, and in the Registry of Legal Entities and Associations.

Every company established abroad that wishes to operate in the national territory must:

- Establish a representation with domicile in the country, in addition to the home addresses, as they may be required under legal circumstances;

- Prove that the company has been incorporated pursuant to the laws in their country of origin; and
- Justify the agreement or decision to create a branch or representation, the capital assigned, in its specific case, and the appointment of the representatives.

Advantages and disadvantages of each one

a) Third Party Liability

The stockholders of a Joint-Stock Company and the members of a Limited Liability Company limit their liability against third parties up to their share or contribution of the capital, even in the event that the Joint-Stock Company and the Limited Liability Company were liable against third parties with all their assets.

However, the liability of the Branch is extended to its Parent Company, as the latter does not constitute a distinct legal entity. Therefore, the assets of the Parent Company may become affected by deeds performed or obligations incurred by the Branch.

b) Tax Effects

Fiscally, it is more flexible and beneficial to operate with a locally based company, even if its stockholders were domiciled abroad.

Moreover, the stockholders can decide not to distribute the profits and allocate them to reserve or reinvestment, with the subsequent tax savings.

c) Public Listing at the Stock Market

The shares of a Joint-Stock Company/Corporation (“S.A.”), in which the bylaws are pursuant to the requirements set forth by the Capital Markets Law, can be quoted in the Stock Market, with the subsequent advantages thereupon.

LLC’s or Branches of foreign entities cannot be listed in the Stock Market, as they lack shares.

d) Management and operation

The management of Stock Companies is more bureaucratic, as these require minutes of the board of directors, supervision by the Syndic, remittance of periodic communications to the Finance Ministry’s controlling institution, etc., all of which enable the stockholders to exercise more control on the management exercised by the directors, and these, in turn, take special care on their proceedings.

The operation of an LLC and of a Branch is simpler and less expensive than that of a Stock Company. These do not require a Board of Directors, a Stockholders Meeting, a Syndic, etc., all of whom must meet with a minimum periodicity, and whose decisions must be put on record in the minute books.

How are Joint Ventures regulated?

(Temporary combination of companies sharing stakes).

Law No. 117/91 “Of Investments” recognizes joint investments between national and/or foreign investors, under the modality of Joint Venture, being subject to the domestic laws.

National or foreign individuals, and the established legal entities, domiciled or represented in the country, as well as the Public entities, including autarchic entities and other entities under the public law, may become partners with one another by means of Joint Venture contracts for all kinds or licit activities. The rights and obligations under Joint Venture contracts are governed by the provisions set forth in the pertinent contract.

We thank Livieres Guggiari Abogados for the preparation of the article.

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5 Environmental Legal Framework in Paraguay
5. Environmental Legal Framework in Paraguay

Since the early 20th century the environment’s protection has not been at all a secondary matter for Paraguay, having as a result its actual environmental legislation that as we will see along this article, can definitely be catalogued as complete and up to date with international standards.

The first attempts of protecting the environment in Paraguay can be found on the 1914’s Criminal Code, its 1931’s Rural Code and its Agrarian Statute of 1963 that in some few articles have slightly and indirectly sought to protect some specific natural resources. Nevertheless, it is not until Stockholm’s United Nations Conference on the Human Environment in 1972 that it can properly be said that such thing as Paraguayan Environmental Law exists.

Since then, its legislation took a path with no return in terms of environmental protection. Examples of the most important measures taken in the subject that followed the Conference are: the 1972’s Forests Law, the ratification in 1976 of the Convention on International Trade in Endangered Species of Wild Fauna and Flora, the 1980’s Sanitary Code, and the creation of the Environment and Natural Resources’ Sub Secretary of the Ministry of Public Works in 1989 which had as its main objective the creation of a National Environmental Policy, among others.

However, the most important and iconic normative reform in Paraguay’s environmental legal framework, which can even be considered as revolutionary, is without any doubt the insertion of the right to habit a healthy environment and the protection of it in the National Constitution’s first chapter, titled as “Of the Life and the Environment”, equalizing the importance of the environment’s protection to the right to life. This giant step motivated and became the base of the numerous environmental laws and rules that today integrate our legal system.

Nowadays, the Paraguayan environmental legal framework is composed by a wide range of in force regulations that go from articles in the foregoing Constitution and ratified international treaties that protect the environment, to laws and other legal rules emanated from Government’s three the branches and some municipalities.

For the purpose of a better understanding and coverage of Paraguayan current environmental legal framework, the following sections are going to be structured following Paraguay’s hierarchical order of rules.

5.1 National Constitution

When it comes to the Constitution’s environmental provisions, definitely the starting point has to be its 7th and 8th articles that guarantee the rights of habitating a healthy environment and the protection of it. Besides from the fact that, as was mentioned before, they give the environment’s protection the same weight and relevance that it gives to the right to live in our legal system, they also introduce in it the concepts of sustainable development and environmental liability which doubtlessly are together the cornerstone of all environmental legislations. In the 8th article, for the first time in Paraguayan history, the environmental crime is instituted making people who committed a specific crime contemplated in the law not only obliged to recompose the damage but also to submit to a criminal punishment.

In harmony with what articles 7 and 8 determine, there are several other provisions widespread throughout the Constitution that treat other environmental related matters such as: the State’s duty of investigating ways to preserve ecology (art. 6); the right to claim the authorities for the protection of third generation rights such as for example the habitat’s integrity, environment’s defence, public healthiness, and others (art. 38); the municipalities’ attribution to dictate ordinances to protect the environment and to manage it with autonomy inside the limits of their jurisdictions; the assignation to the District Attorney’s Office of the attribution of filing the criminal law suits that are needed to protect the environment (art. 269, paragraph 2); and the guarantee that the State will defend indigenous communities from their lands’ contamination (art. 66).

5.2 International Treaties

With regard to this point it is important to begin by mentioning that Paraguay has maintained itself immu-
tably in the line of ratifying all the multilateral International Treaties that aim to protect the environment. As a matter of fact, these treaties regulate the protection of a considerable number of the country’s natural resources and delimit the allowed human conducts towards them. This has enriched significantly the environmental legal system as it will be seen.


5.3 Laws, decrees and resolutions.

The biggest novelty as far as Paraguay’s environmental legislation is concerned is indeed Law N° 6123/2018 that creates the Ministry of Environment and Sustainable Development. Its enactment eliminated the SEAM, the first Paraguayan environmental administrative authority which only had the hierarchical place of a Secretary at the time that now it has been elevated to a Ministry.

Perhaps our most prominent environmental precept considering that it formulates a practical preventive mechanism of protection to the environment applicable to everyday mankind economic activities is Law 294/93 of Environmental Impact Assessment which is based on the Constitution’s 8th article above stated provision that dictates that every activity that causes damages to the environment has to be regulated by law and become subject to penalties and compensations. It pretends to comply with said requirements and provides that all applicants are obliged to submit environmental impact studies to the MADES before carrying out any project and economic activities. These studies called “EvIA” went through a process of important improvements in the past few years that with Decrees N° 453/13, N° 954/13 and Resolutions N° 184/16, N° 244/13 and N° 362/13 achieved the shortening of time for the administrative proceedings, the deliberation in order to approve/amend/reject the project, as well the extension of license's time of validity, the establishing of predetermined forms that just need to be presented digitally with the needed documents attached in order to start the process, and lastly the elevation of the environmental consultants entitled to make the studies' fees. MADES’ recent Resolution 321/18 sets out fines or administrative hearings for the defaulters that fail to perform in time Environmental Audits for every project as ruled in Resolution N° 244/13.

At the same time Law N° 352/1994 of Wild Protected Areas aims to set general standards for the management and administration of the National System of Protected Wild Areas of the country, applicable to both areas of public or private domain that shall be governed in any case by a Regulatory Plan. The declaration of a Protected Wildlife Area is issued through a Decree of the Executive Power or by Law passed by National Congress, and the wild protected area under private ownership must be registered at the Public Registry for third parties to take knowledge of mandatory restrictions of use and domain over the land.

Another noteworthy norm is Law N° 3001/2006 of Environmental Services’ Valuations that although it was enacted in 2006, it has only been effectively applied since 2013. By Decree N° 11.202/2013 the Executive Power issued regulations that foster the application of certifications for environmental services to public works starting over USD 50 million (i.e. construction of highways) for the equivalent of 1 % performed by the Ministry of Public Works and Communications.

As aforesaid, some environmental damages are deemed as criminal offences. Law N° 716/1996 that Punishes
Crimes Against the Environment sanctions them with fines of up to 1,000 minimum wages (USD 10,000 approx.) and jail for up to 8 years, and the in force Criminal Code on its articles 197, 198, 199, 201 and 202 condemns as well the contamination of some natural resources with prison for up to 10 years or fines. In addition to that, let’s not forget that the District Attorney’s office has mandate given by the Constitution of filing the actions needed to protect the environment, hence a Environmental Specialized Division of the District Attorney’s Office was set up and effectively does so. Nonetheless, it’s also worth noting that in the cases in which violations to environmental laws are verified but that happens not to be contemplated in the referred criminal environmental laws, the MADES can set up fines of up to 20,000 minimum wages (USD 200,000 approx.) as stated in Decree N° 2598/14.

With a view to Law N° 3239/2007 of Water Resources, this Law establishes that all uses of water (agriculture, industry, social use like supply of tap water and sewages and services such as tourism, navigation, generation of energy and so on) shall require an administrative title granted by MADES (permits for small usages and concessions for intensive use), subject to the declaration of environmental impact and the certification of availability of water in a given basin. Likewise, holders of said titles shall pay a fee for the use of public water (both superficial and underground water) and effluent emission (according to the level of contamination). Given said provisions, this Law shall have an important impact in all economic activities once the regulations are issued by Decree of the Executive Power.

On its part, Law N° 3952/09 of Solid Wastes seeks the establishment and implementation of a legal regime for the production and responsible management of solid waste, aimed to generate the reduction of waste to a minimum and avoid risks for human health and improve environmental quality. However, as is the case of Water Law, a Decree of the Executive Power is still pending with the detailed regulations of the Law in order to be fully applicable to the generation, treatment, collection and transport, recycling and final disposition of solid waste.

In what regards to Law N° 5211/14 of the Quality of Air, after its enactment, the administrative authority issued Res. 259/15 establishing the limits for emission of MP, O, NO, SO and CO. Industries and other sources of emission of gases (such as vehicles and any kind of transport) should adapt in the short term.

At last, despite the fact that it has not been emitted by the MADES and that it is not a law, it certainly is a game changer precept in terms of environmental regulations the one dictated by the Presidency with de Decree N°1039 which creates the “Free, Informed and Previouly-Asked-For Paraguay-habiting Indigenous Communities' Consent Protocol” that sets up the obligation for every person and entities of previously asking for the indigenous communities’ free, and informed in detail consent to execute any project that may somehow affect their rights to own land, of living with their particular traditions and to live. In order to be able to start this process, a technical study of the social and environmental impacts that the project may cause the communities must be issued by independent entities and approved by the Paraguayan Institute of Indigenous Communities on beforehand.

ADDITIONAL INFORMATION:

OTHER IN FORCE ENVIRONMENTAL LAWS IN PARAGUAY:

- Law N° 3556/2008 of Fishing and Aquaculture.
- Law N° 3468/2008 that creates the National Forests Institute.
- Law N° 536/1994 that Promotes Forestation and Reforestation.
- Law N° 123/1991 that adopts new forms of Phytosanitary protection.
- Law N° 6256/2018 that prohibits the activities of transformation and conversion of lands with Forests in the Oriental Region”.
• Law N° 4397/2011 that prohibits the use of Sodium Tripolyphosphate in National and Foreign Domisanitary Products in all the National Territory.

• Law N° 5414/2015 that Promotes the Diminish of Polyethylene Plastic.

• Law N° 42/1990 that prohibits the Importation, Deposit, and Use of Products qualified as Dangerous Industrial or Toxic Wastes and establishes its liability.

• Law N° 5875 of Climate Change.

• Law N° 117/1991 of Investments.

• Law N° 60/1990 "That approves with modifications the Decree N°27/89, that establishes the Fiscal Incentives Regime for National and Foreign Investors".
The Foreign Investor in Paraguay
6. The Foreign Investor in Paraguay

Paraguay is currently experiencing a great and sustained economic growth and the macroeconomic and market conditions are optimal for investment. The regulation of the financial sector in the country has created the conditions for extended credit, which results in heavy commercial, real estate and industrial investment, in addition to its traditional strength in agribusiness (Paraguay is one of the largest commodities, such as meat, soy, etc.) exporters in the world and hydroelectric power.

Furthermore, Paraguay’s private sector efforts to engage in commercial partnerships with foreign investors, have produced important developments of the inland waterway transport system as well as in port infrastructures.

6.1. Vibrant economic growth

The foreign investor in Paraguay

In light of the sustained growth the Paraguayan economy has experienced in the past years, there is an increased trend for foreign investors to participate in key sectors of the economy, namely the financial, real estate, infrastructure and agricultural sectors. The Paraguayan economy has undergone significant changes in recent years; with an average GDP growth of 3.8%. Moreover, macroeconomic data indicates that the average inflation rate per annum is 3.5%. In this regard, the Central Bank of Paraguay has demonstrated its commitment and success in containing and stabilizing inflation.

Investment climate

The Paraguayan government has committed to an integral investment program over the next years enacting the PPP law and modifying other regulations related to Public Works. These funds are destined to finance the privatization of airports, toll roads, trains, riverways, etc., which therefore present an excellent opportunity for investment.

In addition, Paraguay has one of the largest water reserves of the region, the Acuífero Guaraní. It also has important hydroelectric dams, Itaipú and Yacyreta, as well as the Central Acaray which enables a competitive and low cost electricity service. The youngest population in America can be found in Paraguay, where 73.7% of the population is younger than 34 years old, offering a young and trainable workforce in the region.

Pillars of our economic growth

a) Financial system

All financial and banking institutions operating in the country are subject to strict regulatory oversight by the Central Bank of Paraguay (BCP). As of the date hereof, there are currently 17 banks and 8 financial institutions (financieras) authorized to operate in Paraguay. The majority of the local transactions have clearly demonstrated the public’s preference for deposits in Guaraníes (local currency), as opposed to US Dollars (foreign currency). However, project finance and other structured finance transactions are customarily carried out in US Dollars and international market standards.

b) Sophisticated private sector

Paraguay’s economy is supported by a well-developed private sector, in part responsible for the overwhelming economic growth of recent years. The country’s active private sector has established commercial partnerships with foreign investors that have led to the development of key industrialization projects all over the country, such as, the construction of a cement plant and private ports.

c) Industrialization lead by agribusiness

Agribusiness plays a large role in the Paraguayan economy, as it is the sixth largest producer of soybean in the world. Other important agricultural crops produced locally are cotton, sugarcane, tobacco, corn and wheat. Paraguay is progressively advancing in optimizing its production by heavily investing in industrialization to give it added value. It is also the leader in river transport of the Paraguay, Paraná and Río de la Plata rivers.

6.2. Investment incentives

Investment Law (Law No. 117/91)

This law was passed to promote foreign investment in Paraguay and to provide foreign investors with legal certainty. This law is meant to promote and guarantee both foreign and national investments for the purpose of fostering the social and economic development of Paraguay. Among its various provisions, the Investment Law provides the following:

• The foreign investor or company, shall have the same guarantees, rights and obligations as any national investor, without discrimination;

• Real property ownership is guaranteed for all national and foreign investments, limited only by the National Constitution and applicable laws;

• A national policy of free trade is guaranteed, including:

  (I) freedom of production and commercialization of goods and services, in general, with the exception of those goods and services expressly prohibited by law; and
(II) freedom of imports and exports of goods and services, with the exception of those goods and services expressly prohibited by law.

**Paraguay’s Central Bank Organic Law**

Certain aspects which were originally foreseen by Investment Law, were later more explicitly regulated by Central Bank Organic Law (Law No. 489/95), as detailed below:

- Article 47 of said law, guarantees a national policy of free exchange.
- Obligations agreed upon to be payable in foreign currency shall be recognized as valid and enforceable under local law (art. 51, Law 489/95).

Paraguay’s Central Bank Organic Law has recently been amended by Law No. 6.104/18. One of the most relevant amendments introduced by this law is the recognition of the Superintendency of Banks’ power to regulate entities, other than banks and financial institutions, which undertake activities similar to those of banks and financial institutions. Thus, empowering regulators of the financial market.

**Investments Tax Incentives (Law No. 60/90)**

This law grants tax benefits on investments of national or foreign capital. In order to qualify for these benefits, the investor with domicile in the country, shall make an investment in accordance with the national social and economic policy and complete one of the following objectives:

- Increase of the production of goods and services;
- Permanent creation of job sources;
- Promote exports and the substitution of imports;
- Incorporate technology that increases the productive efficiency and enables greater and better use of raw materials, labor, and national energy resources; and
- Investment and reinvestment of earnings on capital.

The beneficiaries of this act may enjoy various tax exemptions. For example, subject to qualification of investment\(^1\), the beneficiary may be exempt from payment of municipal taxes and taxes on remittances and payments of (i) interests of loans from foreign lenders\(^2\), as well as (ii) dividends to foreign shareholders, during a certain period of time\(^3\).

**Investment, Job Creation, and Social and Economic Development Promotion (Law No. 5.542/15)**

This law protects the investment of national or foreign capital related to the establishment of factories or other productive activities in our country, provided that these establishments employ national labor force and contribute to the social and economic development of Paraguay, especially by way of industries that add value to Paraguayan or imported raw materials. In order to qualify for benefits provided by this law, the national or foreign investor, whether a natural or legal person, shall make an investment in accordance with this law, and complete the following requirements:

- Settle in a low developed area with insufficient work supply but large work demand, to be determined by the National Economical Department;
- Require and offer a large quantity of labor force and promote the formation of mid-level job sources;
- Grant added value to raw materials through industrialization;
- Prevent severe and irreversible damages to the environment.

Once the legal requirements are met, the Paraguayan Government and the investor would enter into an agreement which will be executed through a public deed. This agreement will establish the period of time upon which the investor should invest the funds required to undertake the project. This period shall not exceed five years for investments of USD 5,000,000 or more, and two years for investments under USD 5,000,000. The beneficiaries of this law may also enjoy various benefits to invested capital such as tax exemptions, and invariability of tax rates on income tax for 10 years, among others.

**Maquila Industry Law (Law No. 1.064/97)**

The Maquila Industry Law regulates all maquila related activities in Paraguay. In addition to the promotion and regulation of the maquila industry, this law provides significant tax exemptions. The maquila contract and the activities related to its performance are subject to a single tax rate of 1%, and are exempted from all national, state and municipal taxes. The process to obtain authorization to operate a maquila in Paraguay is described briefly as follows:

- **Registration** – The individual or legal entity must register with the Executive Office of the National Council of the Maquila Industry for Exportation.
- **Submission of the Maquila Program** – The Maquila Program is the document which outlines, in detail, the characteristics of the industrial process or services, including a timeline detailing imports, production, exportations and any other relevant information.
- **Approval issued by the CNIME** (Consejo Nacional de Industrias Maquiladoras del Paraguay) – The CNIME shall evaluate the request and issue an opinion to the Ministries of Industry and Commerce and the Treasury.
- **Issuance of the Resolution** – Once approval by the CNIME has been obtained, the Ministry of the Treasury and the Ministry of Industry and Commerce jointly issue a resolution approving the maquila operation.

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\(^1\) Required minimum investment of USD 5,000,000 in the relevant project.
\(^2\) Lender must be a first-class lending institution, pursuant to local law tax.
\(^3\) For payment of interests, the maximum exemption period is the duration of the loan, while for payment of dividends the maximum exemption period is 10 years.
• Submission of the Maquila Contract – Once the aforementioned resolution has been issued, the maquila company has a period of 120 days to submit the Maquila Contract.

• Start of Operations – Having fulfilled all the preceding requirements, the company may initiate the maquila operation, subject to supervision by the CNIME.

An important benefit of producing under the maquila regime is the possibility of exporting manufactured goods to other countries within MERCOSUR (Brazil, Argentina, Venezuela and Uruguay) at a zero-tax and import duties rate. In order to be eligible for such a benefit, the goods manufactured in Paraguay must have a certificate of origin MERCOSUR (certificación de origen). As a general rule, the product must have at least 60% of national added value however; the percentages may vary for certain products.

The Ministry of Industry and Commerce has recently announced that, in the current year, maquila companies’ exports have generated approximately USD 456,000,000 a year, which represents a 57% increase since last year. The main exported products consist of parts for the car industry, apparel and textiles, leather and plastics. In this sense, 82% of maquila exports are destined to MERCOSUR – mainly Brazil and Argentina – while the remaining 18% are distributed within Thailand, United States, Indonesia, China, France and Vietnam.

Public Private Partnership Law (Law No. 5.102/13)

This law provides the legal figure of public-private partnership contracts, includes the figure of private initiative and regulates the use of trusts for the purposes set out in this law.

These contracts may include infrastructure and service management projects, including road, rail, port, airport and waterway projects, as well as projects for dredging and maintaining the navigability of rivers, social infrastructure; electrical infrastructure, improvement, equipment and urban development projects, water supply and sanitation, among other investment projects in infrastructure and public utility services. They may also comprise the production of goods and provision of services that are corresponding to agencies, organizations, companies and societies in which the State is party.

Turn Key Law (Law No. 5.074/13)

This law regulates a special, complimentary procedure for all those national and/or international public tenders that deal with the elaboration of feasibility and work projects, the inspection, the construction of the public works and/or public services.

The processes carried out under this law are exclusively reserved to those projects and bidders who, at the time of submitting their tender offer, have secured the total financing of the works, their respective projects and their audits.

Law of transparency of corporations (Law No. 5.895/17)

Under this law, it is established that it is necessary that corporations have registered and non-bearer shares, in order to ensure the existence of adequate, accurate and timely information on the final beneficiary and the control of the legal entities operating within this system.

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We thank GrossBrown Estudio Jurídico for the preparation of the article.

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7 Intellectual Property in Paraguay
7. Intellectual Property in Paraguay

Today we live in a society of knowledge. It is a globalized society of knowledge. No commercial or industrial activity can take place today in any context without considering intellectual property protection.

Unfortunately within MERCOSUR we are still far away, unlike the European Union, from a harmonized supranational legislation in any field, much less in the area of Intellectual property. Intellectual property has two branches: copyright and industrial property. This article describes in a very basic way two main concepts of Industrial Property and a brief comment about the branch of Copyright in accordance to the present applicable rules.

7.1. Main Concepts Of Industrial Property In Paraguay

Trademarks

Trademarks are distinctive signs graphically represented, which serve to identify certain goods or services.

The following items can be registered as trademarks: one or more words, slogans, emblems, monograms, seals, stamps and engravings, names, fanciful words, distinct combinations of letters and numbers, combinations and arrangements of colors, labels and packaging and containers. A trademark may also consist of the particular shape, presentation or arrangement of the products or their packaging, as well as the means or place where the products or services are sold.

Paraguayan legislation also recognizes special types of trademarks:

- Collective trademark: any sign aimed at distinguishing the common origin or any other common characteristics shared by products or services produced by different enterprises that use the trademark under the control of the holder. Collective trademarks may be registered by duly authorized societies to be used by their members. The holder must explicitly state the nature of the trademark and the regulations governing its use.

- Certification mark: a sign applied to products or services, the unique characteristics or quality of which are certified by the trademark holder. This type of trademark can be applied for by private or public-law national or foreign enterprises or institutions, or by regional or international state bodies.

The following items are non-protectable as trademarks:

- Signs or means of distinction contrary to law, public order or morality.
- Signs that may be potentially misleading or confusing as to the origin, manufacturing method, characteristics, quality or purpose of the products or services concerned.
- Badges, emblems or names belonging to the State, other public-law legal persons or international organizations, unless the trademark is applied for by these bodies themselves.
- The usual or necessary presentation of a product or its package.
- Trademarks that provide a functional or technical advantage to the product.
- One single color.
- Signs consisting wholly of the generic name of the product or service or referring to any general characteristic of the product in the market.
- Signs that are identical or similar to trademarks that have previously been registered or applied for by a third party, either concerning the same products or services or concerning different products or services in a context that may give rise to a likelihood of confusion with the existing trademark.
- Signs consisting of the total or partial reproduction, imitation, translation, transliteration or transcription of an identical or similar distinctive sign that is well-known in the market and belongs to a third party, for whatever products or services the sign is intended to be applied to, if its use or registration is likely to cause confusion or to take advantage of the reputation and distinctiveness of the sign.
- Signs infringing the copyright or intellectual property rights of a third party.
• Signs applied for or registered by someone without a legitimate interest or who knew or is supposed to have known that the sign belonged to a third party.

• Names, nicknames, pseudonyms or pictures related to living persons, without the consent of these (or if deceased, the consent of their successors up to the fourth degree of consanguinity). Any sign affecting the personal rights of a third party, except with their own consent.

• Signs consisting of or containing geographical indications.

Process:
Application forms must be submitted in person at the offices of the DINAPI by a duly authorized Intellectual Property Agent with powers of representation. The application form for the registration can be found on the official DINAPI website, on the Formalities and Services section.

The registration process presently takes about 9–18 months if no oppositions are filed. The process for the renewal of a trademark takes between 6 and 9 months. Since renewals can be requested up to one year prior to the expiry date, it is advisable that the applications are filed early.

The registration system works on a 'first come, first served' basis, unless another person claims priority within 6 months from the submission of a foreign application, as established in the Paris Convention. As Paraguay does not provide for a multi-class registration system, it is necessary that a different application is filed for each class to be protected. It is also important to note that the whole procedure before the DINAPI must be conducted by Intellectual Property Agents so that all the legal requirements are met.

Any natural or legal person, whether national or foreign, can apply for the registration through an authorized IP agent.

Required information and documents:
• Name of the trademark;
• Classes of products or services to be protected (the type of services must be further specified);
• Applicant's name and address;
• Logo (if applicable).

• The Power of Attorney can be submitted within 60 working days from the submission of the application. For administration formalities, the Power of Attorney only needs to be certified by a notary.

The whole procedure is to be carried out in Spanish. Thus, the corresponding documents, including priority claims (if applicable), have to be translated and certified by a sworn translator registered in Paraguay. The official fee for a trademark application is presently 25 euros, while the fee for a trademark renewal amounts to 125 euros.

Trademark protection lasts for 10 years from the date of the registration. Renewal, which can be requested by the party concerned during the year prior to the expiry date, allows for the indefinite extension of the protection for periods of 10 years. There is a grace period of 6 months after the expiration date to request the renewal.

Patents
Paraguayan legislation contemplates two types of patents:

Patents of Invention: Aimed at protecting new inventions, such as products or processes, that imply an inventive step and are industrially applicable.

Utility models: Aimed at protecting any new shape, configuration or arrangement of components applied on devices, tools, instruments, mechanisms or other objects, or a part of these. Utility models allow for an improvement or change in the function, use or manufacturing of the item or provide an extra utility. This type of patents includes any new shape, reform or modification of already existing objects that leads to better price and functioning of the products.

The following items cannot be protected as Utility Models:
• processes;
• chemical, metallurgical or any other type of compositions and substances;
• non-protectable subject matters according to Paraguayan law.

Patentability requirements are as follows:
• Novelty: Inventions are considered as new if they are not comprised in the state of the art. ‘State of
the art’ includes everything that has been disclosed or made available prior to the date of submission of the application (or, in some cases, prior to the date of priority claimed) anywhere in the world through any means. The state of the art also includes all the pending patent applications being processed at the DINAPI whose filing date or pertinent priority is earlier than the date of submission of the application or priority application concerned. This only applies if this content was included in the previous application when such application was published.

- Inventive step: The invention must not be considered obvious or evidently derived from the state of the art by a person skilled in the art.

- Industrial applicability: An invention is considered as industrially applicable if it can be produced or used in any type of industrial or productive activity. In this regard, the term ‘industrial’ should be understood in a broad sense; it includes handcraft, agriculture, mining, fishing and services, among others.

**Duration**

Patent invention protection lasts for 20 years, while Utility Model protection lasts for 10 years. Both terms of protection are calculated from the application filing date.

Paraguay is presently not a member to the Patent Cooperation Treaty (PCT). However under the Paris Convention, European SMEs that had applied for the same patent in their country of origin, have 12 months to file the patent application in Paraguay claiming the same priority.

**Required information and documents**

The applicant or a duly authorized representative must submit a form including the following information:

- Information on the applicant’s identity, nationality and address.
- Name of the inventor(s).
- Title and summary of the invention.
- Name, address and registration number of the Intellectual Property Agent.
- Power attorney, which does not have to be authenticated by a consulate or a notary (if the application is submitted through a representative).
- Priority document, if applicable.
- One or more claims.
- Drawings.
- An original or a copy of the assignment document.

**Process**

Once the corresponding information and documents are submitted, the DINAPI starts processing the application. This process starts with a formal examination and the publication of the application in two widely read national newspapers. After the publication, the patentability examination is performed, upon payment of the corresponding fee. Observation by third parties can be done from the publication of the application until the substantive examination. If the patent application is approved, a Letter Patent shall be issued.

Any natural or legal person, whether the inventor in person or a third party to whom the rights have been assigned, may file a patent application at the DINAPI. An Intellectual Property Agent must necessarily be hired for the purposes of representation at the DINAPI.

Both the application form and any other associated documents must be submitted in Spanish. Any document in other languages must be translated or certified by a sworn translator registered in Paraguay.

Annuities for patent application and granted patents must be paid annually. The first payment is due before the third year. If no payment is made, the application or patent will lose its validity. Annuities can be paid up to 6 months after the due date (subject to a surcharge).

**7.2. Copyright And Related Rights**

Copyright protects the rights of authors over their intellectual work. Any literary, musical, theatre, artistic, scientific or audiovisual works are subject to protection, regardless of their form of expression. Copyright only protects the manner in which the ideas of the author are described, explained, illustrated or embodied in the works. The ideas themselves or the ideological
or technical content of the work are not protected. The right arises when the work is created, registration is optional. This registration, which can be applied for at the National Directorate for Intellectual Property (DI-NAPI), grants a presumption of authorship that may be very useful as proof before the competent authorities. Therefore, registration although not compulsory is highly recommended.

Related rights protect the right of intermediaries, such as film producers, performers or broadcasting organizations.

Rights over works of the intellect, including software and databases, belong to their authors. These rights may also be owned by entities and in such case; the entity would be considered the copyright holder only regarding economic rights. Parties must agree on the ownership of transferable rights (economic rights) arising from works created within an employment relationship or in the performance of a contract. Nevertheless, there is a legal presumption in favor of the employer, editor or producer over works created in the course of their usual business activities to the extent that the exploitation of the protected work is limited to such activities, unless otherwise agreed by the parties. At all events, moral rights must always be respected; thus, prior authorization by the author is required.

Scope of application

The following work can be registered and protected by copyright:

- Written works and any other works expressed by means of letters, signs or marks.
- Oral works.
- Musical compositions with or without lyrics.
- Dramatic and dramatic-musical works.
- Choreographic and theatrical works.
- Audiovisual works, including cinematographic works.
- Radio plays.
- Works of plastic art, such as drawings, paintings, sculptures, engravings and lithographs.
- Architectural plans and works.
- Photographic works and works created through similar processes.
- Works of applied art.
- Illustrations, maps, sketches, plans and works of plastic arts designed for geographical, topographical, architectural or scientific representation.
- Computer programs.
- Collections of works, such as encyclopedias and anthologies.

In order to establish collective societies, the purpose of which is to defend economic rights granted by law, authorization by the government is required. These entities are subject to control, as stipulated by law. They must be established as non-profit civil associations and must have legal personality and financial autonomy. They are not allowed to carry out any political or religious activity or any activity other than the one related to their field of action.

The following societies currently operate in Paraguay:

- Asociación Paraguaya de Autores (APA; Paraguayan Authors Association)
- Sociedad de Gestión de Productores Fonográficos del Paraguay (SGP; Paraguayan Phonogram Producers Collective Society)
- Entidad Paraguaya de Artistas Interpretes o Ejecutantes (AIE; Paraguayan Entity of Artists, Interpreters and Performers)
- Inter Artis Paraguay (IAP)

Period of validity

Paraguay is a party to the Berne Convention and the WIPO Copyright Treaty, among others. Consequently, copyright protection lasts for the lifetime of the author and shall expire 70 years from his/her decease. Protection by related rights lasts for 50 years from the year following the first performance or execution of the work. In the case of an unidentified author or legal person, this term begins from the first publication of the work (e.g. computer programs created by a software developer).
Registration

For registration purposes, the following documents are required:

- Title of the work
- Nature of the work
- Name or pseudonym of the author, editor or printer.
- Place and date of disclosure.
- Place and date of creation.
- Number or volumes, size and number of pages; number of copies (concerning written works).
- Date on which the work was withdrawn from circulation.
- Power of attorney, if applicable.
- The entity in charge of processing copyright applications is the National Registry of Copyrights.

Conclusion

Up to the middle part of the last century, the capital in a company was the most important factor. Nowadays that has dramatically changed. The most important factor in any company is its knowledge and knowledge can only be protected if a company develops a successful intellectual property strategy at a national, regional or international level. To ignore that, is a guaranteed formula for failure.

We thank Zacarías & Fernández Abogados for the preparation of the article.

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The Paraguayan Tax System
8. The Paraguayan Tax System

8.1 General aspects

The tax system in Paraguay is governed by Law 125/91, which was amended by Law 2421/04 and lately by Law 5061/2013. Regulations of the mentioned laws, including decrees and resolutions are issued by the Paraguayan Tax Office (Subsecretaría de Estado de Tributación–SET).

The tax system is made up of:

- Income Taxes (direct taxes)
  - Corporate Income Tax on Commercial, Industrial and Service activities (CIT-IRACIS)
  - Corporate Income Tax on Farming and Cattle raise activities (CIT-IRAGRO)
  - Corporate Income Tax of Small taxpayers (CIT - Pequeño Contribuyente)
  - Personal Income Tax (PIT)

- Excise Taxes (indirect taxes)
  - Value Added Tax (VAT)
  - Selective Consumption Tax (ISC)

- Tax on property

8.2 Taxes on revenues

Corporate Income Tax (CIT – IRACIS)

**Taxable Events**

Imposed on income of Paraguayan source obtained from commercial, manufacturing or service activities (other than personal services):

- The habitual sale/purchase of real state when the activity is carried out as a regular business,
- The goods of the asset,
- Individuals or partnerships, registered at the Public Registries or not,
- Partnerships established overseas or their branches, agencies or business establishments in Paraguay.
- Extractive activities, rabbit breeding, poultry and flower farming, bee keeping, silk raising, forestry, and others.
- Consignees of merchandise.
- The following activities: repair of goods, carpentry, transportation of people and goods, insurance and reinsurance, financing brokerage, parking, vigilance, film renting, leasing of goods and rights, discos, hotels, motels and similar, assignment of the use of incorporeal goods (trades, patents and privileges) renting of immovable property, travel agency, laundry, advertising and construction.
- Dividends and earnings of shareholders and partners of companies which activities are included in the Commercial, manufacturing or service activities Income Tax as well as the Farming Activities Income Tax.

**Taxpayers**

- Individual businesses, partnerships (with or without legal status), cooperatives, associations, corporations and other private entities.
- Government-owned enterprises, self-governing government bodies, decentralized state entities, and mixed capital corporations.
- Branches, agencies or businesses operating in this country owned by constituted corporations overseas.
  The overseas parent corporation will pay on income they earned independently from their branches, agencies or establishments in the country.

**Rates**

- General rate = 10% of the net income
- Additional rates =
  (+) 5% on distribution of profits to shareholders domiciled in Paraguay
  (+) 15% on net amounts sent to shareholders resident abroad
- Rates on international income considered as income of Paraguayan source: 30% on income earned by individuals / foreign entities located abroad for their activities carried out in Paraguay, independently of their branches, agencies or permanent establishment.
- Effective rates on international income of Paraguayan source are:
  - Insurance premium that covers risks of people/goods in the country: 3%
  - People transportation fares/ Freight of goods: 3%
  - Communications (phone, internet and similar): 3%
  - News Agencies: 4.5%
  - Distributors of movies, cinema / television and similar: 12%
  - Transfer of the use of containers: 4.5%
  - Financing from foreign bank entities is 6%
The Paraguayan income taxation system adheres to the source principle (and not to the worldwide system as many other countries)...

- Interests of titles and movable values provided the issuer entity is constituted / located in the country.
- Interests commissions, yields or gains of capital placed abroad and the differences due to exchange rate, when the investor or beneficiary is located in the country.
- Technical assistance and services not taxed by Personal Income Tax, when they are used as profit in the country.
- Assignment, use of goods and rights, when they are used partial or totally in the country.
- International freights on goods: 50% between Paraguay and Argentine/Brazil/Bolivia/Uruguay and 30% between Paraguay and other countries.

...Nevertheless, the tax law provides on international income considered as income of Paraguayan source

- Insurance premium that covers risks of people/goods in the country
- People transportation fares/Freight of goods
- Communications (phone, internet and similar)
- News Agencies
- Distributors of movies, cinema / television and similar
- Transfer of the use of containers
- Financing from foreign bank entities
- Effective tax rate applicable to income earned by individuals / foreign entities for their activities carried out in Paraguay, independently of their branches, agencies or permanent establishment.

Income Tax From Agricultural Activities (CIT – IRAGRO)

**Taxable event:**

Imposed on income of Paraguayan source obtained from:

- Cattle raising or fattening rearing or fattening of cattle, sheep, goats, buffalo and horses
- Production of wool, leather, bristles, semen and embryos.
- Agriculture, fruit, vegetable and fish production.
- Milk production.
- Revenue generated by the assets of the affected asset to farming.
- Revenue generated by poultry, beekeeping, sericulture, swine and rabbit raising, floriculture, forestry, when these activities are performed by the producer and the income from these activities do not exceed 30% of total revenue from the property.

**Taxpayers**

- Sole proprietorships,
- Partnerships,
- Associations, corporations and other private entities of any nature.
- Public companies, autonomous bodies, decentralized entities and mixed companies.
- Individuals or entities domiciled or incorporated abroad and its branches, agencies or establishments in the country.

**Rate**

- General rate = 10% of the net income
- Additional rates = (+) 15% on net amounts sent to shareholders residing abroad

CIT – Small Taxpayer

**Taxable events:**

- Imposed on the income of Paraguayan sources from conducting commercial, industrial or services activities (other than personal services).

**Taxpayers**

- The sole companies domiciled in the country, provided their income earned in the previous calendar year does not exceed the amount of PYG. 500,000,000 (approx. USD 83,000 according to the exchange rate on Ago. 08/2019)
- Importers and exporters are excluded.
- The owners or holders of forests an area not exceeding thirty hectare (30 ha.), for the extraction and sale of round wood and firewood, provided they are sole proprietors, and are not enrolled in the CIT, regardless of the amount of their income earned in the previous calendar year.

**Rate**

- 10% on determined net income.

Personal Income Tax (PIT)

**Taxable events:**

Imposed on income from Paraguayan source derived from activities that generate personal earnings among others:

- 100% of remunerations received for professional services and other personal services rendered as independent contractor or under a labor relationship;
• 50% derived from dividends, utilities (profits, can also be benefits), distributed or credited, obtained as shareholders or partners of organizations taxpayers of the CIT (IRACIS and IRAGRO); and surplus from cooperatives

• 100% of income derived from capital gains of the occasional sale of land properties, cession of rights, sale of titles, shares, and “quotas” of capital;

• 100% of interests, commissions or yields of capital not taxed by the CIT or by the Small Taxpayer’s Income Tax

• Other income of Paraguayan source provided they surpass 30 minimum monthly wages within one fiscal year

**Taxpayers**

• Individuals

• Service Industry Partnerships (Sociedades Simples): refers to partnerships providers of personal services (E.g. Law and Audit firms)

**Rates**

• 10% when the taxed income exceeds 10 minimum monthly wages (+ 120 p/year)

• 8% when the taxed income is under 10 minimum monthly wages (- 120 p/year)

**Personal Income Tax (PIT-IRP)**

**Taxpayers**

**INDIVIDUALS**: To become a PIT taxpayer, the individual shall perceive within one fiscal year income surpassing the following amounts:

<table>
<thead>
<tr>
<th>FY</th>
<th>Minimum wages</th>
<th>Amounts p/year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>120</td>
<td>PYG 198,987,720 (approx. USD 32,616)</td>
</tr>
<tr>
<td>2013</td>
<td>108</td>
<td>PYG 179,088,948 (approx. USD 29,354)</td>
</tr>
<tr>
<td>2014</td>
<td>96</td>
<td>PYG 159,190,176 (approx. USD 26,092)</td>
</tr>
<tr>
<td>2015</td>
<td>84</td>
<td>PYG 153,220,620 (approx. USD 25,114)</td>
</tr>
<tr>
<td>2016</td>
<td>72</td>
<td>PYG 131,331,960 (approx. USD 21,526)</td>
</tr>
<tr>
<td>2017</td>
<td>60</td>
<td>PYG 117,870,434 (approx. USD 19,320)</td>
</tr>
<tr>
<td>2018</td>
<td>48</td>
<td>PYG 97,973,904 (approx. USD 16,059)</td>
</tr>
<tr>
<td>2019</td>
<td>36</td>
<td>PYG 76,052,232 (approx. USD 12,466)</td>
</tr>
</tbody>
</table>

Once the above detailed amounts are surpassed, the individual will become a PIT taxpayer and as such, will have the obligation to register at the tax office and comply with all other PIT obligations. Please note that the mentioned amounts are not subject to the tax but are used to determine when the person becomes a taxpayer of PIT.

As shown in the chart, the rank of incidence of the tax gradually diminishes in 12 minimum monthly wages (MMW) per year until, started on FY 2012 and up to FY 2019.

**SOCIEDADES SIMPLES (Service Industry)**: They are taxpayers regardless of their income amount since Aug. 2, 2012 or, from the same fiscal year in which they are legally formed.

### 8.3. Excise Taxes

**Value Added Tax (VAT)**

**Taxable events**

• Transfer of goods

• Provision of services (excluding personal services provided under labor relationship)

• Import of goods

**Taxpayers**

• Traders

• Manufacturers

• Exporters

• Leasers of real estate

• Professionals (freelancers, not under labor relationship,)

• Small taxpayers

• Owners, partner and company’s directors

• Educational organizations not recognize 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 an permanent basic, commercially or otherwise.

• Individual businesses

• Territoriality principle
Rates

- 10% is VAT general rate,
- 5% is a differential (reduced) rate applied to:
  - Lease and transfer of properties,
  - Transfer of agricultural products, fruits, horticultural products in their natural state and life animals; products obtained from the hunting and fishing, alive or not; vegetable oil virgin or crude degummed; certain products of the "family basket": rice, noodles, mate (yerba mate), edible oils, eggs, raw (not cooked) meats, flour and iodized salt,
  - Transfer of pharmaceuticals products
  - Transfer and import of parts of any animal, either wild or not, when these have not undergone industrialized. Fresh skins of animals will be subject to this rate provided they do not suffer alterations in their natural state as a result of tanning processes or treatments.

Territoriality principle governs The VAT application

The general rule provides that disposals and services that take place within the Paraguayan territory are subject to VAT regardless of the place where the contract was concluded, the domicile, residence or nationality of those involved in the operations, who receives the payment or the place where the payment comes from.

- Technical assistance and other services will be deemed as in the Paraguayan territory whether such goods or rights are used, even partially, within the country.
- Cession of goods and rights will be deemed as in the Paraguayan territory when such goods/rights are used partially or entirely in Paraguay;
- Insurance services when: a) covering risks within the Paraguayan territory, exclusively or not; b) covered goods/services are in the country.

Selective Consumption Tax (SCT)

Taxable Events:

Imposed on Imports of goods

Rates

- 50% Petroleum fuels.
- 22% Cigarettes in general, especial and similar.
- 13% Champagne and similar.
- 11% Brandy, gin, Rum cocktail, cane, etc. Products for liquor, anise, bitter, sour and similar fernet: vermouth, punches, and liqueurs in general. Cider and wines of fruits in general. Natural wines of grapes juice and general. Whisky.
- 10% Denatured alcohol in general.
- 9% Beers in general.
- 5% Soda and general without alcohol or with a maximum of 2% of alcohol. Juice of fruits with a maximum of 2% of alcohol. Perfume. Natural pearls, precious stones, precious metal and similar. Watches bracelets. Weapon, ammunition and accessories.
- 1% Toys and accessories. Machinery for air conditioning. Laundry machines and others. Musical instruments and accessories.

Taxpayers

- Manufacturers
- Importers

8.4. Tax on property

Taxable Events:

- The tenure and ownership of immovable property located in the country is taxed by the Tax on Immovable Property, on an annual basis.
- The taxable event takes place on January 1 of each year (first day of the calendar year), regardless the location of the property.

Rate

- The tax rate is 1%
- Rural properties of less than 5 hectares are taxed at the rate of 0.50% if they are unique property used for farming.
- The tax base is the tax value of the properties established by the National Cadastral Service, which its divided into urban and rural real estate.
- The Executive Power shall approve by Decree annually the system of fiscal valuation of urban and rural real estate, determined by the National Cadastral Service.
- Urban real estate is located within the urban area of the municipalities; and rural real estate are outside this area.
- Urban real estate is located within the urban area of the municipalities; and rural real estate are outside of this area.

Taxpayers

- Individuals,
- Legal persons and,
- Entities in general.
8.5. Purchase of properties – Implications and recommendations

Tax implications of the transfer of properties:
The transfer of immovable property is taxed by VAT at the rate of 5% on the sale price. To determine the tax base it shall be taken into account:

- If the operation is cash or within a term equal to or less than 24 months, the tax base is 30% of the sales price of the property transferred.
- If the operation is performed in a period greater than 24 months, the tax base is 30% of the amount of amount paid monthly.

Prior to the purchase of real state property in Paraguay, especially rural lands for agricultural or cattle raising (or other activities), it is recommendable to verify and confirm the information contained in the ownership deed at the Public Registries by a Public Notary and, on site by a surveyor.

In case of rural properties, in certain cases, depending on the activity to be carried on, a report of environment impact (Law 294/93) issued by a specialist as the permit for deforestation, according to the activity to be realized.

For investments in afforestation and reforestation, there is a special regime of tax incentives set by Law 536/95. Main benefit refers to a 50% exemption of the tax applied on the property value.

8.6. Treaties to avoid double taxation

PARAGUAY has signed different treaties to avoid double taxation in various matters related to income taxes, below is a list of them:

**ARGENTINE**
- Law 1105/1997, on air, ground and fluvial transportation.

**CHILE**
- Law 230/1993 on air and ground transportation.
- Law 2965/2006 on income taxes, to avoid double taxation and tax evasion.

**GERMANY**
- Law 1087/1984, on air transportation

**URUGUAY**
- Law 1087/1984, on air transportation.
- Law 6276/2019, to avoid double taxation and prevent tax evasion in matters of income and equity taxes (in force in 2020).

**CHINA (Taiwan)**
- Law 3972/2010, on income tax.

**BELGIUM**
- Law 1236/1987, on air transportation.

**THE UNITED ARAB EMIRATES**
- Law 6233/2018, Agreement between the government of the Republic of Paraguay and the United Arab Emirates on the promotion and reciprocal protection of investments.
The Paraguayan Labor Market
9. The Paraguayan Labor Market

Main Rights And Obligations Of The Labor Code Of The Republic Of Paraguay

Our Code establishes the norms that regulate the relations between workers and employers, concerning the subordinate and remunerated provision of work activity.

The rights recognized by this Code to workers shall not be subject to renunciation, transaction or conventional limitation. Any contrary agreement will be void.

Types of contracts in terms of duration

a) Fixed term: Up to 1 year for workers; Up to 5 years for employees (subject to extension).

b) For an indefinite period: All contracts related to work that by its nature are permanent or continuous in the company.

c) Of work or determined service: Until the total execution or benefit.

Contracts for a specific term and for a specific work or service are exceptional, and can only be concluded in cases that are required by the accidental or temporary nature of the services to be provided or of the work to be performed.

Types of contracts regarding remuneration

a) A salary: It usually takes a month as a unit of time.

b) Piecework: A day is taken as a unit of time.

c) On commission: Remuneration is a percentage of sales or collections

d) On the piece: A work unit is taken as the basis.

Special Labor Contracts

a) Learning

b) Of women

c) From Home Work

d) From Domestic Workers

e) Of Rural Work

f) Rural

g) Work in the Automotive Land Transportation Companies

The Apprenticeship Contract is one for which an apprentice is obliged to serve an employer, in exchange for the latter teaching him practically a profession, art or trade, for a certain time and paying him a salary that can be conventional.

- Salary: Not less than 60% of the minimum wage.

- Duration: May not exceed one (1) year, exceptionally up to three (3) years with the authorization of the Labor Administrative Authority.

Women’s Work: Companies in which more than 30 women work, will implement breastfeeding rooms enabled by the Ministry of Health.

Trial period

a) 30 days for domestic staff and unskilled workers;

b) 60 days for skilled workers or apprentices;

c) To be agreed between the parties, for highly specialized technical workers.

During the trial period, either party may terminate the employment contract, without obligation to give notice or indemnify for dismissal.

Prior notice (contracts for an indefinite period)

a) 30 days, after the trial period is up to 1 year of service;

b) 45 days, more than 1 year and up to 5 years old;

c) 60 days, more than 5 years and up to 10 years old;

d) 90 days, more than 10 years old.

The employer who omits the notice is obliged to pay the worker the equivalent salary for the days omitted from the notice.

In the event that the worker omits said requirement, he must pay the equivalent of half the salary that corresponds to the end of the notice. According to jurisprudence, this translates into the obligation of the worker to pre-notify only half of the days that correspond to the employer, that is, 15, 22.5, 30, or 45 days respectively.

Compensation for dismissal without just cause or unjustified:
a) 15 daily salaries for each year of service or fraction greater than 6 months.

b) It is calculated based on the average salary earned by the worker during the last 6 months of the contract.

In fixed-term contracts or for certain work or determined service, the unjustified dismissal provided before the expiration of the term, or the completion of the work, will entitle the worker to receive compensation, to be set by the Judge or Court, the amount of which may not exceed the value of wages that should have been paid by the employer until the contract is fulfilled.

Stability at work

The worker who has 10 years of uninterrupted service with the same employer, acquires job stability and can only terminate his contract if the existence of a just legal cause of dismissal attributed to the worker was previously verified.

If the alleged cause is not proven, the employer will be obliged to reimburse the worker in his employment or to pay him twice the compensation that would correspond to him for unjustified dismissal according to his seniority.

Salary

Any remuneration received by the employee, whatever their denomination. (Collations, transfer expenses, travel expenses and other benefits provided by the Employer to facilitate the execution of the tasks are not part of the salary). As of today, it would be PYG 2,192,839-, which at the exchange rate of PYG 5,800 for each dollar would be U$S 378.07.-

a) Surcharges

- Daytime overtime: will be paid with a 50% surcharge on ordinary.
- Overnight overtime: they will be paid with a 100% surcharge on the nightly regular hourly wage.
- Night work: it will be paid with a 30% surcharge on the day salary.
- Holidays: they will be paid with a 100% surcharge on the regular working day salary.

b) The employer may not deduct, withhold or compensate any amount that reduces the amount of wages, except for the following concepts:

- Compensation for loss or damage to the equipment, instruments, products, merchandise, machinery and facilities of the employer;
- Advance of salary made by the employer;
- Fees for compulsory social security;
- Payment of periodic union, cooperative or mutual contributions, prior written authorization of the worker;
- Order of competent authority to cover legal obligations of the worker.

c) The salary may be garnished with the following limits:

- Up to 50% for the payment of alimony;
- Up to 40% to pay for the room where the worker lives;
- Up to 25% in other cases;
- In no case more than 50%, when dealing with cumulative embargoes.

Yearly bonus

It is a complementary annual remuneration, equivalent to the twelfth part of the total remuneration accrued during the calendar year, which must be paid to the worker before December 31. It is unattachable.

They are included in the remuneration, salary, overtime, commissions and other concepts.

Family Assignment

Every worker has the right to receive 5% of the minimum wage for each marital, extra-marital or adoptive child, and provided that the child is under 17 years old, among others.

The right is automatically extinguished if the worker receives more than 200% of the legal minimum wage. The family allowance is not part of the salary, it is not taken into account for the calculation of the bonus, nor does it contribute to social security.

Workday

a) Ordinary day:

- Daytime work (from 6 a.m. to 8 p.m.): Maximum 8 hours a day or 48 hours a week
- Night work (from 8 p.m. to 6 a.m.): Maximum 7 hours a day or 42 hours a week
- Mixed day (covers both): Maximum 7 hours and a half daily or 45 weekly.

b) Extraordinary day:
- Maximum 3 hours per day and may not exceed 57 hours per week.

c) Day in unhealthy places:
- Maximum 6 hours a day or 36 hours a week.

During each day, working hours should be distributed in at least two sections, with an intermediate break of not less than 30 minutes. This time is not computed in the work day.

With the sole purpose of allowing workers a weekly rest from noon on Saturday, by agreement between the parties, 48 hours of work per week may be distributed, extending the ordinary day. This extension will not constitute extraordinary work (art. 215).

They will be excluded from the limitation of the workday, but may not work more than 12 hours a day: (I) managers, bosses, administrators in a dependency relationship; (II) the serene, vigilantes and other workers who perform discontinuous functions or who require their presence alone.

In addition, they will be entitled to a minimum rest of 1h 30min that integrates the work day. For the purposes of compensation, the excess of 8 hours will be paid free of charge. (art. 205; 23).

Legal breaks
a) Daily: at least 10 uninterrupted hours, after the daily workday.

b) Weekly: 1 day off, usually Sunday.

Paid annual vacations
Every worker has the right to a paid vacation period after each year of continuous work at the service of the same employer.

a) Up to 5 years old: 12 consecutive business days.

b) More than 5 and up to 10 years old: 18 working days in a row.

c) More than 10 years old: 30 working days in a row.

The period or time of enjoyment of the holidays will be up to 6 months after the end of the year of work. When vacations are granted after the term of enjoyment, the remuneration will be double.

When the contract ends without having made use of the vacations caused, it will be compensated in money, and will be double for dismissal after the enjoyment period.

Licenses and / or Permits
a) Permission for Maternity: 18 uninterrupted weeks. In exceptional situations (if at birth the baby weighs less than 2,000 grams, or with congenital diseases, etc.) it will be 24 weeks.

b) Permission for adoption: 18 weeks when the adoptee is under 6 months; and 12 weeks when the child I am older than 6 months.

c) Permission for Paternity: 2 weeks after childbirth, with salary, by the employer.

d) Breastfeeding Permit:
- 90 minutes a day during the first 6 months, counted from the first day of return to work. With enjoyment of salary.
- 60 minutes from 7 to 24 months, only according to medical indication.

e) Sick Leave: In case of illness of the worker, he receives the corresponding social security subsidy for the rest days granted by the doctor. Salary subsidized by social security, not paid by the employer.

f) Marriage License: 3 days with pay.

g) Death of spouse, children, parents, grandparents or siblings: 3 days with pay.

h) Job search: During the period of notice, the worker will enjoy a daily license of 2 hours or 1 (one) day a week, or all the time of leave that corresponds to him continuously, to look for new work.

Special stability or labor immobility
From the moment the employer has been notified of the worker's pregnancy, and as long as she uses the Maternity Leave, as well as the other permits (breastfeeding and adoption), the notice and dismissal communicated to the worker will be void.
The woman will enjoy labor immobility up to 1 (one) year after the birth or adoption of the child.

**Safety, hygiene and comfort at work**

a) Medical examination: The employer must provide the additional and periodic medical examination of each worker, assuming the cost.

b) Hygiene, safety and health: The employer must guarantee them in the execution of the labor activity of the workers.

**Social Security: INSTITUTO DE PREVISION SOCIAL [Social Prevision Institute] (IPS)**

It is mandatory for all employees in a dependency relationship.

It includes: Medical Care;

- Retirement.

General Regime: Rate of 25.5%

- Workers: 9%
- Employers: 16.5%

Total = 25.5%

If the employer's contribution is added: the bonus (13th salary) and holidays (calculated at the rate of 2 weeks per year of work for the first 5 years), we have that the labor cost of an employee is 28.5%.

*Source: MTESS Resolution Nº 2293/19*

*Lawyer: Diego Raúl Cuevas Giardina*
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10 Real Estate Investment
10. Real Estate Investment

The right to private ownership is guaranteed by the Constitution of Paraguay. Foreign investors face no specific restrictions to invest in Paraguay. They are guaranteed the same treatment under the law as national citizens. They are also allowed unrestricted repatriation of both their capital and profits. There are certain limitations to the acquisition of land in proximity to borders, when foreigners are citizens from neighboring countries.

Paraguay is a stable country for investing in land or real estate, because of its friendly policies towards foreign investors. Besides having the lowest tax rate in the region, it also has a free currency exchange. It has a lot of excellent land for agriculture and/or cattle breeding at still low prices, in comparison with other countries of the region.

The country has vast and excellent fresh water resources. The country has the world’s largest fresh water resource (Acuífero Guaraní). It is strategically located in the center of South America, surrounded by Brazil, Argentina, Uruguay, Bolivia and Chile. Real estate is experiencing an impressive and constant value appreciation, exceeding the returns of many other investments.

It is a nation with a growing need for development and investment in agribusiness, logistics, and infrastructure, commercial and urban development. It has energy in excess thanks to two large hydroelectric dams on the River Parana: Itaipú, on the border with Brazil and Yacyretá, on the border with Argentina.

10.1. Avoiding pitfalls

Even though buying a property in Paraguay is simple, due diligence with the proper professional assistance (i.e. real estate brokers, lawyers and/or public notaries) is key. It is needed because of the existence of overlapping titles on land.

Ownership of real property is only transmitted by public deed drafted by a notary and recorded in the Public Registry of Property. The notary must have at least three certificates before starting the process: 1. certificate proving that the property exists and its location, size and boundaries; 2. certificate proving that the property has no legal problems, i.e. no liens and ownership of the seller; and 3. certificate proving that the seller is able to sell.

Lawyers and real estate brokers also have to conduct due diligence of all the documentation in order to avoid any flaws. Furthermore, these professionals acting in their client’s interest determine that the property can be used for the client’s purpose and has the proper permits to conduct business (or located in the appropriate area), construct a building or any other purpose. Finally, they also draft proper contracts in order to establish certain guarantees and cover their client’s interest.

10.2. Buying real estate

During the process of due diligence, the location, limits, ownership, purpose and other key facts of the property are checked. The last thing to check before going into the business itself are taxes: the owner must have its property’s taxes fully paid (municipal taxes) until the year in which the transaction is taking place and must present the certificates to prove it.

A contract is signed between the parties after this entire process and the property is transferred through a deed provided by the notary public.

The estimated time to complete the transaction is usually around one month.

10.3. Build to lease

A build-to-suite lease is a common arrangement whereby the owner constructs a free-standing building to meet the specifications of a particular client, who then becomes the sole occupant of the building.

It offers an efficient method for a business to acquire and control a custom facility, meeting its specific needs, and it is used by all kinds and sizes of business, from the smallest to the largest. Because the developer is constructing a customized building for one user, the lease term is usually a minimum of ten years in order to amortize the initial investment.

At the beginning, available land must be found, a good developer selected should start the design process and the negotiations. Once the developer is selected, the lease negotiations begin. Because the build-to-suit lease links the owner and occupant for an extended period of time, this part of the process is often complicated and time-consuming. It is essential to work on drafting a good contract or agreement where all aspects of the construction details and specifications as well as the rental rate and other particulars of a long-term relationship are contemplated. The rental rate is calculated based on the rate of return on the land plus all forecasted costs of construction. The rent is often adjusted after construction, based on actual costs and also on an annual basis.

All of these negotiations are important in the process of coming to a lease that is beneficial for both parties.

10.4. Incorporation of trusts related to real estate projects

In the last five years, particulars have been using the legal institution of trusts for the development of construction proj-
ects, on one hand, and as collateral, on the other (amongst many other options).

Throughout the years, the use of trusts has been gaining strength in the local market, and it has been closely related to real estate investment.

On the one hand, investors decide to incorporate trusts to develop construction projects (i.e. residential buildings), whereby the land acquired for the project and the investment for the works are contributed to the trust estate, as an independent, separate and bankruptcy remote entity. This grants certainty and security to investors for the project.

Trusts are also incorporated in order to provide collateral to different obligations, whereby real estate is transferred to the trust estate, and the trust estate guarantees different obligations by the trustor, for example loans. The great advantage of the trust estate in these cases is that the trust estate only guarantees the debts for which the trust has been incorporated and is bankruptcy remote from any and all other obligations by the trustor. In addition, a guarantee trust can be executed through a private sale, with no need to request a judicial execution of the real estate transferred to the trust estate; and thus provides a faster and more efficient mechanism concerning the execution of the collateral.

A trust can be incorporated within a period of one month and a half approximately, since it entails negotiating and signing a trust agreement and transferring the property of the land to the trust estate, which must comply with all the formalities that have been previously described.
World Trade Center.
Aviadores del Chaco. Torre 3, Piso 19.

Edificio Jacarandá.
Benjamín Constant 835.

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11 Stock Exchange
11. Stock Exchange

11.1. The new Law on Stock Markets

The Paraguayan Stock Market has been provided the best legal instruments as a result of the complete modification of Law No. 1284/1998, by means of the new law on Stock Markets, Law No. 5810/2017, which entered into force as of July 2017.

The new law introduces two institutions that were not regulated by the previous legislation, the same comprehending the Chamber of Compensation and the Securities Depositary.

With respect to infringements, an improved regulation is observed in the new legal text of establishing the graduation of the infractions committed by the persons intervening in the market, and other affairs related to the stock market.

11.2. The new regulation

With the new law on Stock Markets in force, the National Securities Authority (Comisión Nacional de Valores) initiated the process of updating its regulation, and in March 2019, issued the Resolution CNV No. 01/19, which establishes the General Regulation on Stock Markets.

Resolution No. 01/19 provides a general regulation, compiling in a sole regulatory instrument, application guidelines directed to all intervening agents in the Stock Exchange Market, such as stock exchanges, brokerage firms, issuing entities, investment funds, risk assessment companies and commodity exchanges.

11.3. Requirements for the incorporation of brokerage firms

In order to incorporate a brokerage firm and for it to attain regulatory authorization established on Law No. 5810/2017, the firm shall be registered before the Registry of the National Securities Authority, having to comply with the following requirements, as set forth below:

Corporation Requirements:

- Incorporation as a stock corporation with an exclusive objective. The company's bylaws shall be registered in the Public Registry.
- The minimum paid-in capital shall be of 600 (six hundred) minimum monthly wages.
- The capital stock shall be represented by nominal shares, which may be common stock, with the right to one vote or to multiple votes, up to five votes per share, or preferred stock.

- The brokerage firm shall buy one stock of the Asunción Stock Exchange Company (Bolsa de Valores y Productos de Asunción S.A.), and incorporate it as a part of its capital.
- The board of directors of brokerage firms shall be integrated by no less than three members, stockholders or not, and in all cases should be comprised of an uneven number, in accordance with the provisions of the company's bylaws.

Guarantees:

- The initial guarantee shall be equivalent to 250 (two hundred and fifty) minimum monthly wages. It may be obtained by means of certificates with a risk rating equal to, or greater than BBB, or by means of certificates issued by an entity with a risk rating equal to, or greater than BBB. The Commission may require superior guarantees in cases which it deems necessary.

Stockbrokers:

- Brokerage firms may act by means of one or several stockbrokers, duly accredited for such purpose.
- Every stockbroker shall hold a certificate issued by the Stock Exchange Company; approving the stockbroker's course delivered by the institution.

Documents And Information:

- Information of the corporation: name, taxpayer registration number, address, telephone number and e-mail address.
- The corporation's opening balance sheet. Details of bank accounts and assets.
- Name of its legal representatives, directors and trustees, as well as main executive officers, representatives and operators, indicating their addresses, and a description of their positions and roles, their participation in administrative bodies or their audit role in other corporations, and capital connections they may have in other entities.
- Current curriculum vitae and identity documentation of every legal representatives, directors, trustees, main executive officers of the corporation, representatives and operators.
- Description of the issued, subscribed and paid-in capital stock, as well as the stock composition.
- The format of the contracts that the brokerage firm shall subscribe with its clients.
- Certificates issued by the Brokerage and Bankruptcy Registry of the firm, as well as of each of its legal representatives, directors, trustees, representatives and operators.
• Certificate of criminal records of legal representatives, directors, trustees, representatives and operators.

• Affidavit of directors, trustees, representatives and operators, asserting that they do not fall under the inability events provided in the Law of Stock Markets. Additionally, an affidavit attesting the veracity of the information provided to the National Securities Commission.

• List of areas of services and securities to be offered within the limits stated in the current legislation.

• Organization chart of the firm.

• Guidelines for money laundering or assets’ policies.

• Appointment of the Compliance and Internal Auditor Official, according to the rules established by Money Laundering Prevention Office.

• Any other document or information the National Securities Commission may deem necessary.

11.4. Requirements for registration of issuers

Stock companies that are authorized to issue bonds or stocks, may also be issuers of securities. For the registration of an issuer before the National Securities Commission Registry and the Stock and Product Exchange of Asunción, the following documentation shall be submitted:

• Company’s bylaws, in accordance with the stock market’s regulation, duly registered before the Public Registry.

• Paid-in stock not inferior to 600 (six hundred) minimum monthly wages.

• Information of the company: social object, address, telephone, e-mail address, taxpayer registration number.

• A brief historical review of the issuer, with details that may be of interest to investors and the public in general.

• Should the issuer have any connection to other corporations or economic groups, its condition of being the holding company or a subsidiary shall be indicated, as well as the percentage of stock in such entities.

• Indications of the economic areas of the activities of the entity, according to its taxpayer registration, and a description of potential risk factors intrinsic to their operations.

• Organization chart of the corporation.

• Designation of directors and trustees, along with minutes of the general shareholders’ meeting in which the said designation was decided, as well as their documents of identity.

• List of main executive officers, directors, trustees and managers, with a brief synthesis of their professional experience.

• Specification of the existence of any connection between the directors and trustees, with other enterprises, as partners or stockholders or as part of administrative or auditing bodies.

• Description of the issued, subscribed and paid-in capital stock, and the stock composition.

• Comparative financial statements of the past three years, unless the existence of the corporation is inferior to such term.

• Basic financial statements of the last trimester, in accordance with the regulations issued by the National Securities Commission.

• Basic financial statements of the last fiscal year audited by an external auditor registered before the National Securities Commission.

• Report of the board of directors regarding the last fiscal year, and the minutes of the general shareholders’ meeting approving the financial statements.

• Report of the trustee with respect to the financial statements of the last fiscal year.

• Minutes of the general shareholders’ meeting where the decision of requesting the registration as an issuer is ascertained.

• Affidavit atesting the veracity of the information and records provided for the registration.

• Affidavit regarding the existence or non-existence of pending judicial actions, whether administrative, civil or criminal, against the corporation, its legal representatives, directors or trustees.

• Certificate of criminal records of the legal representatives, directors and trustees of the corporation.

• Certificate issued by the Brokerage and Bankruptcy Registry of the firm and of the directors and trustees.

• Affidavit subscribed by legal representatives, directors, trustees and managers, in which the same attest that they do not fall within the events of inability, as established in the Law on Stock Markets.

• Any other information that the Commission may deem necessary.
11.5. Amounts traded in the stock exchange throughout the year 2018

The Paraguayan Stock Market is increasing in a dynamic form. In the year 2018, a total of US$ 668 million was traded, 37.4% related to the financial sector, 36.5% to the public sector and 16.7% to the business sector.

With respect to the securities custody service, the amount of US$ 1,000 million was surpassed, comprised of registered securities available for trade in the Stock Exchange.

The graphics and numbers demonstrate that the Stock Exchange Market is undergoing a continuous growth, and the State, Banks and business corporations are progressively relying on it for long-term financing. It should be expected that in a short to medium term, international corporations choose the Paraguayan Stock Market, as a place for issuing securities, given the tax benefits that the Paraguayan legislation offer for operations performed in the Stock Exchange Market.

### Trade Amount

<table>
<thead>
<tr>
<th>YEAR</th>
<th>SEN</th>
<th>ST</th>
<th>TOTAL TRADE</th>
<th>BILLIONS IN PYG</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>0</td>
<td>367,750,788.248</td>
<td>367,750,788.248</td>
<td>368</td>
</tr>
<tr>
<td>2009</td>
<td>0</td>
<td>496,506,122.900</td>
<td>496,506,122.900</td>
<td>497</td>
</tr>
<tr>
<td>2011</td>
<td>268,145,540,507</td>
<td>170,634,751,096</td>
<td>439,780,291,603</td>
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</tr>
<tr>
<td>2012</td>
<td>534,004,801.180</td>
<td>52,509,339,305</td>
<td>586,514,140,485</td>
<td>587</td>
</tr>
<tr>
<td>2013</td>
<td>545,349,846,263</td>
<td>41,150,906,119</td>
<td>586,500,752,382</td>
<td>587</td>
</tr>
<tr>
<td>2014</td>
<td>810,052,831,979</td>
<td>84,861,912,077</td>
<td>894,914,744,056</td>
<td>895</td>
</tr>
<tr>
<td>2015</td>
<td>2,447,863,878,830</td>
<td>272,183,503,164</td>
<td>2,720,047,381,994</td>
<td>2,720</td>
</tr>
<tr>
<td>2016</td>
<td>3,223,827,817.622</td>
<td>99,390,085,621</td>
<td>3,323,217,002,243</td>
<td>3,323</td>
</tr>
<tr>
<td>2017</td>
<td>2,795,155,319.403</td>
<td>198,107,630,364</td>
<td>2,993,262,940,767</td>
<td>2,945</td>
</tr>
<tr>
<td>2018</td>
<td>3,068,815,718.025</td>
<td>199,104,098.772</td>
<td>3,207,916,706,297</td>
<td>3,308</td>
</tr>
<tr>
<td>2019</td>
<td>3,743,915,799.658</td>
<td>48,994,468,425</td>
<td>3,792,910,268,083</td>
<td>3,793</td>
</tr>
</tbody>
</table>

### Custody Service Millions in USD

We thank Mersan Abogados for the preparation of the article.

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12. E-Commerce

12.1. Overview

Consumer behavior has changed in recent years, thanks to the openness and ease of access to the Internet, companies adapt to new trends in the purchase and sale of products or services by electronic means, such as websites or social networks.

Paraguay is no exception to this reality, as DGEEC reveals that internet use grew by 15% in the last 3 years, with the mobile phone being the main means of internet access for Paraguayans with 98.6%, where homes predominate as a place of internet access with 26.8% and work offices with 17.6%.

It is remarkable that 5,588,529 Paraguayans were connected to the internet in 2018. Further, women used the internet the most, exceeding men usage by 1.3%.

Instant messaging prevails as the main reason for internet use with a value of 97.2%, followed by social networks with 85.6% and telephone communications with 77.2%. Other reasons include emails with 40.1% and products and services with 38.4%. It is notable that only 11.4% and 4.6% of the population used the internet for the purchase and sale of products and services and banking transactions respectively.

E-commerce in Paraguay has grown by 163% in the last 5 years, according to Bancard, as the number of online businesses increased from 153 to 237 in 2017 and from 237 to 295 in mid-2018. Main areas are transport, airlines, travel agencies, electronics and supermarkets, while growing areas are appliances, social clubs, clinics, events, education and florist shops.

It should be noted that the fraud rates in credit cards in Paraguay are low, compared to the countries of the region, which reach up to 30%.

A little history

The first website to transact online in Paraguay was Villandry Flores, who started its online activities in August 2003. The company Soluciones Empresariales S.A., developed and certified its payment gateway, in February of the same year.

Other websites such as Neroly, Club Libertad, Martel, SAX, Nave Shop followed, to name a few. Ten years after the launch of the first site, the first hundred e-commerce websites had been created.


The purpose of this law is to regulate trade and procurement through electronic or technologically equivalent means, between suppliers of goods and services, intermediaries in the transmission of content over the networks of telecommunications, commercial communications by electronic means and consumers or users.

Legally eCommerce is any commercial transaction made by suppliers of goods and services electronically and remotely, with Electronic Invoice being the proof of electronic payment to be issued by online stores. To those who make commercial transactions with these; this will have the same accounting and tax validity as the conventional invoice, as long as it complies with the tax rules.

The Supplier of Goods and Services electronically is obliged to make available to its users, permanently, directly, easily and free of charge, the following information:

- name, address, name of owner(s), e-mail address and telephone numbers.
- level of security and privacy policy used for the permanent protection of personal data.
- the electronic copy of the contract.
- the characteristics of the product or service offered according to its nature
- the mode, time limit, conditions and responsibility for the delivery of the product or the performance of the service.
- the timeframe, extension, characteristics and conditions of the product warranty where applicable.
- the procedure for the cancellation of the contract and full access to the terms of the contract, before the confirmation of the contract.
- the procedure for return, exchange, refund policy, indicating time limit and any other requirements arising from the aforementioned process.
- the price of the product or service, currency, payment methods, final value, freight cost and any other costs related to the contracting.
- warnings about potential product risks.
- technical means to identify and correct errors in data entry, prior to the transaction, as well as an express confirmation mechanism for the decision to make the transaction.
- consumer protection legislation applicable, and the e-mail address of the Implementing Authority of the Law.

The Intermediation and Data Hosting Service Provider shall store the connection and traffic data generated in the online store for a minimum period of 6 months.

In the event that a person makes an error in the electronic communication, that person or the party on whose behalf
the error was made, shall have the right to withdraw or correct the part of the electronic communication in which that error occurred.

The rights provided by this law to the consumer or user are as follows

- to have a simple and free procedure, both at the time of data collection, and in each of the commercial communications sent, to oppose the use of the personal data for promotional purposes.
- withdrawal from the business transaction within a maximum period of 5 working days from receipt of the product or service from the supplier of goods and services, with the simple electronic notification of his will.
- to be informed clearly and completely about the use and purpose of the personal data stored on the terminal equipment of suppliers of goods and services, with the possibility of rejecting the use of the data through a simple and free procedure.

12.3. Opening an online store

Follows some suggestions:

- First, look for an e-commerce platform that fits the portfolio of products and services, taking into account the connection to other services and mobile applications, to build the online store.
- Second, to be informed about the means of payment and,
- Third, link the online store to a banking platform.

In order to join, the category of the undertaking must be indicated, since the accession requirements vary, and are essentially:

a) For a one-person company:
   - Complete application for membership.
   - Submit a copy of Paraguayan identity card and R.U.C.
   - Have a current account, or savings account enabled in the owner’s name.

b) For a share company:
   - Complete application for membership.
   - Submit a copy of the holders’ Paraguayan identity card and R.U.C.
   - Submit an authenticated copy of the company’s bylaws and powers.
   - Have a checking account, or savings account. This account must be enabled in the company’s name.

c) For a limited liability company:
   - Complete application for membership.
   - Submit a copy of the Paraguayan identity card of the holders and R.U.C.
   - Submit an authenticated copy of the company’s bylaws and powers.
   - Have a checking account, or savings account. This account must be enabled in the company’s name.

12.4. Some tips

If you are planning to launch an online store, we suggest considering these tips for better monetization of your investment:

- Select a good platform. As far as possible, not an open source one. On the contrary, you may have to constantly update the code, if you do not, the site will be at high risk of being hacked. My best advice, “DEVELOP YOUR OWN CODE” from the beginning, with a good development company
- Make a real, accurate, integrated “COST ANALYSIS”. It is important to consider all costs associated with the sale/exchange/return.
- Connect traffic analytics tools and master the handling of “CONVERTIBILITY RATE”. This is the most important thing, and will enable you to efficiently monetize your investment in traditional and digital advertising channels.
- Take into account the quality of the photos. “A GOOD PHOTO SELLS”.
- Do “GOLD CIRCLES” and “TOUCHPOINT” to constantly monitor and improve customer satisfaction with the service.
- Have a “PRECISE STOCK CONTROL”. Never sell what cannot be provided.
- Constantly seek to offer new products or services, and apply “COOKIES AND BEHAVIOR TOOLS” to be more in tune with what customers are looking for.
- If you are going to sell abroad, take into account the “TARIFF OR PARA-TARIFF RESTRICTIONS” of the destination country.
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Imprint

Publisher
German-Paraguayan Chamber of Industry and Commerce
Avda. Mariscal López 110 esq. República Argentina
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