

# Legal 500

## Country Comparative Guides 2025

### Paraguay

### Tax

### Contributor

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Asesores



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This country-specific Q&A provides an overview of tax laws and regulations applicable in Paraguay.

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# Paraguay: Tax

## 1. How often is tax law amended and what is the process?

Tax legislation in Paraguay is amended infrequently, and changes typically follow the ordinary legislative process. Both chambers of Congress must approve a bill—the Chamber of Deputies and the Senate—and subsequently enacted or vetoed by the President. Once enacted, the law is complemented by regulatory decrees issued by the Executive Branch and administrative resolutions of the tax authority.

The most comprehensive reform in recent years was Law No. 6380/19, which sought to modernize and simplify the national tax system, while also introducing Paraguay's most significant innovations in the field of international taxation. That reform was the product of a collaborative process involving the tax administration, the government, and a specialized private-sector technical committee.

More recently, this September 2025, following congressional approval, the Government enacted the law amending the tax incentive regimes, after several decades without change. Unlike the 2019 reform, this legislative process advanced with limited debate, reflecting the governing party's current congressional majority.

## 2. What are the principal administrative obligations of a taxpayer, i.e. regarding the filing of tax returns and the maintenance of records?

Taxpayers must comply with a wide range of administrative obligations, centralized through the electronic platform "**Sistema Marangatu**". Deadlines follow the Perpetual Calendar of Due Dates, determined by the last digit of the taxpayer's **Registro Único de Contribuyentes** ("**RUC**" – Tax ID).

- **Income taxes:** annual returns are due within the second to fourth month after the fiscal year-end, depending on the regime. IRE RG and SIMPLE taxpayers must also make four advance payments throughout the year.
- **Indirect taxes, including VAT and excise tax,** are filed monthly within the following month.
- **Withholdings:** taxpayers must remit withheld VAT, income, and non-resident income taxes by the 7th of

the following month. Dividend distributions are subject to withholding, due by the 13th of the following month.

- **Informative returns:** monthly reporting of purchases and sales (RG 90), and the annual DJI–IDU, filed in June, disclosing the allocation of profits.
- **Financial statements and audit:** IRE RG taxpayers and Simplified Joint-Stock Companies must file financial statements within six months of the fiscal year-end. In general taxpayers with an annual gross turnover exceeding around USD 1.3 million must submit an external audit report in August.
- **Transfer pricing:** taxpayers exceeding the statutory threshold or transacting with low-tax jurisdictions, foreign maquilas, or free zones must file a Transfer Pricing Technical Report (TPTR or Local File) in July, unless the presumption of related-party status is rebutted.
- **Record-keeping:** books and supporting documents must be preserved for five to six years. Invoicing is increasingly electronic, and goods in transit must carry proper documentation. Sectoral obligations of narrower scope also apply, such as the semi-annual inventory report under the Tourism Regime.

## 3. Who are the key tax authorities? How do they engage with taxpayers and how are tax issues resolved?

The **National Directorate of Tax Revenues (DNIT)** is the central tax authority, encompassing the Internal Taxes General Directorate and the Customs General Directorate. DNIT engages with taxpayers primarily through electronic filings on Marangatu, supplemented by email and physical submissions.

Tax controversies are first addressed in audits or customs controls. If disagreement persists, the matter advances to a formal administrative proceeding (*sumario*). Adverse determinations may be challenged through administrative remedies before DNIT, and unresolved disputes can be referred to the judiciary.

## 4. Are tax disputes heard by a court, tribunal or body independent of the tax authority? How long do such proceedings generally take?

Yes. Once administrative remedies are exhausted, disputes are heard by the Tribunal de Cuentas, part of the contentious-administrative jurisdiction and independent of the tax authority. Paraguay does not have specialized tax courts. Decisions of the Tribunal de Cuentas may be appealed before the Supreme Court of Justice (Sala Penal), which is the final instance.

From audit to final judicial judgment, proceedings generally span four to five years.

## 5. What are the typical deadlines for the payment of taxes? Do special rules apply to disputed amounts of tax?

Income taxes are payable in the third or fourth month after fiscal year-end; indirect taxes (VAT, excise) are due monthly; and withholdings (including on dividends and non-resident income tax) must be remitted the following month in which the payment that generated the WHT is performed.

Disputed assessments are not enforceable until confirmed by acceptance of the taxpayer or by a final, unappealable court decision. During litigation, taxpayers may choose not to make any payment at all, or to make judicial deposits to limit the accrual of interest and surcharges, or alternatively, they may accept and pay the underlying tax while continuing to dispute any fines or penalties, to avoid the accrual of interest on the tax due (penalties and fines do not accrue interest).

## 6. Are tax authorities subject to a duty of confidentiality in respect of taxpayer data?

Yes. Under **Law No. 125/91**, tax returns, documents, and information received by the administration are strictly confidential and may be used only for tax purposes. Officials are prohibited from disclosure, under penalty of dismissal and potential civil and criminal liability. The duty extends to external service providers handling taxpayer data.

Disclosure is permitted only upon a reasoned court order and at the request of some other public institutions, in limited proceedings (tax, collection, family, or matrimonial), and remains subject to the same confidentiality safeguards.

## 7. Is this jurisdiction a signatory (or does it propose to become a signatory) to the Common

## Reporting Standard? Does it maintain (or intend to maintain) a public register of beneficial ownership?

Paraguay is not yet a signatory to the OECD Common Reporting Standard (CRS). It has, however, adhered to the Multilateral Convention on Mutual Administrative Assistance in Tax Matters (MAAC) and engages in information exchange upon request and spontaneously, while developing the capacity to migrate to automatic exchange in the future.

Separately, Paraguay has enacted corporate transparency regulations. In this context, it has established a Register of Ultimate Beneficial Owners for companies and other legal structures, requiring disclosure of ownership and control. At the same time, Paraguay has eliminated bearer shares in favor of nominative ones, among other measures aimed at strengthening transparency and aligning the jurisdiction with international standards.

## 8. What are the tests for determining residence of business entities (including transparent entities)?

Residence is determined on a formal basis. An entity is considered resident if it is incorporated under Paraguayan law, or if a foreign entity establishes domicile in Paraguay through registration with the Public Registry (i.e., branches).

In the case of transparent entities, Paraguay treats them as residents if incorporated locally. However, they are not full taxpayers: liability rests with the underlying taxpayer (resident individual, local company, or non-resident). Transparent entities respond jointly and severally only in case of non-compliance with their reporting obligations to their beneficiaries.

For treaty purposes, conflicts of residence are resolved under the tie-breaker provisions of each DTT, which may, depending on the treaty, consider the place of effective management.

## 9. Do tax authorities in this jurisdiction target cross border transactions within an international group? If so, how?

Paraguay has established a legal framework to oversee cross-border intra-group transactions, including, among others, transfer pricing rules, thin capitalization limits, and withholding taxes on outbound payments, which

result in varying effective tax burdens depending on the type of income.

Enforcement remains at an early stage, and large-scale audits are not yet common. Nonetheless, the existence of the framework indicates that cross-border related-party dealings will likely attract greater scrutiny as the tax administration builds capacity.

#### 10. Is there a controlled foreign corporation (CFC) regime or equivalent?

No. Paraguay does not currently have a CFC regime or any equivalent rules.

#### 11. Is there a transfer pricing regime? Is there a "thin capitalization" regime? Is there a "safe harbour" or is it possible to obtain an advance pricing agreement?

As mentioned above, Paraguay has a transfer pricing regime, effective since 2021 and broadly aligned with OECD standards. Taxpayers must prepare and file a Local File annually in two cases: (i) when they conducted related-party transactions, provided gross revenue in the prior fiscal year exceeded approximately USD 1.3 million; or (ii) when they operate with low-tax jurisdictions, foreign maquiladoras or free-trade zones users (which are deemed related-entities), unless the deemed related-party status is successfully rebutted. To date, the regime has functioned mainly as a compliance obligation rather than an area of active enforcement.

Paraguay also applies thin capitalization rules, limiting the deductibility of interest, royalties and technical assistance fees when accrued to partners or related parties.

There are no safe harbour provisions and no advance pricing agreement (APA) mechanisms in Paraguay.

#### 12. Is there a general anti-avoidance rule (GAAR) and, if so, how is it enforced by tax authorities (e.g. in negotiations, litigation)?

Paraguay does not have a GAAR in the sense commonly used internationally. Instead, the tax framework includes general interpretation provisions (under Law No. 125/91), which permit the use of recognized legal methods of interpretation and, in some cases, allow the authorities or courts to look beyond the legal form of a transaction when defining the taxable event. These provisions are

interpretative, not a comprehensive GAAR.

There are no limitation-on-benefits rules or broad recharacterization powers outside the transfer pricing regime. Some of Paraguay's DTTs include PPT or LOB clauses, or a combination, though none have yet been tested in practice.

#### 13. Is there a digital services tax? If so, is there an intention to withdraw or amend it once a multilateral solution is in place?

Paraguay does not have a standalone digital services tax, but since 2020, it has introduced specific rules taxing digital services provided by non-residents.

- **Non-Resident Income Tax (INR):** In business-to-consumer transactions, non-resident digital service providers must register with the tax authority under a special compliance regime, which does not create a permanent establishment or require a formal RUC. They must, however, appoint a representative before the tax authority. Under this regime, the provider pays the INR directly at an effective rate of 4.5%. This is the only case in which income tax is not withheld at source. In business-to-business transactions, the withholding obligation falls on the local payer.
- **VAT:** a 10% VAT applies, collected through local financial intermediaries.

This framework aligns Paraguay with regional practice and ensures multinational providers of streaming, ride-hailing, and digital advertising services are subject to taxation. It is not tied to the OECD's pillar one initiative, which remains uncertain, and Paraguay has not announced plans to withdraw or amend the system.

#### 14. Have any of the OECD BEPS recommendations, including the BEPS 2.0 two-pillar approach been implemented or are any planned to be implemented?

Although Paraguay is not a member of the OECD or the G20, it is a member of the Inclusive Framework on BEPS and a signatory to the Multilateral Convention on Mutual Administrative Assistance in Tax Matters (MAAC). It also participates in the OECD Development Centre. Within this framework, Paraguay has introduced, among others, transfer pricing and thin capitalization rules, and is advancing towards broader exchange of information, currently on a request and spontaneous basis, while preparing for future automatic exchange.

With respect to BEPS 2.0, pillar two's global minimum tax is particularly relevant for Paraguay's incentive regimes, including capital investment frameworks, maquiladora operations, and free zone users or concessionaires, where effective tax burdens remain below 15%. Even under the general corporate tax regime, the burden may fall short of the global minimum if the additional taxation on profit distributions is not taken into account. This creates the risk that multinational groups may be subject to top-up taxation in their home jurisdictions, thereby reducing Paraguay's competitive tax advantage.

The Executive Branch has stated it will not increase taxes during its current mandate. How these regimes will interact with Pillar Two will depend on the evolution of international standards.

## 15. How has the OECD BEPS program impacted tax policies?

The BEPS program has influenced the trajectory of Paraguay's international tax policy agenda, orienting reforms towards minimum international standards. It provided the conceptual basis for adopting modern anti-avoidance measures and reinforced the priority of transparency and information exchange, even if not all recommendations have been fully implemented.

Looking ahead, BEPS will also shape the discussion around the long-term design of Paraguay's incentive regimes, particularly maquila and free zones. The global minimum tax highlights the tension between competitiveness and alignment with international rules. While recent legislative adjustments have not been directed at Pillar Two, the eventual outcome will depend on the global framework. Paraguay's approach to digital services taxation, requiring non-resident providers to register and pay income tax directly while applying VAT through local intermediaries, illustrates incremental convergence with international practices, though not directly connected to Pillar One.

## 16. Does the tax system broadly follow the OECD Model i.e. does it have taxation of: a) business profits, b) employment income and pensions, c) VAT (or other indirect tax), d) savings income and royalties, e) income from land, f) capital gains, g) stamp and/or capital duties? If so, what are the current rates and how are they applied?

Paraguay's tax system is not modeled on the OECD framework but reflects its own structure. It combines a

territorial approach for individuals with a corporate income tax that operates on a predominantly territorial basis but with certain worldwide features, subject to limitations in the normative drafting. Taxes on income and indirect taxation are imposed exclusively at the national level. There are no departmental taxes, while municipalities apply only local levies such as the trade tax (*patente comercial*), the real estate tax (*impuesto inmobiliario*), the construction tax (*impuesto a la construcción*), the advertising tax (*impuesto a la publicidad*), and other minor municipal charges.

Within this structure, the system taxes business profits, labor income, capital income (including savings, royalties, and real estate rents), and capital gains, alongside indirect taxes:

- **Business profits:** corporate entities (SA, SRL, EAS, branches, sole proprietorships) are taxed under the corporate income tax (IRE) at 10% on net profits. Profit distributions are subject to an additional withholding (IDU) at 8% for residents and 15% for non-residents, subject to treaty relief. Combined, effective burdens generally range between 17.2% and 23.5%. Sole proprietorships and EAS under the IRE Simple regime may apply a simplified effective rate of up to 3% on gross income if annual revenues do not exceed approximately USD 250,000. However, the tax administration has applied a different interpretation to EAS regarding the application of WHT on dividends when a one-person-owned EAS pays dividends to its sole owner, a position that remains legally questionable.
- **Labor income and pensions:** income from personal work is subject to the Personal Income Tax (IRP) only above a statutory threshold, at progressive rates between 8% and 10% on net profits after deductions. In parallel, social security contributions are withheld and paid to the Instituto de Previsión Social (IPS) as part of pay-roll employment.
- **Indirect taxes:** VAT applies at 10% (with certain goods and services taxed at 5%). The Excise Tax (ISC) applies to specific goods, either on importation or on the first sale at the factory gate when locally produced.
- **Capital income (savings and royalties):**

taxed at 8% on net income base or, alternatively, on a deemed base—generally 30% of gross income—whichever is lower. This mechanism often reduces the effective burden below the nominal rate.

Non-residents (INR): taxed at 15%, although some services have a deemed basis of around 30% of gross income, though the applicable percentage may vary



depending on the type of income and treaty provisions. This typically results in effective rates ranging between 4.5% and 15%.

Corporate taxpayers (IRE): taxed at 10% on net income, calculated as gross income minus deductible costs and expenses.

Royalties: taxation applies whenever the underlying right is used, even partially, in Paraguayan territory; if the use occurs exclusively abroad, no tax is levied.

- **Income from land:** rental income and gains on disposal are taxed under the IRP for Capital Gains (residents) or INR (non-residents) at the same rates as capital income. The property itself is subject only to municipal real estate tax.
- **Stamp or capital duties:** Paraguay does not impose stamp duties or capital duties, although registration fees and notarial costs apply.

Transparent entities exist under Law No. 6380/19 (e.g., trusts, private joint ventures, regulated investment funds), but taxation is attributed directly to their beneficiaries, with the entity itself jointly and severally liable only in case of non-compliance with reporting duties. Investment funds enjoy broad exemptions, except for dividend income from local companies, which is subject to the IDU (Dividends Tax)

### 17. Is business tax levied on, broadly, the revenue profits of a business computed in accordance with accounting principles?

Business taxation in Paraguay is levied on taxable net income (*renta neta fiscal*) as defined by tax law, rather than on accounting profits. The calculation starts from the accounting result but requires adjustments to arrive at the taxable base, including the exclusion of exempt income, the limitation of non-deductible expenses, the recognition of deductible costs, and the carry-forward of allowable tax losses.

### 18. Are common business vehicles such as companies, partnerships and trusts recognised as taxable entities or are they tax transparent?

In Paraguay, most corporate forms —such as SAs, SRLs, and EASs— are treated as separate taxable entities subject to the corporate income tax (IRE). Profit distributions are further subject to the Impuesto a los Dividendos y Utilidades (IDU), withheld at source, with rates that vary depending on whether the shareholder is

resident or non-resident and whether a tax treaty applies. In practice, companies are also liable for indirect taxes such as VAT and ISC where applicable, and must comply with withholding obligations established under tax law.

The law also recognises certain transparent legal entities (*Entidades Jurídicas Transparentes*), including trusts, investment funds, and service-oriented joint ventures, where income and expenses are attributed to the partners or beneficiaries for income tax purposes. Transparency does not extend to indirect taxes such as VAT or ISC, which remain obligations of the entity itself. Moreover, transparency is not absolute: in some cases, particularly where non-resident beneficiaries are involved, the entity may be required to pay income tax as if it were a resident taxpayer.

Sociedades simples or sole proprietors unincorporated (*"empresas unipersonales"*) are also available and are typically used for small businesses or professional practices. They lack limited liability and do not offer tax advantages but are nonetheless taxed under the IRE, VAT and other applicable.

### 19. Is liability to business taxation based on tax residence or registration? If so, what are the tests?

Liability to business taxation in Paraguay is formally tied to residence, which is determined by incorporation under Paraguayan law or, in the case of foreign entities, by registration with the Public Registry.

Where a foreign entity operates without incorporation or registration, liability may still arise through the existence of a permanent establishment (PE) in Paraguay. In practice, however, the tax authority applies a straightforward approach: foreign businesses must either incorporate/register locally or be subject to withholding at source on payments received from Paraguayan counterparties.

In the context of double tax treaties, conflicts of residence are resolved under the applicable tie-breaker rules, which may, depending on the treaty, rely on the place of effective management.

### 20. Are there any favourable taxation regimes for particular areas (e.g. enterprise zones) or sectors (e.g. financial services)?

Yes. Paraguay offers, among other things, a number of special regimes designed to attract investment and

promote exports. Here we highlight some of the most relevant, recently renewed and updated after more than 35 years in some cases:

**Investment Incentives:** projects involving capital asset investments — including those in tourism and entertainment — may obtain partial or total exemptions from import duties and VAT on capital goods. In large-scale cases (above approximately USD 13 million), exemptions may even extend to the dividend tax (IDU). In addition, qualifying financing benefits from exemptions on interest from foreign loans, which are not subject to withholding taxes, significantly reducing the cost of funding large-scale investment projects. Benefits are granted on a case-by-case basis through a bi-ministerial resolution.

**Maquila Regime:** authorised companies, including those providing services such as BPO and other outsourcing activities, pay a single tax of 1% on the greater of local value added or export value, provided production is exported. Dividends paid abroad are exempt from IDU, and extensive relief applies to other national and municipal taxes.

**Free Trade Zones:** users are taxed at 0.5% of export revenues and are exempt from income tax and IDU on such operations. Goods or services entering the domestic market become fully taxable under the ordinary regime.

**Electronics & Digital Assembly Regime:** a sector-specific framework for electronics, electromechanical and digital manufacturing, offering tax incentives including exemption from customs duties on imported materials, reduced VAT bases on imports and local purchases, a preferential 45% VAT base across the commercialization chain, and full compatibility with Investment Incentives Law.

## 21. Are there any special tax regimes for intellectual property, such as patent box?

Paraguay does not have a dedicated intellectual property tax regime, such as a patent box. However, royalties are only taxable where the underlying right is used, even partially, within Paraguayan territory. If the right is exploited exclusively abroad, no Paraguayan tax applies. This territorial rule can, in practice, operate as a favourable treatment for outbound licensing.

## 22. Is fiscal consolidation permitted? Are groups of companies recognised for tax purposes and, if

## so, are there any jurisdictional limitations on what can constitute a tax group? Is there a group contribution system or can losses otherwise be relieved across group companies?

Paraguay does not permit fiscal consolidation, nor does it recognise tax groups for income tax purposes. Each company is treated as a separate taxpayer and must compute and pay its taxes on a standalone basis.

While listed companies may be required to prepare consolidated financial statements under IFRS for accounting purposes, this has no impact on taxation. For tax purposes, no group contribution system is available, and losses cannot be offset across group entities.

## 23. Are there any withholding taxes?

Yes. Paraguay applies withholding taxes on various payments, including those to non-residents and on dividend distributions. The applicable regimes, rates and deadlines are detailed above.

## 24. Are there any environmental taxes payable by businesses?

No. Paraguay does not currently impose environmental taxes on businesses. Compliance obligations exist in the environmental sphere, but they are regulatory rather than fiscal.

That said, in the context of multilateral financing initiatives, Paraguay is evaluating the potential introduction of a carbon tax in the future. At present, the only measures in place relate to the registration and monitoring of carbon projects, rather than the imposition of specific environmental levies.

## 25. Is dividend income received from resident and/or non-resident companies taxable?

Yes. Tax treatment depends on the type of shareholder and the source of the dividend:

Resident corporate shareholders:

- Dividends from Paraguayan companies are subject to the dividend tax (IDU) at 8%. A credit mechanism prevents cascading taxation within local corporate groups, so that the effective burden ultimately falls only at the level of resident individual or non-resident shareholders.

- Dividends received from foreign companies are treated as gross taxable income under the corporate income tax (IRE). They are included in the company's taxable base and subject to the 10% IRE rate, calculated on net fiscal income after deductions and adjustments.

#### Resident individual shareholders:

- Dividends from Paraguayan companies are subject to IDU at 8%, withheld at source.
- Dividends from foreign companies are not taxed under the Personal Income Tax on Capital Income (IRP – Rentas de Capital).

#### Non-resident shareholders:

- Dividends distributed by Paraguayan companies are subject to IDU at 15%, unless reduced by an applicable double tax treaty.

## 26. What are the advantages and disadvantages offered by your jurisdiction to an international

### group seeking to relocate activities?

Paraguay does not offer tax holidays. Its main advantage lies in a simple and stable tax system, with low statutory rates (10% corporate income tax, 10% VAT) and straightforward compliance obligations. Profit distributions are subject to an additional dividend tax (IDU) at 8% for resident shareholders and 15% for non-residents, with treaty relief where applicable. Incentive regimes for capital investments, maquila operations and free trade zones, among others, provide further benefits and have proven effective in attracting investment.

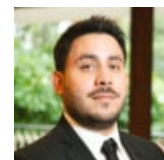
Beyond taxation, Paraguay combines a solid macroeconomic environment, consistent growth, an investment-grade credit rating, and a business-friendly orientation. It also offers a local securities market where investments are fully exempt from taxation, reinforcing its attractiveness as a platform for financing and investment structuring. Its framework is predictable, transparent, and evolving in line with international standards, offering legal certainty and a pro-business environment.

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