

**Law N° 60/90
"Investment Incentive Law"**

Decree N° 22.031/03

Which regulates Law N° 60/90 "Investment Incentive Law".

Decree N° 11.462/13

Which modifies and extends Decree N° 22.031

1. Purpose

1.1 For the purpose of promoting and increasing capital investments of national and foreign origin, this law grants tax benefits to natural and legal persons established in Paraguay and whose investments are performed in accordance with the economic and social policies of the Paraguayan Government , and have the following purposes:

- a. Increase goods and services' production;
- b. Create permanent jobs;
- c. Promote exports and substitution of imports;
- d. Incorporate technology to improve production efficiency and increases the consumption of raw materials, labor force and domestic energy resources;
- e. Invest and reinvest profits in capital goods.

2. Beneficiaries of this law.

2.1 Any natural and legal person, national or foreign, who makes investments in the following forms:

- a. Cash, financing, suppliers' credits or other financial instruments;
- b. Capital goods, raw materials and supplies destined to the local industry for manufacturing of goods;
- c. Transfer of technology that can be licensed such as trademarks, drawings, industrial designs and processes;
- d. Specialized technical assistance services;
- e. Leasing of capital goods;
- f. Waterway transport, silos or storage in general, internet or data transmission services and scientific research;
- g. National or foreign companies that make investments in the form of capital goods, raw materials and supplies destined to local tourism services.

3. Capital Goods.

- 3.1 The benefits of this law can be applied to capital goods imported or produced locally when they have five (5) years or less from manufacture, with the exception of ships and tugboats, which may be up to twelve (12) years old.
- 3.2 Reconditioned or older imported or locally produced capital goods will be analyzed on case-by-case basis and they will have to be certified by a competent authority, national or foreign.
- 3.3 Capital goods subject to the benefits of this law cannot be sold, exchanged or transferred before five (5) years from the date of custom clearance, unless customs duties and domestic taxes that were exempted are completely paid. They can be transferred after five (5) years as long as exempted taxes are paid in proportion to the remaining lifespan of such capital goods.

4. Leasing of Capital Goods.

- 4.1 Capital goods may be imported under a leasing contract, as long as they do not exceed seventy percent (70%) of the net equity directly linked to the activity object of the investment project.
- 4.2 The benefits of this law are applicable to the following capital goods that are imported under a leasing contract:
 - a. Industrial machinery, of any nature;
 - b. Road tractors (truck-trailer);
 - c. Cargo trucks;
 - d. Trailers or semi-trailers;
 - e. Wheel tractors;
 - f. Machinery for soil movement;
 - g. Agricultural machinery;
 - h. Commercial ships and tugboats;
 - i. Airliners and cargo aircrafts;
 - j. Machines and equipment for medical use.
- 4.3 Leasing of the aforementioned capital goods will be subject to the benefits of this law only if the aforementioned goods are seven (7) years old or less, with the exception of ships and tugboats (up to twelve (12) years old).
- 4.4 The aforementioned age limitations will not be considered on regards to cargo aircrafts and airliners. However, the investor will be required to submit a certificate issued by the competent authority on the technical and mechanical conditions of the aircrafts.
- 4.5 The lessee that has introduced capital goods in the country under the terms of a leasing contract will become a withholding agent of the taxes levied on the import that are not specifically exempted and will transfer such taxes monthly to the tax authority.

5. Tax exemption.

- 5.1 Investments covered by this Law shall enjoy the following fiscal and municipal benefits:
 - a. Full exemption of national and municipal taxes that are levied on the incorporation and registration of companies;

- b. Full exemption of custom duties and other equivalent duties, including domestic taxes applicable to the import of capital goods, raw materials and supplies destined to the domestic industry;
- c. Exemption from the requirement of any type of banking reserve or special deposit for the import of capital goods;
- d. Exemption of taxes levied on remittances and payments made abroad on account of interests, commissions and capital, when the amount of the foreign financing and the activity benefited by the investment is equal or higher than USD 5.000.000 (American Dollars five million);
- e. Full exemption of all taxes levied on dividends and profits arising from an approved investment project, when the amount of such investment is equal or higher than USD 5.000.000 (American Dollars five million), and the tax on these dividends and profits are not considered tax credits for the investor in the country of origin of such investments. This exemption will be granted for ten (10) years from the starting date of the investment project.

5.2 The aforementioned fiscal benefits will be granted exclusively to the investor, according to the approved investment project. In case of eventual transfer of the investment, it will be required to obtain an opinion from the Investment Council.

5.3 For the purpose of obtaining the aforementioned benefits, the investments made before submitting the respective application cannot be older than six(6) months in order to be considered as part of the respective investment project.

6. Authorities.

6.1 The benefits provided in this law shall be granted by a resolution signed by the Ministry of Industry and Commerce and the Ministry of Finance, previous approval of the application by the Investment Council. The Ministry of Industry and Commerce is the authority in charge of enforcing this law, except for all matters related to tax matters, which shall be in charge of the Ministry of Finance.

7. Duration of Benefits.

- a. Ten (10) years when the investments come from resources of repatriation of capital, or when such investments are established in areas of preferential development (as determined by the plans and programs of the Technical Secretariat of Planning).
- b. Seven (7) years when the investments come from the acquisition of capital goods of national origin.
- c. For five (5) years when capital goods are introduced into the country under leasing contracts.

8. Requirements to request the benefits.

8.1 Individuals and legal persons must be registered as taxpayers of the Income Tax, Value Added Tax (VAT) and other taxes covered by Law N° 125/91. They must submit, together with the application, certified copies of: ID card, company's bylaws, list of members of the board of directors, managers and attorneys-in-fact, taxpayer number, tax compliance certificate, and all other information required by the Investments Council.

8.2 The companies still in process of incorporation must, aside from complying with the requirements mentioned in the previous paragraph, submit a notarial deed that expresses their commitment to execute the investment project.

8.3 When the investment is carried out by investors who are not domiciled in Paraguay, they will be required to supply the following information: their addresses, additional information about their economic and business solvency and bank records from local or foreign banks of international renown. They will also be required to appoint an attorney-in-fact who resides in Paraguay. Legal persons or companies will be required to submit information of their directors/managers, balance sheets and income statements of the last three fiscal years prior to the year of application, information on the foreign personnel hired and the regime for reimbursement of capital and dividends.

8.4 The request must contain the following information/documents:

- a. Name and surname or company's name, address, telephone number and taxpayer number of the applicant;
- b. Specify if is a new activity or an extension, renovation, modernization or complementation of an existing activity;
- c. Describe the activity that will be performed;
- d. Project summary;
- e. Advantages for the country resulting from execution of the project;
- f. The requested benefits, their justification and the quantification of the exemptions;
- g. A list of machines and equipment to be imported;
- h. A list of machines and equipment of national origin.

8.5 The Investment Project must contain the following information/documents:

- a. Applicants background (Name, address and records on bankruptcy or insolvency proceedings of the applicant);
- b. Market survey, details on the engineering, location and environment impact of the project;
- c. The activity which is the object of the investment;
- d. Production capacity;
- e. Raw materials and supplies of national and foreign origin necessary for the investment;
- f. The workforce that will be employed;
- g. The amount of the investment and the way it will be financed;
- h. Economic-financial survey;
- i. Organization of company;
- j. Budget of income and expenditures;
- k. Social impact assessment;
- l. Project implementation plan;
- m. Certificate from the Ministry of Environment expressing the no-objection to the execution of the project.

8.6 The information included in the investment project and in its annexes will be considered as that of an affidavit and must comply with the following requirements:

- a. It must be written in Spanish;
- b. The documents in foreign languages must be translated by registered professionals, except printed materials;

- c. The quantities and volumes must be determined in their corresponding unit of measure;
- d. The application will be submitted to the Ministry of Industry and Commerce together with the investment project (one original and two copies);
- e. The monetary values must be expressed in national currency (Guarani) and when appropriate, in foreign currency, in which case the exchange rate in relation to the Guaraní must be determined as well;
- f. Specify the tax exemptions that are being requested and the amounts subject to such exemptions;
- g. If the investment project referred by Law exceeds the amount of USD 5.000.000 (American Dollars five millions), the project must be prepared by technicians and/or national consulting firms duly authorized according to the law. The technicians and/or consulting firms will be responsible for the technical aspect of the project and the accuracy of the information and data provided regarding the investment project;
- h. All the existing companies must submit the certificate of registration to the Industrial Registry of the Ministry of Industry and Commerce. Companies that are still in process of incorporation will have to register within six (6) months from the date of purchase or import of the capital goods.

8.7 To receive the benefits of this Law, an investment project must include a treatment plant for industrial effluents and the establishment of the plant should not affect the living conditions of the surrounding area. In order to build industrial plants, the impact on the environment and the urban plan of each city must be considered.

9. Duration of the procedure.

9.1 The Investment Council must issue its opinion within sixty (60) days from the date of application. The pertinent ministerial resolution approving or rejecting the application will be issued within fifteen (15) days from the date of the aforementioned opinion. If the Investment Council rejects the project, the reasons for the rejection will be expressed.

10. Reports.

10.1 At the end of the execution of the investment project, the beneficiaries of this regime must provide to the Ministry of Industry and Commerce and the Ministry of Finance, a report on the investments that have been carried out. In addition, they must provide other information required by the authorities.

10.2 The Ministry of Industry and Commerce and the Ministry of Finance, if necessary, will make verifications during the process of execution of the project, and a final verification at the conclusion of such project.

10.3. In case the actual result of the project is discordant to the information provided (in the application and the investment project), the benefits granted by this law will become ineffective, and all information will be forwarded to the relevant judicial authorities.