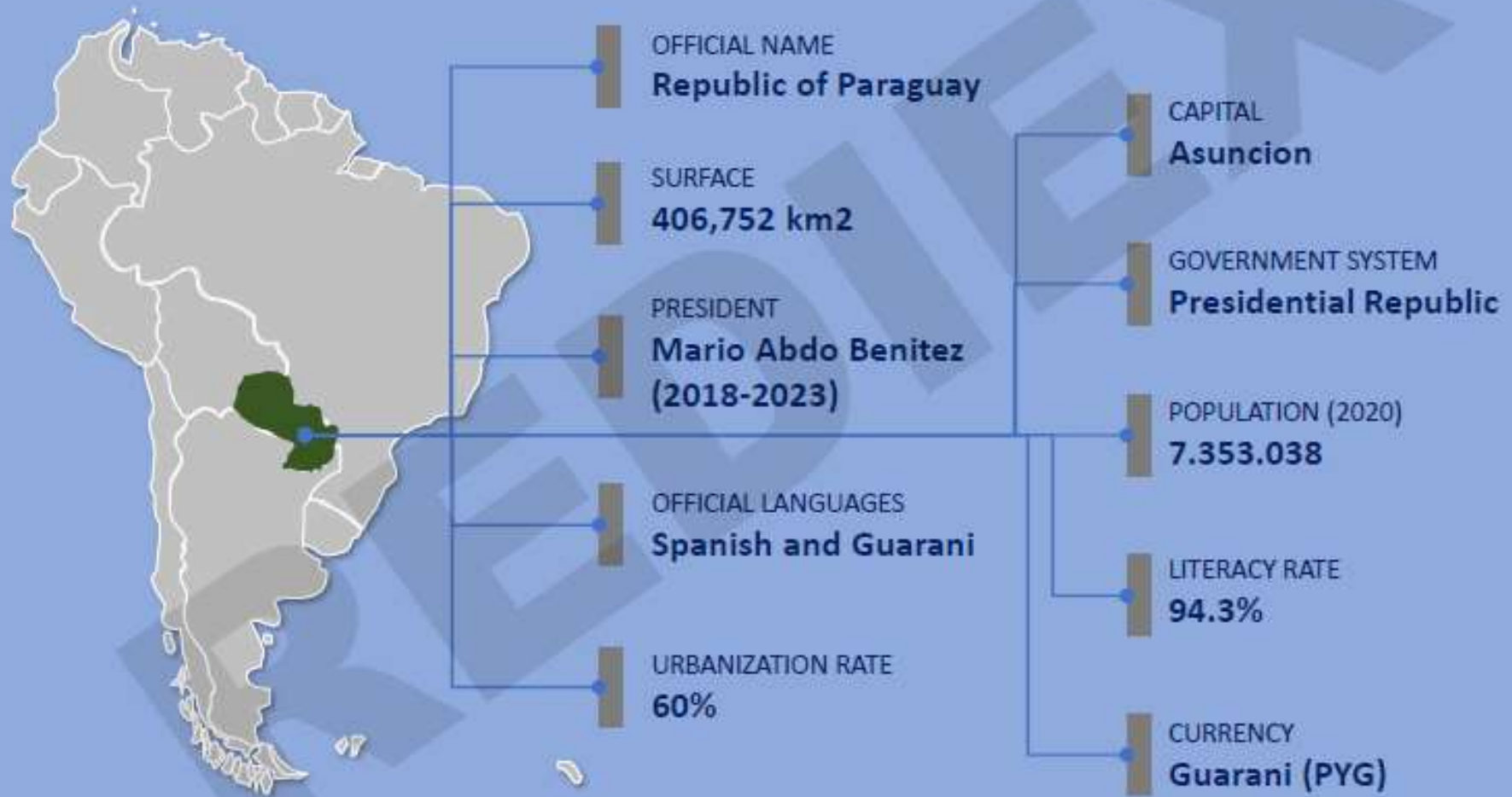




# PARAGUAY LAND OF OPPORTUNITIES



## COUNTRY PROFILE





# MAIN ECONOMIC INDICATORS



GROSS DOMESTIC PRODUCT - GDP (2020)  
**USD 36.049 mill.**

GDP GROWTH (2020)  
**-0,6%**

INFLATION (2020)  
**2,2%**

EXCHANGE RATE (June 2021)  
**6.650 (Gs./USD)**

GROSS DOMESTIC PRODUCT PER CAPITA (2020)  
**USD 4.970**

GDP GROWTH for 2021 (BCP projection, may 2021)  
**3,5%**

FOREIGN CURRENCY RESERVES (Abril 2021)  
**USD 10.170 mill.**

PUBLIC EXTERNAL DEBT (march 2021)  
**USD 9.961 mill. (27,6% of GDP)**

## TRUSTWORTHY FOR FOREIGN INVESTMENTS



## LEADER IN FAVORABLE BUSINESS CLIMATE

### BUSINESS CLIMATE INDEX

| COUNTRY         | RANKING  |
|-----------------|----------|
| <b>Paraguay</b> | <b>1</b> |
| Colombia        | 2        |
| Chile           | 3        |
| Peru            | 4        |
| Uruguay         | 5        |
| Brazil          | 6        |
| Bolivia         | 7        |
| Argentina       | 8        |
| Mexico          | 9        |
| Ecuador         | 10       |
| Venezuela       | 11       |

### INDEX OF EASE TO DOING BUSINESS/ RANKING

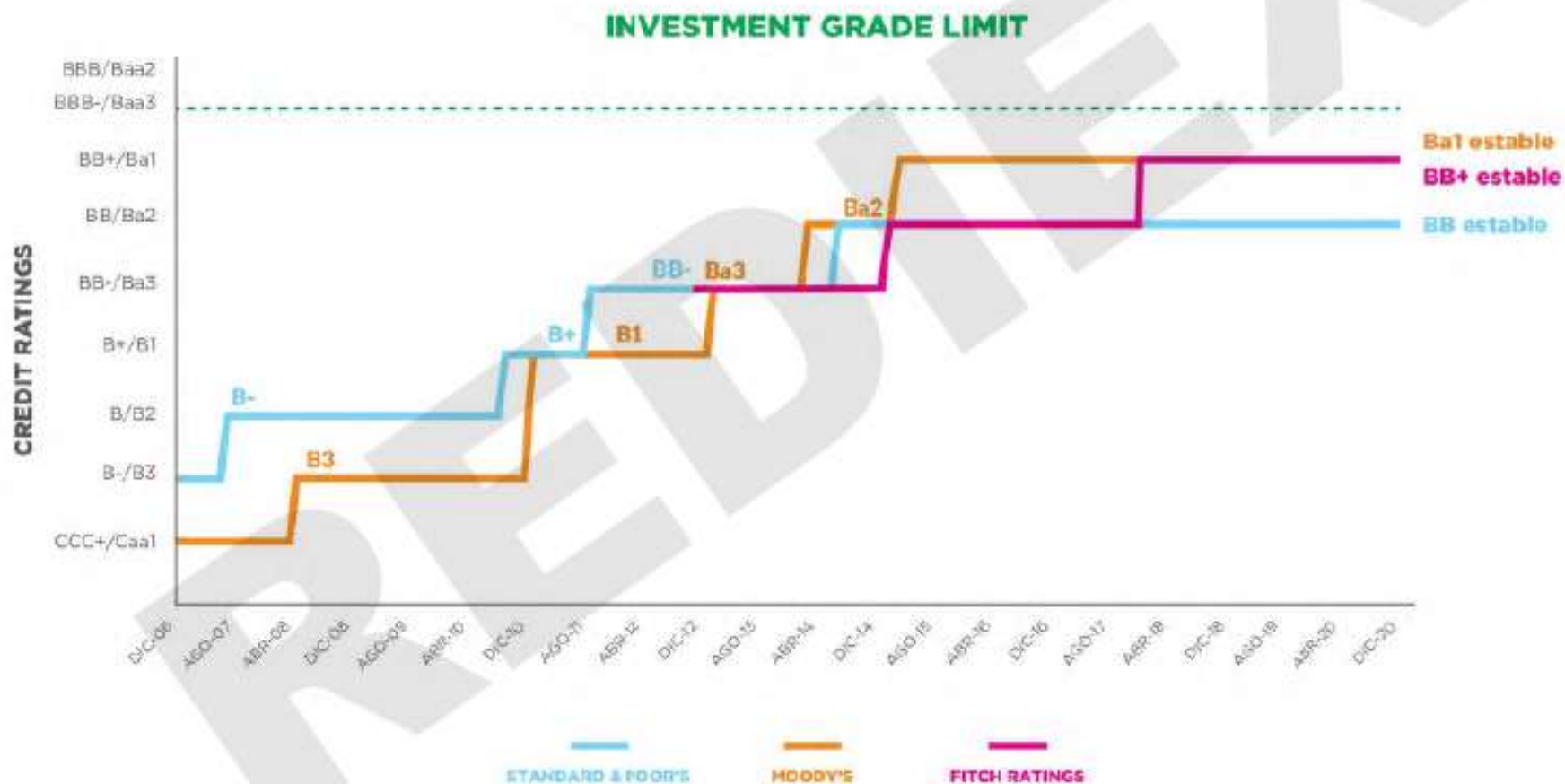


SOURCE: Foundation Getulio Vargas – First trimester 2021

SOURCE: World Bank

# COUNTRY RISK RATING

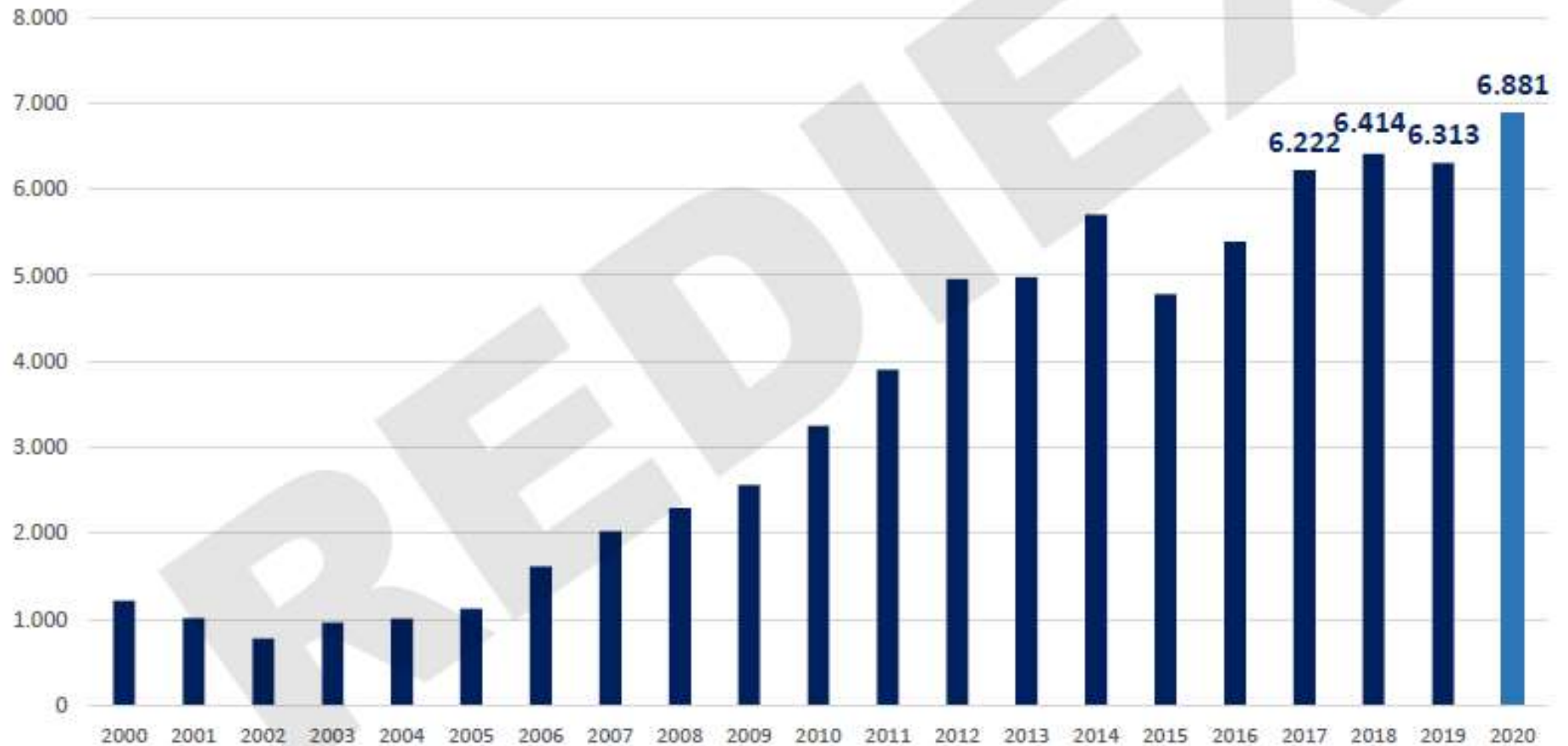
## EVOLUTION OF THE RATING OF PARAGUAY



SOURCES: Standard and Poor's, Moody's, Fitch Ratings

# FOREIGN DIRECT INVESTMENT (FDI) EVOLUTION

FDI STOCK IN MILLIONS USD

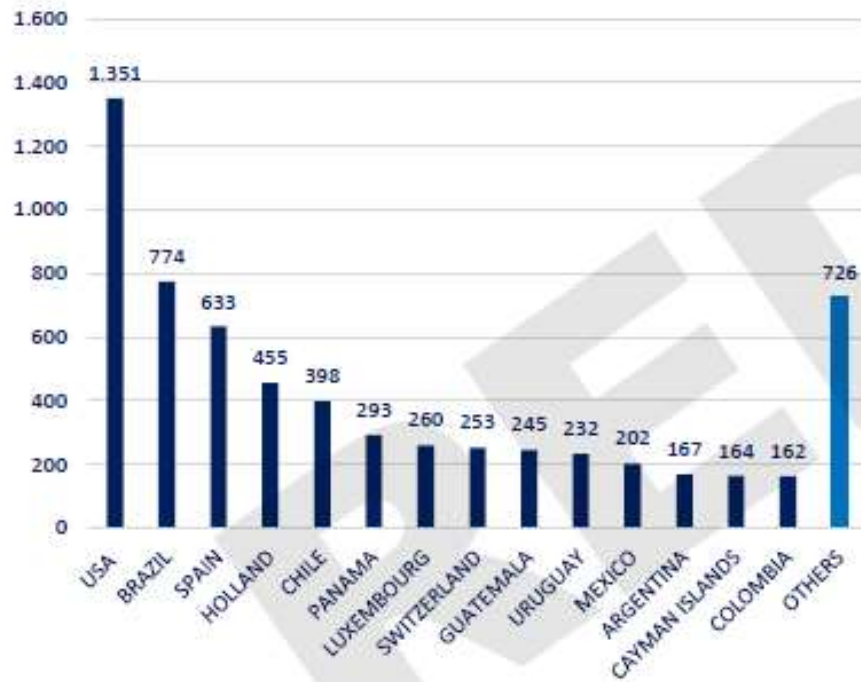


SOURCE: BCP

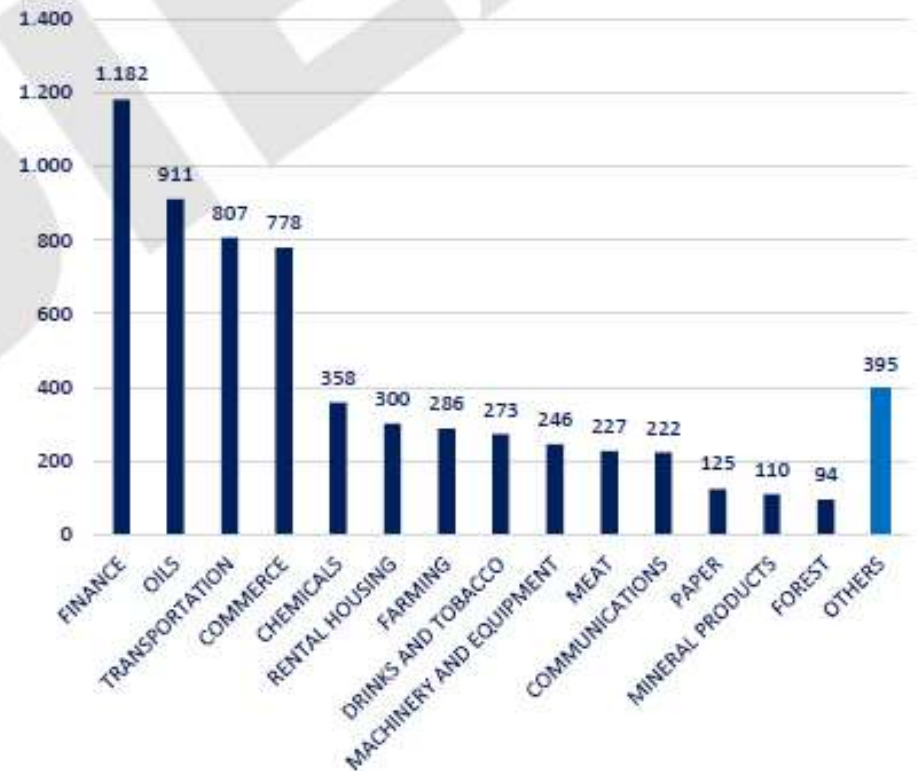
# FOREIGN DIRECT INVESTMENT (FDI) COMPOSITION

BALANCE OF FDI IN MILLIONS USD AT THE END OF 2019

## MAIN COUNTRIES OF ORIGIN



## MAIN INVESTMENT SECTORS



SOURCE: BCP



## EXPORT COMPOSITION

### VALUE AND COMPOSITION OF EXPORTS

USD 2,500 millions / 2003

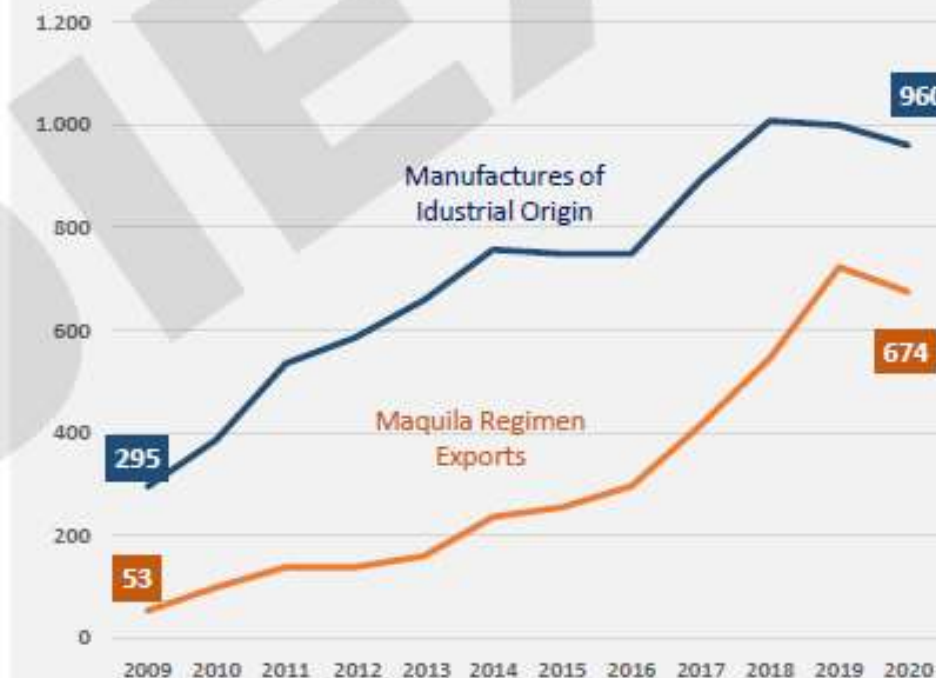


USD 8,529 millions / 2020



MAO: Manufactures of Agrarian Origin  
MIO: Manufactures of Industrial Origin

### EXPORTS WITH ADDED VALUE (Millions USD)



## *Towards a regional trade model: a globalization of proximity*





## EXPANDED MARKET AND NETWORK OF COMMERCIAL AGREEMENTS

- Paraguay as a Mercosur State Party to Mercosur has access to a market of more than **260 million inhabitants**.
- Paraguay receives special and differentiated treatment in the following areas:
  - Preferential rules of origin: 40% regional content and 60% extrazone for a majority of the products.
  - Positive concessions for Paraguay in external negotiations
  - National List of Exceptions to the Common External Tariff of Mercosur of 649 tariff items.
  - Special regimes for the import of raw materials, agricultural inputs and capital goods and computer and telecommunications.





## PARAGUAY WILL BE THE COUNTRY MOST BENEFITED WITH THESE NEW AGREEMENTS



- Agreement reached in June, 2019 after 20 years of negotiation.
- One of the most important trade agreements, at global level.
- The agreement eliminates tariffs for 93% of Mercosur exports and grant preferential treatment for almost all the remaining 7%.
- The EU liberalizes 99% of Mercosur's agricultural exports. For 81.7% it will eliminate import tariffs and for the remaining 17.3% it will offer preferential import quotas.
- Commercial opportunities in the sectors of organic sugar, bovine meat, poultry meat, rice, corn, honey and ethanol from Paraguay



- Negotiations concluded in August, 2019
- Preferential access for almost 97% of Mercosur's export offer
- For first time, Switzerland and Norway established preferential quotas for Mercosur countries
- Main beneficiary export products for Mercosur are bovine meat, poultry meat, corn, vegetal oils, among others.

# NETWORK OF COMMERCIAL BILATERAL AGREEMENTS

## AGREEMENTS IN NEGOTIATION OF MERCOSUR WITH:



Canadá



Corea del Sur



Singapur

## MERCOSUR MAINTAINS DIALOGUES FOR NEGOTIATIONS WITH:



- Association of Southeast Asian Nations (ASEAN)



- Gulf Cooperation Council (GCC)



- Eurasian Economic Union (EEU)



Australia



Japan



Lebanon



Morocco



Pakistan



Tunisia



Turkey

**As a member of Mercosur, Paraguay is part of a network of commercial agreements.**

## AGREEMENTS OF PARTIAL SCOPE OF ECONOMIC COMPLEMENTATION OF MERCOSUR WITH:



Bolivia



Chile



Colombia



Cuba



México



Peru



Andean Nations Community

## Other Commercial Agreements of Mercosur with:



India



Israel



Palestina



South Africa Customs Union

## BILATERAL COMMERCIAL AGREEMENT NETWORK

Paraguay has Investment Agreements with the following countries:



In addition, Paraguay has agreements to avoid double taxation with **Chile, the United Arab Emirates, Taiwan and Uruguay.**



# HIGH LEVELS OF PRODUCTION AND EXPORT CAPACITY

**1°**

Net Exporter of  
Clean Energy in  
the World



**2°**

Stevia  
Producer in  
the World



**3°**

Mate tea  
Exporter in the  
World



**4°**

Corn Exporter  
in the World



**6°**

Soybean oil  
Exporter in the  
World



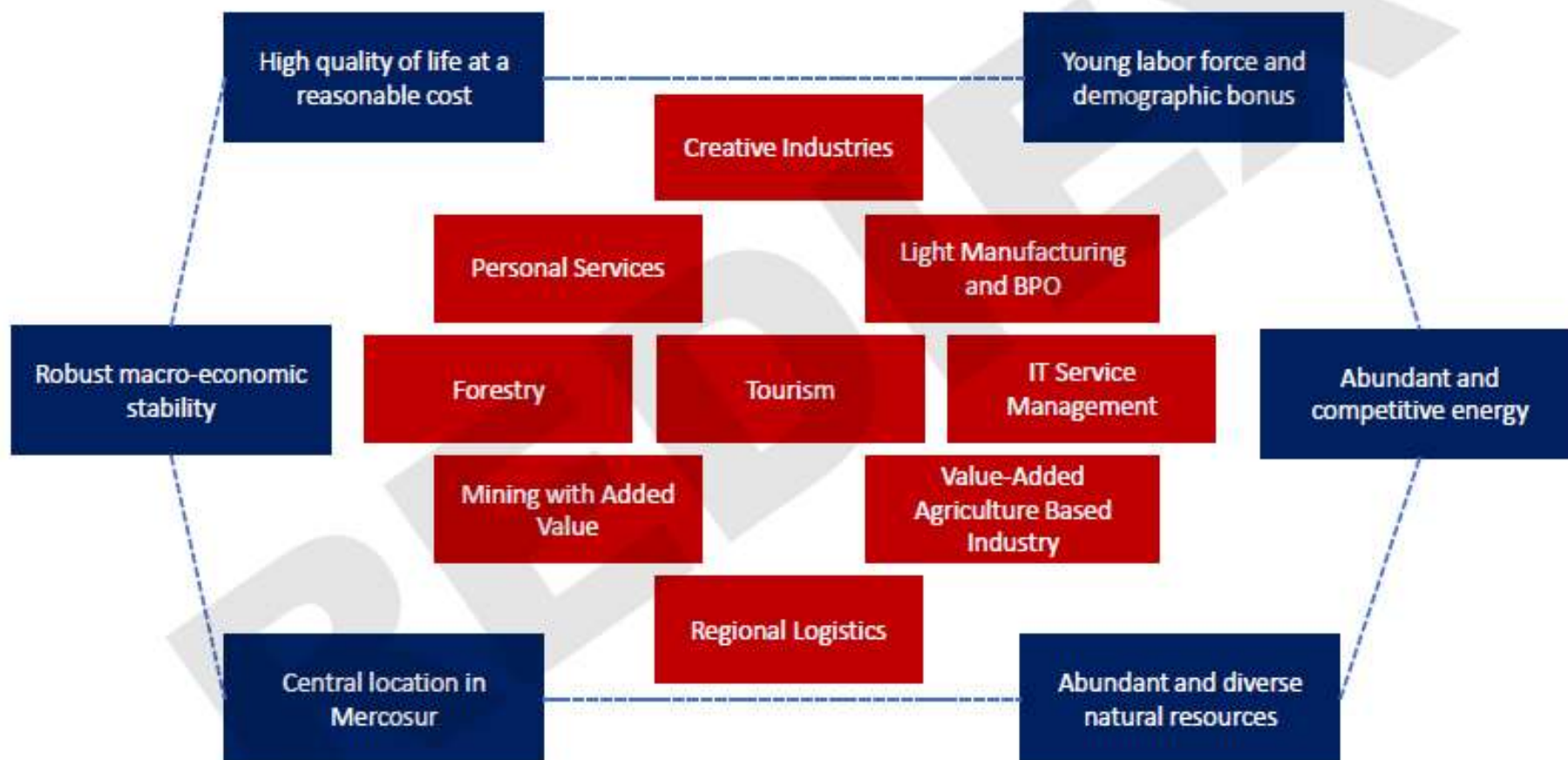
**8°**

Meat Exporter in  
the World








# POST-PANDEMIC ECONOMIC MOTORS

## PRIORITIZED SECTORS



SOURCE: Paraguay Post Covid-19, Roberto Artavia, 2020

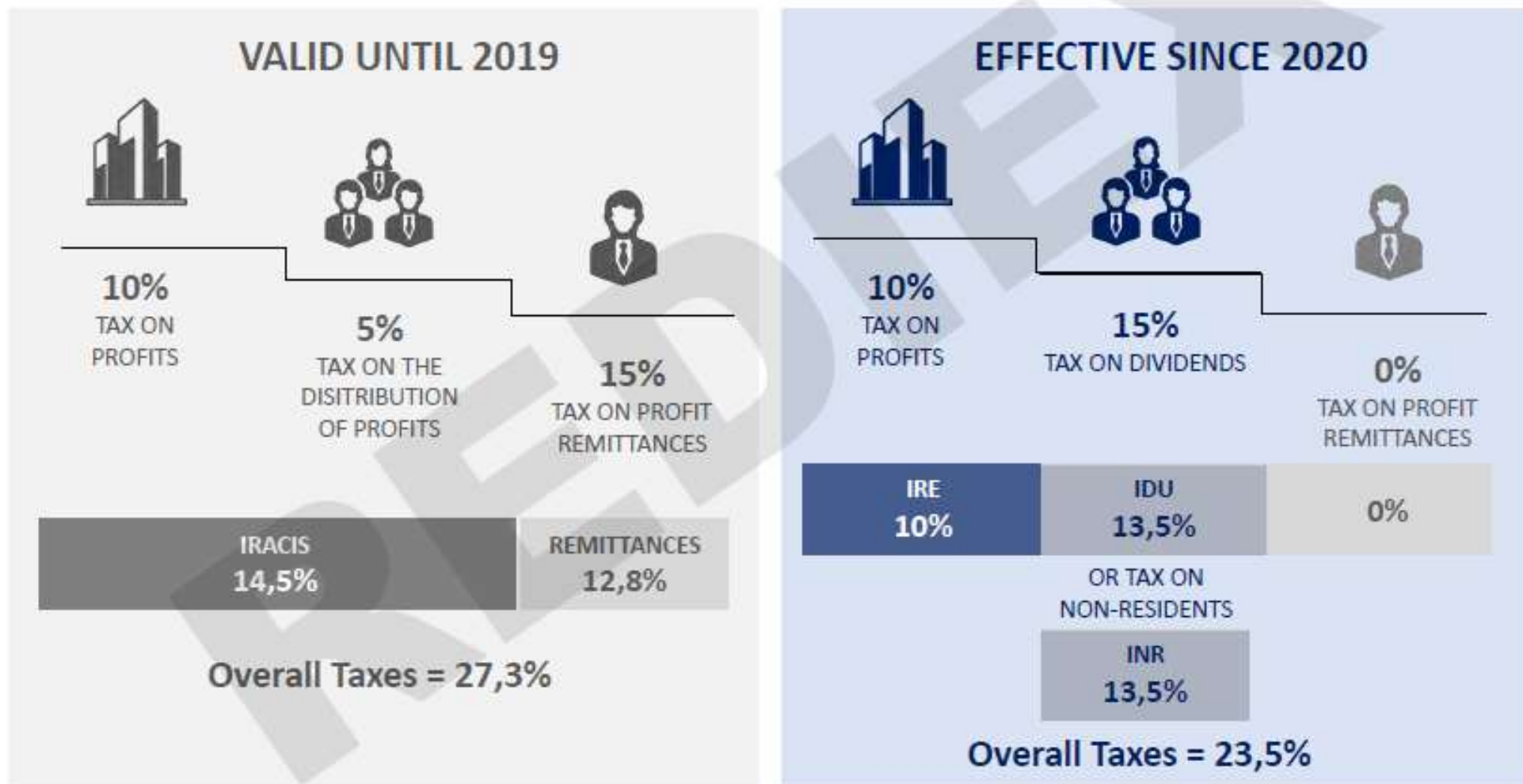
## THE MOST SIMPLE AND COMPETITIVE TAX SCHEME

| TAXES   |  |  |  |  |  |
|---|---|--|---|---|---|
| Maximum rate for corporate income tax   | <b>10%*</b>   | 30%  | 25%   | 34%   | 25%   |
| Maximum rate for personal income tax  | <b>10%</b>  | 35%  | 36%   | 28%   | 13%   |
| Common indirect tax rate (e.g. VAT)   | <b>10%</b>  | 21%  | 22%   | 17%   | 13%   |
| Total referential of taxes and social contributions (according to the World Bank) | <b>35%</b>  | 106%   | 42%   | 65%   | 84%   |

\* In case of sharing dividends, an additional 15% tax applies on the net profit. Together, these three taxes reach a top of 23.5%.

# TAX REFORM

## TAX EFFECTIVE CHARGE IMPACT ON FOREIGN COMPANIES



SOURCE: Ministry of Finance

## LABOR REGIME

In accordance to the current paraguayan Labor legislation  
(Law 213/93 and ammendments)

### PAID HOLIDAYS

| SENIORITY               | PAID HOLIDAY    |
|-------------------------|-----------------|
| 0 to 5 years            | 12 working days |
| More than 5 to 10 years | 18 working days |
| More than 10 years      | 30 working days |

### OTHER IMPORTANT DATA

- **WORKING HOURS:** 48 per week
- **13TH SALARY:** paid at the end of the year (equal to 1/12 of the yearly earned salary)
- **LEGAL MINIMUM WAGE (05/2021):** Gs. 2,192,839 (USD 324)
- Maternity Leave and nursing time

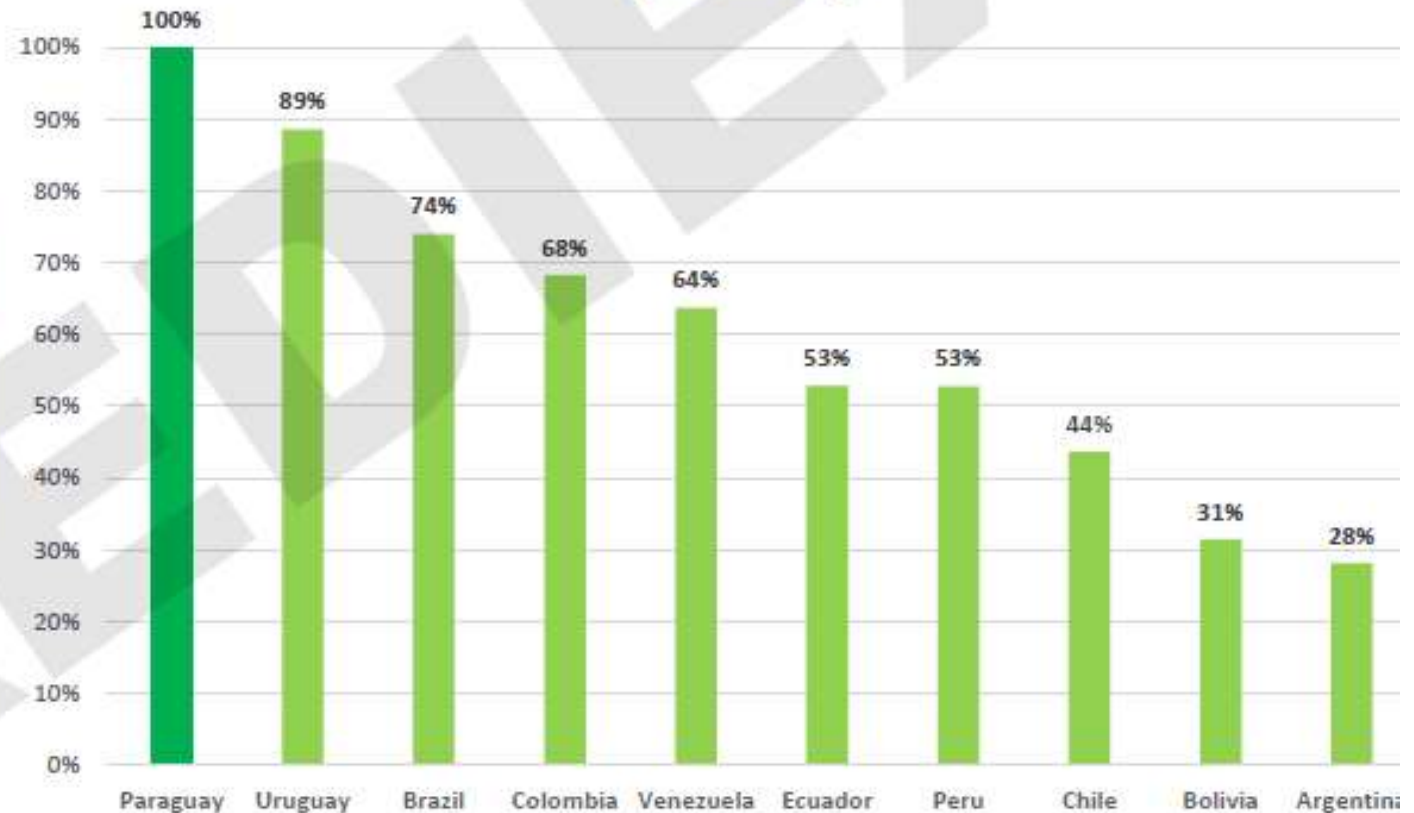
### Social Security (IPS)

**Employer: 16.5%    Employee: 9%**

\* For further information about the labor legislation, see the Law 213/93 (Labor Code), and their amendments and implementation rules.

# LEADER IN THE GENERATION OF RENEWABLE ENERGY

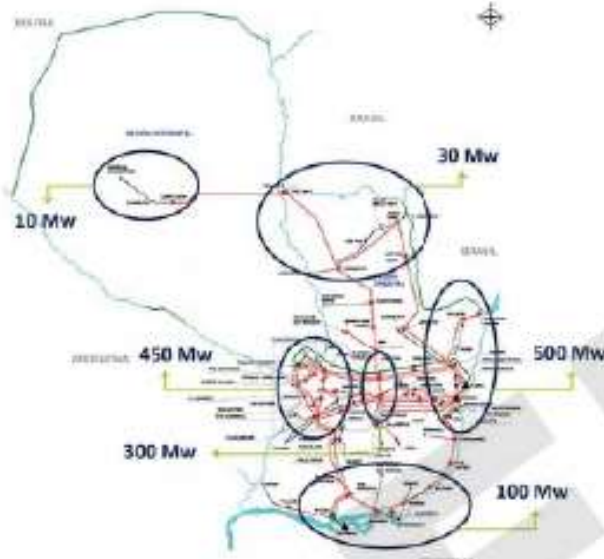
GENERATION OF ELECTRICITY FROM RENEWABLE SOURCES  
(% OF TOTAL)



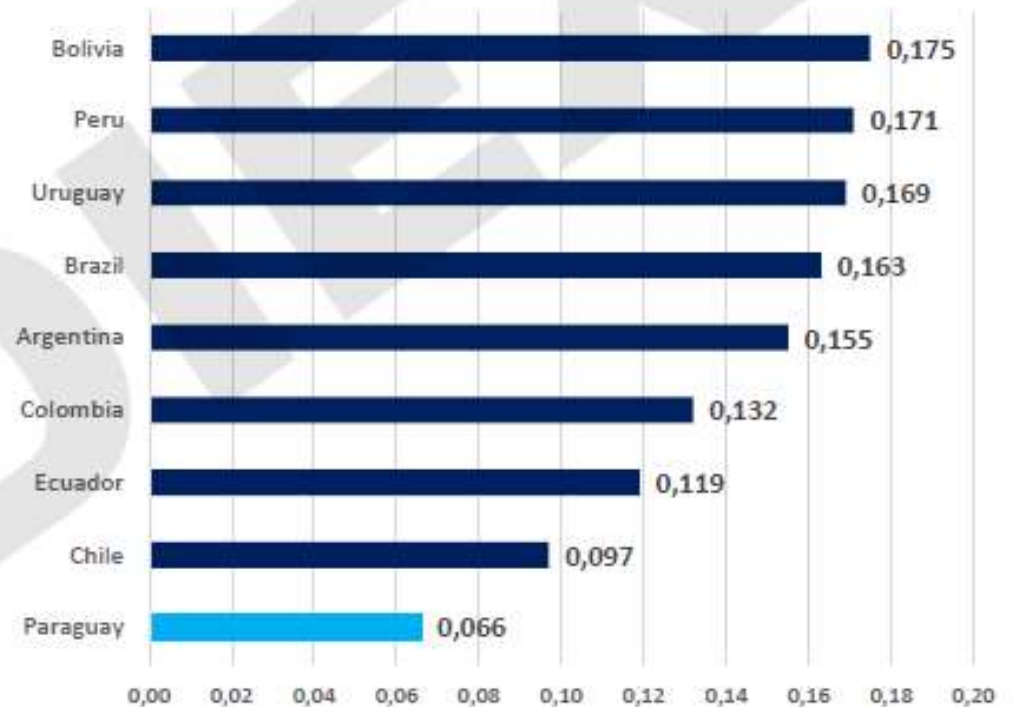
SOURCE: World Bank / FDI Intelligence

# ENERGY

REPUBLIC OF PARAGUAY / ELECTRIC MAP  
POTENCY (MVA) 220 KV



COST IN CENTS OF USD PER KWH (2020)  
MEDIUM INDUSTRIAL TENSION



The surplus of electricity produced by the Itaipú and Yacyretá hydroelectric plants, corresponding to Paraguay, is exported to Brazil (78%) and Argentina (22%).

With this, Paraguay is one of the largest producers and exporters of renewable energy in the world.

Electric power is currently the second export product in the country.

In July 2019, National Congress approved a new program to strengthen the transmission of electric energy, including two new 500 kV lines, in addition to the expansion and improvement of the distribution system; this will allow full supply of energy for large parts of the national territory.

SOURCES: ANDE, World Bank, FDI Intelligence



# INCENTIVES FOR NATIONAL AND INTERNATIONAL INVESTMENTS



## KEY FACTS FOR INVESTMENT IN PARAGUAY



# MAQUILA REGIME

## Regime for the production of goods and services for export

- **TAX OF 1%** on the final value of the produced goods/ services.
- Suspension of import taxes for materials, machinery and other necessary supplies.
- VAT returns on the purchase of goods and services, as a tax credit.
- Tax Exemption on income and dividends remittances.



MERCOSUR Investment's regimes are periodically reviewed. Next revision will be in 2023.

## 60/90 Investment Incentive Law

|  |           |
|--|-----------|
| <b>Import tax on Capital Goods</b><br>(Machinery and Equipment)  | <b>0%</b> |
| <b>Value Added Tax (VAT) on Capital Goods</b><br>(Local or foreign acquisition)  | <b>0%</b> |
| <b>DEBT:</b> Tax applied on remittances and payments of Interests (for investments equal or higher than USD 5 million)               | <b>0%</b> |
| <b>PROFITS:</b> Tax applied on remittances dividends and utilities (for 10 years for investments equal or higher than USD 5 million) | <b>0%</b> |

SOURCE: MIC/REDIEX

## OTHER INCENTIVES

### RAW MATERIAL REGIME

Benefits on the imports of raw material and implements with a **0% customs tax**, provided proof it is used in their own production process, and there is no national production for them

• Regime in place until 2023, subject to negotiation.

### PRODUCT AND NATIONAL EMPLOYMENT REGIME

Law 4558/11 grants a margin of preference for Paraguayan products and services in public purchases.

### BENEFICIARIES:

“Each industry of the country, registered at the Ministry of Industry and Commerce.”

**MERCOSUR Investment's regimes are periodically reviewed. Next revisión will be in 2023.**

## OTHER INCENTIVES / LAW 5542 INVESTMENT GUARANTEE

### MAIN BENEFITS

- **Invariability of the tax rate of the corporate tax for companies** for a period of **up to 10 years**, counted from its start, with the possibility of extending the deadline for exceptional projects \*
- **Favorable exchange rate**, for capital and profits transfers.
- **Special regime for exports** of part or all of the goods produced. Companies may maintain a percentage of foreign currency abroad, when these are necessary for the payment of obligations; or compliance with the remittance of the profits that the investments generate.

\* Up to 15 years for investments between USD 50 MILLION and less than USD 100 MILLION; up to 20 years for investments in industrial projects of an amount equal to or greater than USD 100 MILLION.



## FREE TRADE ZONES

Goods and Services

Exemption of all types of departmental and municipal fees

Single tax of 0.5% on the invoice of sales to third countries

Real estate infrastructure for different types of activities

Maintenance of the origin of the products introduced in the Free Trade Zone, if there is no change in the tariff line (Law 523/95, Art. 20; Decree 7068/2006 and Decree 1933/2019)

Environmental license

Specific protection measures for their products, such as a differentiated import fee, prior import licenses, among others

Agile customs processing

## OTHER INCENTIVES / INDUSTRIAL PARKS

The industrial parks approved by the Ministry of Industry and Commerce does offer the following fiscal advantages:

**Reduction on the  
real estate tax**

**Reduction on the  
municipal construction,  
building subdivision and  
real estate transfer taxes**

**Reduction on 50% of  
the industry  
allowance fee**

**VAT exemption for  
real estate or factory  
renting costs**

**Note: The Ministry of Industry and Commerce is working to improve the infrastructure and services of the industrial parks with high quality standards.**