

The Complete Investor Guide to Paraguay for 2017

1) The Foreign Investor in Paraguay

Guidelines

In light of the important growth the Paraguayan economy has experienced in the recent years, an increased participation by foreign investors in key sectors of the economy. Major drivers of the economic growth in Paraguay are namely financial, real estate, infrastructure and agricultural sectors. The Paraguay Government has approved relevant measures to improve the investment climate, which includes laws addressing competition, investment protection, public sector payroll disclosures, and transparency.

Overview

General investment climate

There has been a healthy participation of foreign investors in the local economy recently. The Paraguayan government has recently engaged in public/private participation agreements (PPPs) for infrastructure modernisation projects for the international airport in Asuncion and several highways and turnpikes such as Routes 2, 7 and 9, which included participation of foreign investors, both on the infrastructure and finance sides.

Investment promotion

- Law No. 117/91 of Foreign Investments Paraguay guarantees equal treatment of

foreign investors under Law 117/91. The Investment Law promulgated in late 1991 as Law 117/91 guarantees a framework of equal conditions for local and foreign investment for purposes of promoting Paraguay's social and economic development.

This law allows investors to obtain investment insurance locally or overseas. It also sets the requirements for the establishment of joint ventures.

- Law No. 60/90 for the promotion of investments

Law 60/90 permits full repatriation of capital and profits. Companies under the scope of this legislation are granted the following tax exemptions:

- Full exemption from all taxes and charges applicable to foreign exchange transactions arising out of capital contributions or operations contemplated in investment projects;
- Full exemption from all taxes applicable to incorporation of corporations and companies;
- Full exemption from customs taxes;

- Full exemption from all taxes applicable to dividends and profits generated by investment project for maximum term of ten years, provided that (I) investment be superior to US\$5 million, (II) taxes paid in Paraguay cannot be considered tax credit in the country origin of the investment; - Full exemption from all taxes and other levies on remittance of interests and fees related to foreign loans, during entire term of loan, provided that
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- (I) loans are at least US\$5 million,
- (II) lenders are well known financial institutions.

Free trade zones

Law 523/95 "That Authorises and Establishes Free Trade Zones" allows the establishment of Free Trade Zones, where all types of commercial, industrial and service activities may be carried out. The main purpose of free trade zones is the development of activities in connection with foreign markets, however, operations within the country are also allowed. The legal framework governing such zones grants several tax exemptions as well as a special tax regime with an income tax rate of 0,5%. Paraguay has two Free Trade Zones in Ciudad del Este, in which national and international companies actively operate.

● Automotive policy

Law 4838/12 grants certain fiscal incentives to the national or foreign manufacturers and assemblers of auto parts and motorised and non-motorised vehicles, that are duly incorporated in Paraguay.

This law seeks to promote investments and competitiveness in the Paraguayan automotive industry by providing full exemption from customs taxes on the import of raw materials and goods required for the production of auto parts and motorised

and non-motorised vehicles, and also by granting certain advantages when calculating tax returns (income tax rate of 20% over the Custom Value in foreign currency of raw material imports).

Protection of investments and promotion of employment, economic and social investment

Law 5542/15 "For the Protection of Investments and Promotion of Employment and Economic and Social Development" aims to protect investments on industries and other similar activities established within the national territory, provided that such activities have a direct impact on the creation of new sources of employment and the economic and social development of the country. The beneficiaries of this law may be foreign or national individuals or corporations. Investors, as defined in Law 5542/15, can transfer abroad their capital or profits after two years counted from the company's incorporation date, applying the most favorable exchange rate established by the corresponding authority. Furthermore, this law grants investors tax stability by ensuring non-variable tax rates for a fixed term of ten years (which can be extended up to 15 years), whenever investments range from USD 50.000.000 to USD 100.000.000.

The maquila regime

The Maquila Industry Act regulates all maquila-related activities in Paraguay. In addition to the promotion and regulation of the maquila industry, this act provides significant tax exemptions. The maquila contract and the activities related to its performance are subject to a standard tax rate of 1%. In addition, it allows for an exemption on all national, state and municipal taxes. The process to obtain authorisation 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, or CNIME.

- Presentation 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 – 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 of Industry and Commerce jointly issue a resolution approving the maquila operation.

- Presentation of the Maquila Contract – Once the aforementioned resolution has been issued, the maquila company has a period of 120 days to present 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. Said determination or qualification is subject to approval by the Department of Foreign Trade of the Ministry of Industry and Commerce.

The European generalised system of preferences

The EU's Generalised Scheme of Preferences (GSP) is designed to support developing countries export to the European Union (EU) and

so facilitate their integration into international markets. This is done by reducing tariffs for their goods when entering the EU market. It is a unilateral measure by the EU: there is no expectation or requirement that this access is reciprocated by the countries concerned. It is based on clearly defined rules of the World Trade Organisation (WTO).

Paraguay is listed as beneficiary country and since 1 January 2014, Paraguay has GSP+ status. Because of this specific incentive arrangement ('GSP+') Paraguay benefits from no tariffs deep tariff cuts when exporting to the EU.

The new legal framework for infrastructure investment

During the last years, Paraguay has eased its regulations to overcome its financial constraints making it an attractive option for foreign investors.

a) Public private partnership

Recently, Paraguay has enacted Law N° 5102/13 on "Investment and Promotion in Public Infrastructure, Expansion and improvement of Goods and Services provided by the State" and its Regulatory Decree N° 1350/14. By means of these new regulations, the Paraguayan government seeks to improve the country's public infrastructure and services.

According to the Law, the selection of the private participants shall be by public tender procedures or other competitive procedures.

The process leading to the signing of a public-private partnership contract shall be initiated by the Contracting Authority itself or it may be originated through private initiative. This private proponent is awarded certain rights and preferences in the ensuing public tender.

The bidder awarded with a PPP project must incorporate a local company of which

it shall be the majority shareholder. Alternatively, the bidding terms and conditions may also set the obligation to manage all the resources involved in the project by means of a trust with all present and future assets and liabilities related to the project. The first PPP bid has already been called and is currently going through the pre qualification stage where 11 bidders have presented their offers. This project is related with the design, financing, construction, maintenance and operation of the 193 km National Route N° 7 known as "José Gaspar Rodríguez de Francia" which joins the cities of Coronel Oviedo and Ciudad del Este and the 132 km National Route N° 2 known as "Mariscal José Félix Estigarribia" which joins the capital city with Coronel Oviedo. b) Public guarantee for infrastructure investment

Law N° 5074/13, recently modified by Law N° 5396/15 and its Regulatory Decree N° 1434/14, offer a comprehensive legal framework with enough guarantees and easier execution for undertaking public works than the PPP Act. The Law therefore represents an interesting alternative way to contract with the Paraguayan State for the development of public works.

This Law is destined exclusively for bidders who have secured full funding. Accordingly, a list of the projects ranging from road construction to railways, airports, bridges and ports which can benefit from this scheme is detailed in the Law. It also authorises the local and foreign persons or legal entities, domiciled or represented in the country and State Agencies to engage in a Joint Venture.

These public works and services may be carried out by companies and/or consortium of national and/or foreign companies where Paraguayan participation shall not be less than 25%.

The Paraguayan State assumes the obligation to pay for the contracted public works, once they are completed, offering three guarantees:

- Payment for the completed work is guaranteed by the National Treasury;
- The financing funds have the sovereign guarantee of the Paraguayan State;

A case by case approval, with a prior evaluation by the Central Bank of Paraguay, through an Executive Branch Decree may authorise the use of the credit line given

to Paraguay by the ALADI Reciprocal Credit and Payment Agreement. The objective of this additional guarantee is to ensure fast and secure payment to the contractor.

2) Establishing a Company in Paraguay

Paraguay has a rapidly growing open economy, and the potential for continued growth over the next decade. The country generally has a strong macroeconomic position. Foreign exchange reserves are about twice the amount of its external debt. The country's debt-to-GDP ratio is one of the lowest in the region. Inflation is one of the lowest of the region. Agriculture commodities dominate Paraguay's exports. Paraguay's large pool of young workers—roughly 70% of Paraguay's population is under 35 years of age—is an untapped resource and favours labor-intensive industry sectors.

Incorporation – legal framework

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

The types of companies ruled are:

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

Branch Office.

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, for the habitual exercise in the territory of Paraguay of acts comprehended in the purposes of their creation, foreign companies must establish a representation with domicile in the country, prove that the company has been incorporated pursuant to the laws of its country, and justify the agreement or decision to create the branch or representation, the capital committed, if so, and the appointment of representatives.

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.

Legal entities for foreign companies. What are the types of legal entities that foreign companies may choose to execute their businesses?

The types of legal entities most frequently chosen by foreign companies are the stock company, the limited liability company, and the branch office. What are the requirements to be fulfilled for each type of legal entity?

The main legal requirements are:

STOCK COMPANIES (S.A. in Sp.)

The name of the company must include de- nomination "S.A." (Sociedad Anónima). This type of company mandatorily requires at least two stockholders, whether natural person or legal entity. The stock companies can be closed joint stock companies or public companies.

The Articles of Incorporation (Association) must be drafted by Public Deed, with the intervention of a Notary Public, and recorded in the Public Registries. Public companies that sell their securities in the stock market have additional requirements and procedures for their constitution, such as their inscription in the National Commission of Securities.

The Civil Code does not indicate a minimum amount of capital necessary to establish a closed joint stock company. The criminal law states that companies must have share capital suitable to the activities they develop. Public companies require a minimum capital.

The formation of closed joint stock company takes around 30 to 45 days, and its cost de- pends on the share capital and the services to be quoted regarding the incorporation and operation. Finally, the formation of a public company takes longer and is more costly.

● Shares

The share capital is represented by nominal shares or bearer shares which can be freely transferred. In public companies, the share capital is represented by nominal shares subject to public negotiation in the Share Market. Each share

grants right to a vote and to participate in the company profits, pursuant to the Civil Code.

- **Board of directors**

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

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

- **Syndicates**

These 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 management of the directors.

Legal reserve

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

LIMITED LIABILITY PARTNERSHIP (LLP - S.R.L. in Sp.)

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 recorded 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, capitalisation or savings activities, or those for which the law requires another type of company. The Civil Code does not foresee a minimum amount of capital necessary to establish a limited liability partnership. The formation of a limited liability partnership takes around 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 authorisation of the other members, and if the same is not possible, it can be authorised by a Judge in Civil and Commercial Matters. The assignment of contributions is formalised by public deed and recorded in the Public Registries.

- **Managers**

The partnerships can be managed by one or more managers, who may be members or not. The managers must be of Paraguayan or foreign nationality domiciled in Paraguayan territory.

- **Legal reserve**

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

BRANCHES

Companies established abroad have their domicile in the place where their main place of business is located. The foreign companies that 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 most similar to that of their incorporation. As with Paraguayan companies, those companies must be inscribed 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:

- 1) establish a representation with domicile in the country, in addition to the home address as they may be required under legal circumstances;
- 2) prove that the company has been incorporated pursuant to the laws in their country of origin;
- 3) justify the agreement or decision to create a branch or representation, the capital assigned, if so, and the appointment of the representatives.

Advantages and disadvantages of each one

- **Third party liability**

The stockholders of a Stock Company and the members of a Limited Liability Partnership limit their liability against third parties up to their share or contribution of capital, even in the event that the Stock Company and the Limited Liability Partnership were liable against third parties with all their assets. However, the liability of the Branch is extended to its Head Office, as the latter does not constitute a distinct legal entity. Therefore, the assets of the Head Office may become affected by deeds performed or obligations incurred by the Branch.

- **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 the same to reserve or reinvestment, with the subsequent tax reduction.

- **Public listing at the stock market**

The shares of a Stock Company (S.A. in Sp.), the bylaws of which are pursuant to the requirements set forth by the Capital Markets Law, can be quoted in the Stock Market, with the subsequent advantages thereupon. The LLP or the Branch of a foreign entity cannot be listed in the Stock Market, as they lack shares.

- Management and operation

The management of Stock Companies is more bureaucratic, as these require minutes of the board of directors, supervision by the Syndicate, 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 LLP and of a Branch is simpler and less costly than that of a Stock Company. These do not require a Board of Directors, a Stockholders Meeting, a Syndicates, etc., all of who must meet with a minimum periodicity, and whose decisions must be put on record in the minute books.

3) Working in Paraguay

The person who wants to pursue a profession in Paraguay must necessarily obtain a residency permit, which is issued by the Department of Migration (Dirección General de Migraciones) with a temporary or permanent residency card, according to what is established by law 978/961 . Previous the request, foreign nationals, normally enters the country (excluding those who are official visitors) as a tourist, and can remain in that status for the term of 902 days from the date of entry into the country. The tourist visa is renewable only once for 3 more months. After this period the person must return to their country of origin, or apply to change his status to:

a) A temporary residency in order to obtain a residence permit for a period of 1 year, renewable for another 6 months. This type of residency is usually aware to workers or students who attempt to remain in the country sporadically and for a very limited time.

b) A permanent residency is a residence permit for an unlimited period. In this case the applicant assumes the obligation to request the Paraguayan Identity Card (essential document for obtaining the Unique Taxpayers Registration – RUC for its initials in Spanish – in order to pay taxes in the country), it must be requested within 3 months after obtaining the Admission or Resident Permanent Card.

It is important to mention that in practice both procedures require the same amount of time, therefore it is often recommendable to apply directly to the permanent residency. However, it is a decision that depends directly on the length of staying in the country and the scale of business to be carried forward. Both residency procedures must be request in person at the Department of Migration offices.

The requirements to apply for a temporary or permanent residency can be found in digital form at www.migraciones.com.py, never the less we always recommend to contact them by phone to check the application procedures and processing times.

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

In this regard, we can mention at the national level: The Investment Law No. 60/90 with its regulation No. 22031/03, the Maquila Law No. 1064/97 with its regulation, and the agreement signed in May 2006 between the Ministry of Industry and the Department of Migration, among other institutions, which creates the unified system of opening and closing business (the "SUAE" office today "SUACE" for its initials in Spanish). In this system the investor, once accredited and certified his status by an official of that department, can open a company and apply for the permanent residency through this office. This represents a great advantage in terms of speed, as the office itself manages the permanent residency application

and set its good will to intermediate in order to obtain this in a short time

At the international level we can say that among the most important approved agreements, it is the Law No. 4987 of 2013 which approved the Treaty of The Hague of 1961 which aims to eliminate the requirement of legalisation of foreign public documents among signatory countries. The Apostille of The Hague system will apply between those States, which facilitate enormously the exchange of public documents between member states. It is important to clarify that this system had not been accepted between Germany and Paraguay, and the source documents must be legalised by the Consulate of the State where they will be used and once in the country to be used they must be legalised by the Ministry of Foreign Affairs of that country.

Additionally, Paraguay has also signed several agreements to abolish visas with some states and has the provisions concerning exemptions relating to foreign nationals from the Mercosur member states.

We can also mention bilateral treaties to suppress visas with many countries around the world, including the Federal Republic of Germany, and printing visa at the arrival with some other countries with which until recent days a consulate visa was necessary.

Paraguayan identity card

This is the document that accredits the Paraguayan citizenship, it has to be requested after obtaining the permanent residency, and is valid for 10 years. With this document, even a foreigner can enrol in the electoral system in order to participate in the municipal election, it is also essential for obtaining a driving license, and especially for enrolment in the Unique Taxpayers Registration (RUC), to be enrolled in the compulsory social insurance (IPS), also today it is essential requirement for opening a bank account.

Other documents needed

to work in Paraguay, practice a profession or install an industry in Paraguay

a) Obtaining of the RUC Unique Taxpayer Registration requested before the Tributary Sub-Secretary of Finance Ministry, which is the taxpayer identification required to issue invoices.

b) Commercial /Professional Patent: It is requested to the Municipality of place of exercise of the profession or the business establishment.

- c) Merchant License, according to Merchant Law No. 1034/83.
- d) Environmental Impact Evaluation Study for rural, industrial or any environmental interventions.
- e) Patent or Trademark registers before the National Direction of Intellectual Property (DINAPI for its initial in Spanish).
- f) Importer License before the National Direction of Customs. (if necessary), for this license is required to have a bank account, commercial patent, RUC, Paraguayan Identity Card.

Legal acts of interest for this

chapter, which can be carried out without the residence application, and with the sole possession of a valid passport:

- a) Purchase and sale of movable and immovable property, with the exception under the Act of Security Border and in compliance with the tributary laws.
- b) Housing Rental, although in many cases the lack of the Permanent Resident Card and / or the Paraguayan Identity Card implies to perform them in very disadvantageous conditions.
- c) Purchase of Shares in Corporations and social contributions in a Limited Liability Company, with the exception of companies which are affected by the Border Security Act.

4) The Importation of Goods

In order to provide information on the importation of goods to Paraguay, one has to take into account trade policy in Paraguay and international agreements. In order to import goods to Paraguay, you need to register in the Register of Importers of Paraguay Customs and the Ministry of Industry and Trade to obtain prior automatic import license.

Paraguay trade policy and international agreements

Paraguay is a member of the W.T.O. and the Latin American Integration Association (ALA- DI).ALADI member countries are: Argentina, Bolivia, Brasil, Chile, Colombia, Ecuador, Mé- jico, Paraguay, Perú, Uruguay and Venezuela. The complementary regional agreement on opening markets for Paraguay in the month of April 30, 1983 grants a tariff preference of 100% for special products originating in Paraguay. ALADI includes three groups of countries. Bolivia, Ecuador and Paraguay are considered to be the least developed countries in the region and therefore enjoy a preferential system within the association, including regional lists of open markets, cooperation, special programs, economic promotion and mea- sures compensation for landlocked countries.

The Government of Paraguay has entered into a multilateral agreement with Argentina, Brazil and Uruguay, with the intention of creating a sub-regional common market, known as MERCOSUR.

Paraguay has signed agreements of economic cooperation with Spain, Romania, Russia,

Chile, China (Taiwan) and Ecuador. Financial cooperation has been signed with Germany. Protection agreements and investment promotion are already effective with Spain, Romania, Germany, Austria, Chile, China (Taiwan), Korea, Ecuador, the United States, Great Britain, Hungary, Netherlands, Peru and Venezuela.

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

- ARGENTINA - PARAGUAY, Law 1105/1997, in the air, soil and river transport.
- CHILE - PARAGUAY, Law 230/1993, on the air and land transport.
- CHILE - PARAGUAY, Law 2965/2006, to avoid double taxation and tax evasion.
- China (Taiwan) - PARAGUAY, Law 3972/2010, the income tax.
- GERMANY - PARAGUAY, Law 1087/1984, on air transport.
- BELGIUM - PARAGUAY, Law 1.236 / 1987, on air transport.
- URUGUAY - PARAGUAY, Law 55/1991, on air transport.
- Treaties or investment cooperation guarantee signed by Paraguay with the governments of Belgium, Benelux, Brazil, Chile,

China, Germany, Britain, Italy, Korea, Mexico (Bancomext), Switzerland, South Africa, United States of America and the OPIC.

Importers registry

The "Registro de Importadores " is a document confirming that importers are registered in the Ministry of Industry and Commerce (MIC). Records are a prerequisite for automatic application Previous of the "Licencia Previa de Importación" and necessary for customs clearance. Registration 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, Phone number: +595 21 6163000. The application must be completed in Spanish and original documents presented itself. In the case of certain goods, such as clothing and footwear, the application must be filed electronically through the "Registro Unico" of the MIC. The validity of the registration period is one year.

In case made through the "Registro Único", the accompanying documents must bear a digital signature of the importer or his duly accredited legal representative or conventional. The "Registro Único" has been created to provide a single window for business registers in the MIC which previously had applied for different administrative units of the Ministry. When the unified database is used, companies must submit the supporting documents of different records only once to the MIC jack. The "Registro Único" is administered by the Directorate General of exporters "Ventanilla Única" (VUE), since the address has adequate technology and infrastructure.

These documents are necessary for registration of importers:

- Application letter
- Certified copy of the Company Registration • Certified copy of the Registration with customs authorities
- Certified copy of the tax return for the previous financial period
- Certified copy of the VAT (I.V.A.) return for the last three months
- Certified copy of the entrance to the importer in the register of service providers Administered by the MIC: "Registro de Prestadores de Servicios" – REPSE, (Registration Service Providers)
- Certified copy of tax compliance, "Certificado de Cumplimiento Tributario"
- Certified copy of the certificate of the writing constitution
- Certified copy of the facts assembly containing the designation of the directors of the current company (for companies only) • Copy of the registration of food products and additives issued by the National Institute for Food and Nutrition (INAN), if applicable
- Certified copy of the Register of Importers of food products, where appropriate
- Environmental License issued by the Ministry of Environment (SEAM), if applicable.

Customs procedures and requirements

In order to make a customs declaration, the pre automatic import license, "Licencia Previa de Importación Automática" be obtained. It is a document that demonstrates that the importer is authorised to import subject to automatic licensing raw materials. 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, phone number: +595 21 6163000. La request must be made in Spanish.

Automatic import license must be submitted electronically through the Single Window Importer, "Ventanilla Única del Importador" (VUI) before the Import Declaration in Customs, in order to gain access to the "Ventanilla Única del Importador" previous registration must be done with VUI. The processing time is 60 days. And then when applying the Preliminary License, "Licencia Previa" and be authorised by the MIC it is valid for 30 days.

Only importers have obtained the Register of Importers of the Ministry of Industry and Trade may apply for this license. The requested documents (see

below) set in VUI must bear a digital signature of the importer or legal representative.

A certified copy of Commercial Invoice must be presented at the MIC 15 days prior to shipment. The FOB value of goods may exceed the value indicated in the pro forma invoice for a minimum below 5% or above 10% maximum. Requiring Prior Automatic Import License, "Licencia Previa de Importación Automática" refers to a wide range of goods, resulting from the information provided in the application or documents may vary depending on the class of Goods.

Minimum content:

- Description of goods to be imported and the corresponding tariff headings in the Mercosur Common Nomenclature (NCM). • Brand name of the product, if necessary. • Country of origin.
- Number and total value for their origin (steel products).
- Detailed information on the importer, manufacturer and exporter.
- Number and the exact weight (for meat). • For cosmetics and insecticides for home use: - Net content per unit, the total weight of kg, FOB in USD.
- Data on the manufacturing laboratory. Documents attached:
 - Application letter, if applicable. • Register of importers in the MIC. • Commercial invoice.
 - Certified copy of the Certificate of Origin, if applicable.
 - Authenticated copy of the bill of lading. • Certified copy of the certificate of registration to the customs authorities (DNA Registry Signature).
 - Certification issued by the National Institute of Food and Nutrition (INAN) proof of compliance with the current technical and legal requirements, if applicable.
 - A copy of the authorisation permit of importation of animals or products issued by SENACSA.

Certified copy of the import authorisation insecticide for household use the Ministry of Public Health and Social Welfare.

- Certified copy of the environmental license issued by the Ministry of the Environment (SEAM), if applicable.
- Manufacturing Certificate (for cosmetics, household insecticides and steel products). • Copy of Phytosanitary Import Accreditation, if applicable.
- Registration SENAIVE, if necessary.
- Certified copy of the business license, if applicable.
- A copy of the phytosanitary certificate, if applicable.

- Industrial Registration, "Registro Industrial" of the MIC for industries
- The Commercial Invoice, "Factura Comercial" containing the details of the transaction and is required for customs clearance. - The commercial invoice must be legalised by the Paraguayan Consulate in the country of issue.

Information to be provided in accordance with the customs code:

- Name and address of the exporter. • Name and address of the recipient. • Merchandise description.
- The marks and numbers and, if available, reference number.
- Number and type of packages.
- Net weight and gross weight of packages. • Country of origin or provenance. • The unit prices and total value.
- Reductions and bonuses (if applicable). • Transportation costs and other costs related to goods.
- Payment Terms and currency.
- Delivery terms (Incoterms Using).

MAQUILA

This law aims to promote the establishment and regulate the operations of industrial enterprises maquiladoras engaged wholly or partly to make industrial processes or services incorporating labor and other national resources for processing, processing, repair or assembly foreign goods temporarily imported for this purpose for subsequent re-export, in execution of a contract with a company domiciled abroad.

Create the National Council of the Maquila- dora Export Industry (CNIME), as an advisory body of the Ministries of Industry and Commerce and the Ministries of Finance, which shall consist of the following members, appointed by the Executive on a proposal from the respective departments :.

- A representative of the Ministry of Industry and Trade;
- A representative of the Ministry of Finance;
- A representative of the Central Bank of Paraguay;
- A representative of the Technical Planning Secretariat for Economic and Social Development; and
- A representative of the Ministry of Foreign Affairs.

All permits corresponding to these enterprises:

- program activities;
- Initial permission for the importation of machinery and equipment;
- Permission for import of raw materials and inputs needed for production; and,

d) Permission to modify, expand, reduce, suspend or cancel the Maquila Program.

Temporary admission:

Customs procedure can be brought into a customs territory with suspension of duties and taxes on imports, certain goods for a specific purpose and intended for re-exportation within a specified period; either without undergoing transformations or having undergone a process, manufacture or repair.

Documents Required for Temporary Admission. • Customs Declaration in detail the contents of the package, nature and type of the merchandise.

- The description of the goods permitting their perfect identification and tariff classification.
- Presentation of the original documents or contracts, bills of lading, commercial invoice, etc.
- The information on where the goods will be used and the purpose for which it was imported.
- Surety policy.

Law 60/90

The purpose of this Act is to promote and increase capital investment of national origin and / or abroad. To this end, fiscal benefits will

be granted to natural and legal persons based in the country, whose investments are made in accordance with the economic and social policy of the National Government and aims at:

- a) The increase of the production of goods and services;
- b) The creation of permanent jobs;
- c) Promoting exports and import substitution; d) The incorporation of technologies to increase production efficiency and enable greater and better use of raw materials, labor and domestic energy resources; and e) Investment and reinvestment of profits in capital goods.

Benefits and tax exemptions

Investment projects that are approved can enjoy, depending on the characteristics of each project of investment, pay the following exemptions:

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

- All taxes levied on the creation, registration or registrations of companies and enterprises.
- 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 in respect of interest, commissions and capital of the same when the investment is financed from abroad and is at least US\$ 5,000,000 (five million dollars). Steps to apply for benefits granted by law 60/90
- Presentation of Investment Project.
- Submission of Application signed by one

of the businessmen and responsible for the project, indicating:

Full Name, (attached photocopy of the Certificate of Police Identity), address, position in the company, specifying the activity that will develop the project, location of the establishment, the benefits for the country of project implementation, details of the requested benefits, justification and quantification amounts subject to waiver where appropriate,

- Appropriation of the person authorised by signing the paperwork, phone number and / or fax corresponding,
- Presentation of study concerning the investment project in three (3) copies (one original and two copies) with the signing of technical or professional responsibility, your name, address and professional title and the applicant, • Commitment Laws or Constitution of the Society authenticated by Inkstand,
- Balance of the last financial year visa by the Directorate General of Tax Audit, and the number of Taxpayer Registration, "Registro Único de Contribuyentes", or Affidavit where appropriate,
- Tax Compliance Certificate,
- Pro-forma Invoice in Castilian, or translation done by a licensed professional,
- Catalogue of machinery and equipment, • Environmental License granted by favorable resolution of the Ministry of Environment. In cases of civil works and installations, will be presenting rigor relevant drawings, with corresponding spreadsheets, metric calculation and budget prepared by professional competent in the matter.

Duration of procedure five: (5) months or less. Cost

No administrative cost.

Import of raw materials and supplies

- Purpose:

To encourage investment and stimulate existing industrial enterprises, through tariff releases, improving the competitiveness of industries as a source of jobs and added value, particularly to stimulate the creation and growth of SMEs. "PYMES"

- Benefits:

Industries eligible for the benefits of Decree 11.771 / 00, "Importing raw materials and inputs a customs tariff of zero percent (0%), where it is demonstrated that they are used as such in their own production processes".

- Who can access it?

All industries in the country, registered as such with the Ministry of Industry and Trade.

- Description of procedures

- Request the user 's password in the single export window, "Ventanilla Única de Exportación", VUE, to access the electronic system. - Reception via electronic system, the import request the Directorate of Special

Regimes, accompanied by the commercial invoice and special permits required if the product (SENAVE, SENACSA, DINAVISIA).

- Study and consideration of the request by the Technical Commission Interinstitutional CTI, (MIC, UIP, MH / DNA and MAG / SENAVE / SENACSA) via electronic system. - Issuance and signing of Certificate of exemption from customs duties, in charge of the SSEI / DGDE / DRE once the application is approved.

- Delivery of the Certificate to the applicant.

- Deadline for certification 3 to 5 business days.

- Requirements for issuance of certificate - The industry must be registered with the Industrial Registration, "Registro Industrial" of the MIC.

- Having approved the Annual Production Program.

- The raw material input or requested shall not register domestic production.

- The amount of import shall not be less than 1,500 U\$S FOB.

- The application must be approved by the Inter-Agency Technical Committee (CTI).

- Bimonthly report

The beneficiary shall submit to 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, Cap. III, Art. 9th.

- Required documents

Commercial invoice, AFIDI, APIM or import authorisation issued by the SENAVE or SENACSA also permits DINAVISA, depending on the raw materials to be imported and eventually technical information.

- Document issued

Certificate of Release of Customs Tariff, "Certificado de Liberación de Arancel Aduanero" for the import of raw materials and supplies.

- Legal framework

Decree No. 11,771 / 00 and Decree Modified No. 2.884 / 14 - Resolution No. 1/01 MH

IMPORT NORMAL

REGISTRATION REQUIREMENTS FOR IMPORTING

Art. 19 Decree 4672/2005 (Regulation)

- Single Register of Taxpayers, "Registro Único de Contribuyentes" R.U.C. • Municipal License
- Opening balance sheet for the last year, certified by the competent office. • Identity Card of Signatories People • (S.R.L)
- Deed of incorporation and contribution of capital.
- Registration with the Public Registry of Commerce and Registration in the Register of Legal Entities.
- (S.A.) Company SA • Social position
- Act of the Last Assembly • (Unipersonal)
- Enrolment Trader
- Bank Reference (original), current account, certified by a local Bank
- Communicate Real address, title or Rental Agreement
- Communicate to the National Customs, the change of address within a period not exceeding five (5) business days.

5) Transport & Logistics

Overview

Paraguay has a surface of 406,752 Km² and is the eighth largest South American country. It's location in the centre of South America makes it an important player with respect to the land routes in the region in this part of the

continent. Paraguay is a land locked country, connected to the Atlantic Ocean by the Paraguay and Pa- rana River. It has a total of 3,477 kilometres of navigational rivers. The capital city, Asuncion, is located 1,600 kilometres away from the River Plate basin. Transit countries are Argentina, Brazil, Uruguay and Bolivia by rivers and roads. The main corridors shown on the graphic below:

Ground transportation

The country has approximately 35,000 kilometres of roads, of which about 25% are paved, according to data available for 2014. The main paved routes are Ruta N° 2, which connects Asunción 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.

Air transportation

There are three airports with capacity for large- sized commercial aircrafts. The Silvio Pettrossi International Airport that serves Asunción city, the Guarani International Airport in Ciudad del Este and the airport in Mariscal Estigarri- bia city in the Chaco. Silvio Pettrossi ´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 know airport for its car- goes, with direct flights from Hong Kong and Dubai with imports of different products.

River transportation

The river network is the most important trans- port system of the country, where 80% of the international commerce is traded through. 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.

The main products exported by Paraguay be- sides grains and its derivatives, are meat, char- coal, rice, organic sugar, leather and derivatives, auto parts, tobacco and wood.

The following chart shows the main destinations of Paraguayan export in 2016.

The main import products are oil / fuel, house- hold goods, raw material for industries, vehicles, agrochemicals and fertilisers, electronic goods, drinks and food and machinery.

The below chart shows the origin of imported products in 2016.

Ports in the hidrovía Paraguay – Parana

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

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

6) The Paraguayan Tax System

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. The regulations of the mentioned laws, including decrees and resolutions issued by the Paraguayan Tax Office (Subsecretaría de Estado de Tributación-SET). The tax system is made up of income taxes (direct taxes) and excise taxes (indirect tax- es) as well as taxes on property.

There are four types of income taxes: CIT-IRACIS (Corporate Income Tax on Commercial, Industrial and Service activities), CIT-IRAGRO (Corporate Income Tax on Farming and Cattle raise activities), CIT (Corporate Income Tax of Small Taxpayers) and PIT (Personal Income Tax). There are two types

of excise taxes: VAT (Value Added Tax) and ISC (Selective Consumption Tax)

CIT/IRACIS – corporate income tax

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

- 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 rent- ing, 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.

Tax payers:

- Individual businesses, partnerships (with or without legal status), cooperatives, associations, corporations and other private entities.
- Government-owned enterprises, self-governing government bodies, decentralised 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.

Tax rates:

- General rate = 10% of the net income • Additional rates =
- (+) 5% on distribution of profits to share- holders 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 Argentina/Brazil/Bolivia/Uruguay and 30% between Paraguay and other countries.

International income considered as income of Paraguayan source (taxed):

- 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.

CIT /IRAGRO – income tax from agricultural activities

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, decentralised entities and mixed companies. • Individuals or entities domiciled or incorporated abroad and its branches, agencies or establishments in the country.

Rate: 10% on determined net income.

CIT – small taxpayer

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 90,415 according to the exchange rate on April 16, 2017)
- 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 proprietorships, 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.

PIT - personal income tax

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 organisations taxpayers of the CIT IRACIS and IRAGRO); and surplus from co-operatives
- 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 (eg. 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)

VAT - value added tax

The value-added Tax (VAT) applies to the sale/ transfer of goods, provision of services, excluding personal services that provided as employees (under labor relationship) and import- ed goods.

Taxpayers: • Traders

- Manufacturers • Exporters
- Leasers of real estate
- Professionals (freelancers, not under labor relationship)
- Small taxpayers
- Owners, partner and company ´s directors • Educational organisations not recognise by the Ministry of Education.
- Companies carrying out financing activities in general.
- Cooperatives, organisations 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 organisations 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 industrialised. 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 Paraguay- an 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.

SCT – selective consumption tax

Imposed on Imports of goods

Taxpayers: Manufacturers, Importers Rates:

- 50% petroleum fuels.
- 13% cigarettes in general, especial and similar; champagne and similar.
- 11% brandy, gin, rum cocktail, cane, etc.; Product 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.
- 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; weapons, ammunition and accessories.
- 1% toys and accessories; machinery for air conditioning; laundry machines and others; musical instruments and accessories.

Tax on property

General information

The tenure and ownership of immovable property located in the country is taxed by the Tax on Immovable Property, on 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.

Taxpayers: Individuals, legal persons and, entities in general.

Rates:

- 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 property value established by the National Cadastral Service. This value is gradually adjusted every year to reach the actual market value, in a period not less than 5 years.
- The annual adjustment shall not exceed the percentage of variation set in the Consumer Price Index (CPI), determined by the Central Bank of Paraguay (BCP). Thus, the value determined will be increased annually by a % not exceeding 15% of that value.
- For rural properties, improvements or buildings and constructions do not form part of the tax base.

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) is required by an specialist as the permits for deforestation, according to the activity to be realised.

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.

Treaties to avoid double taxation

- Argentina: Law 1105/1997, on air, ground and fluvial transportation
- Uruguay: Law 1087/1984, on air transportation • Chile: Law 230/1993 on air and ground transportation; Law 2965/2006 on income taxes, to avoid double taxation and tax evasion
- China (Taiwan:): Law 3972/2010, on income tax • Germany: Law 1087/1984, on air transportation • Belgium: Law 1236/1987, on air transportation

7) Real Estate Investment

Real Estate Investment

The right to private ownership is guaranteed by the Constitution of Paraguay. Foreign investors face no specific restrictions to investment 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.

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 excellent land in abundance for agriculture and/or cattle breeding at still very low prices, in comparison with other countries of the region.

The country has vast and excellent fresh water resources. Most of the territory sits on 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.

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.

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, ie. 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, 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.

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 is tax: the owner must have its property's taxes fully paid until the year in which the transaction is taking place and must present the certificates to prove it.

After this entire process a contract is signed between the parties 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.

Build to lease

A build-to-suit 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 is used by all kinds and sizes of business, from the smallest to the largest. Because the developer is constructing a customised building for one user, the lease term is usually a minimum of ten years in order to divide the risk in a longer period of time.

At the beginning, available land must be found, a good developer selected, start the design process and construction 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 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.

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

8) Environmental Legal Framework in Paraguay

Since the '90s Paraguay has established multiple environmental laws aimed to follow the international standards in the MERCOSUR region as well as improving the protection of its vast natural resources in view of the constant economic and social growth of the country. In fact, the current 1992 National Constitution introduced the right to live in a healthy and sustainable ecological environment (art. 8) and the mandatory protection of the environment (art. 9), by which all activities that may cause environmental alteration and damages shall be regulated by law and subject to penalties and obligation to repair and compensations.

Based on this, Law 294/93 of the

“Environmental Impact Assessment” was enacted to comply with said requirements and provides that all applicants are obliged to submit environmental impact studies to the Environmental Agency (“SEAM”) before carrying out any project and economic activities. More recently, the current administration of the Executive Power issued Decrees No. 453 and 954/13 to amend the whole regulatory system for the approval and granting of the Declaration of Environmental Impact or DIA (so called “environmental licenses”) that faced many critics in the past due to the unpredictability of the terms and

length of administrative proceedings; thus, introducing significant changes such as the term (90 days) in which environmental studies shall be approved, rejected or amended; the validity of the license which was extended from the prior two (2) years period to the whole extension of the project subject to periodical environmental audits, unless it shows important changes not analysed in the original project, the occurrence of side effects not foreseen previously or the increase of negative externalities due to subsequent causes.

As a result, SEAM enacted new resolutions to improve and tighten current procedures like Resolutions No. 244/13 and 362/13 that establishes new and higher fees and requirements for the environmental consultants entitled to submit and prosecute the environmental studies on behalf of the individuals and company applicants; Res. 201/15 that regulates the new obligation to perform Environmental Audits for every project and Res. 184/16 that lists the types of environmental studies and documents related to the applicants and the projects to be filed for their review.

It is also important for investors to know that according to Law 716/95 "that punishes crimes against the environment", some conducts are deemed as criminal offences and sanctioned with fines of up to 1.000 minimum wages (USD 10.000 approx.) and jail for up to 8 years.

Moreover, due to the lack of administrative regulations, SEAM was recently empowered by Decree Nr. 2598/14 to define type of infringements and set up fines of up to 20.000 minimum wages (USD 200.000 approx.) to be applied for violations of the current legal framework due to non-compliance which main features are briefly described below:

Wildlife (Law Nr. 96/1992)

According to this Law, SEAM shall be in charge of: a) The National Register of Wildlife intended for registration of any individual or develop legal activities related to Wildlife and commercialisation;

b) The lists of species of Wildlife that may be appropriate for any type of use, as well as those species classified as pests by the Enforcement Authority;

c) The lists of places, periods of time and areas of the national territory qualified or authorized to use species that may be appropriate under the preceding paragraph; and,

d) The licenses issued under the provisions of paragraph "a", the ownership and permissions for transfer, export and import issued under the provisions of sub paragraphs "a", "b" and "c"

Environmental Impact

Assessment (Law 294/1993)

As cited above, so far it is the cornerstone of the current environmental legal framework to develop any economic activity. 5.3 Wild Protected Areas

(Law Nr. 352/1994)

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.

Valuation of Environmental Services (Law Nr.3001/2006)

Although it was enacted in 2006, the Law has only been effectively applied since the current administration. By Decree Nr. 11.202/2013 the Executive Power issued regulations that foster the application of certifications for environmental services to public works starting over USD 50 millions (i.e. construction of highways) for the equivalent of 1 % performed by the

Ministry of Public Works and Communications. As a result, SEAM awarded up to the mid 2016 to 20 applicants (among them indigenous communities, individuals, private companies devoted to forestry, cattle and manufacture of steel, foundations etc) but such figure is expected to increase due to the growth of investments in public works.

Water Resources

(Law Nr. 3239/2007)

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 SEAM (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.

Solid Waste

(Law Nr. 3952/09)

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.

Fishing and Aquaculture (Law Nr. 3556/2008)

During last years SEAM was very active expanding the knowledge of the public regarding the requirement of the mandatory license for fishing and the enforcement of the fishing ban period.

Quality of Air

(Law Nr. 5211/14)

After the enactment of said Law, SEAM 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.

Abog. Pablo A. Engel - GTSA Paraguay Farm Broker

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