

Paraguay

COUNTRY PROFILE

Conveyed by:



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**REPUBLIC OF PARAGUAY
IN THE ARAB REPUBLIC
OF EGYPT**
Ministry of Foreign Affairs

COUNTRY PROFILE
Paraguay

COUNTRY PROFILE AND MAIN INDICATORS



SURFACE
406.752 km²

GROSS DOMESTIC PRODUCT (2021)
USD 38.839 million

GROSS DOMESTIC PRODUCT PER CAPITA (2021)
USD 5.282

VARIATION OF GDP SINCE 2021
4,2%

Growth of GDP for 2022 (Central Bank projection, June 2022)
0,2%

INFLATION (2021)
6,8%

PUBLIC EXTERNAL DEBT (april 2022)
USD 11.779 mill. (29,3% of GDP)

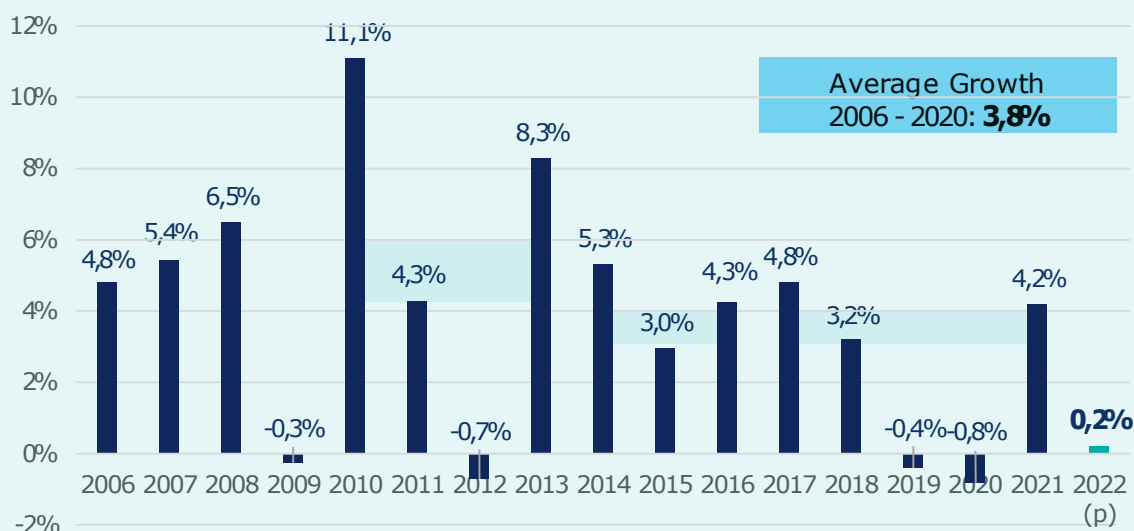
POPULATION (2022)
7.453.695

CURRENCY
Guaraní (PYG)

EXCHANGE RATE (june 2022)
6.854 (G s./USD)

SOURCE: Central Bank, DGEEC, World Bank

VARIATION OF PARAGUAYAN GDP



In recent years Paraguay maintained positive average growth, despite the volatility of its main trading partners. In 2020 and 2021, remained as the least affected country in the region by the COVID-19 Pandemic.

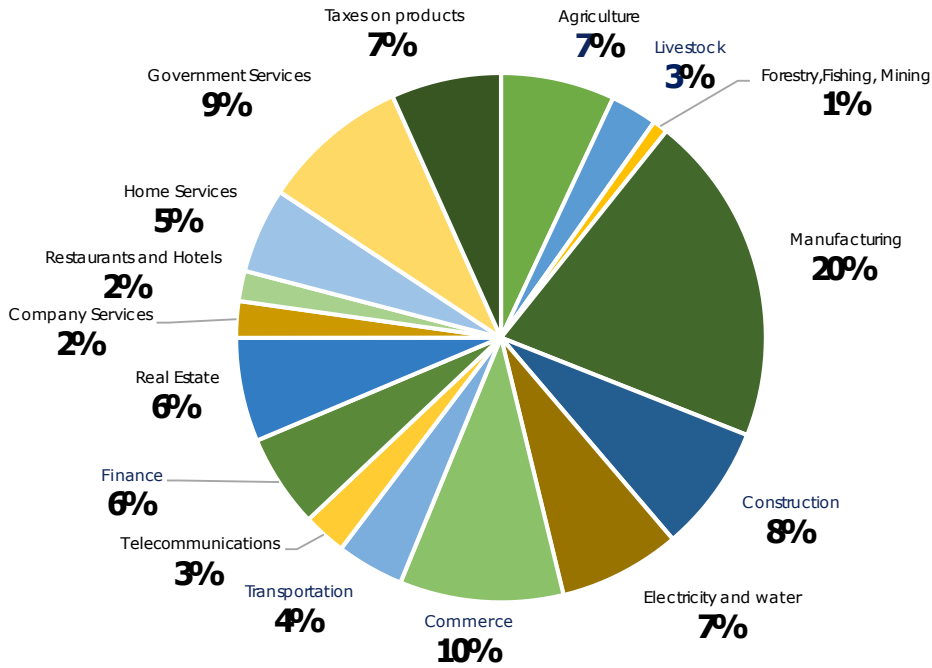
SOURCE: BCP – 2022 “BCP projection”



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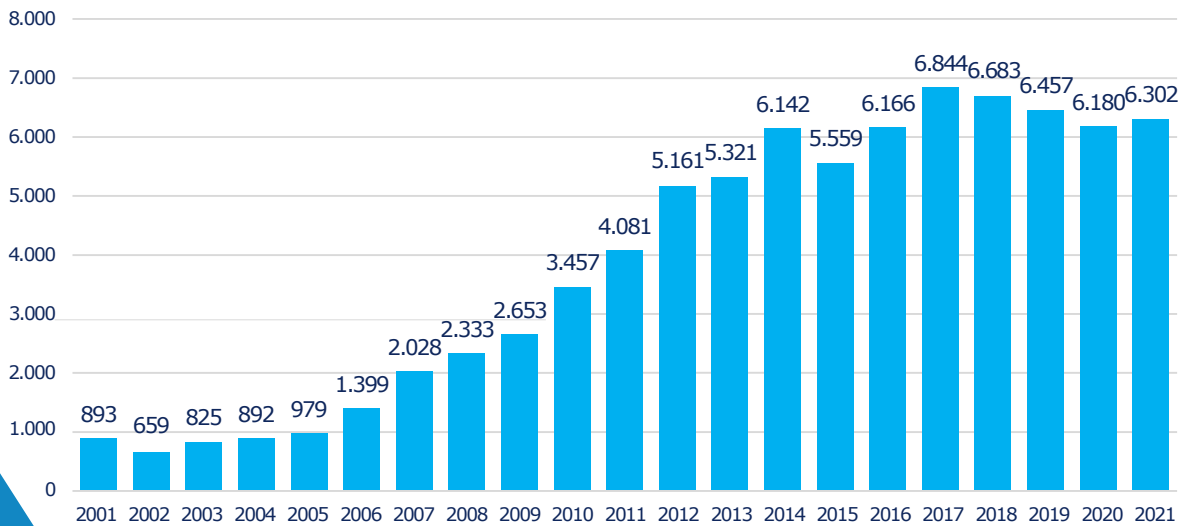
GDP COMPOSITION



SOURCE: BCP- año de base: 2021

FOREIGN DIRECT INVESTMENT (FDI) EVOLUTION

FDI STOCK IN MILLIONS USD



SOURCE: BCP



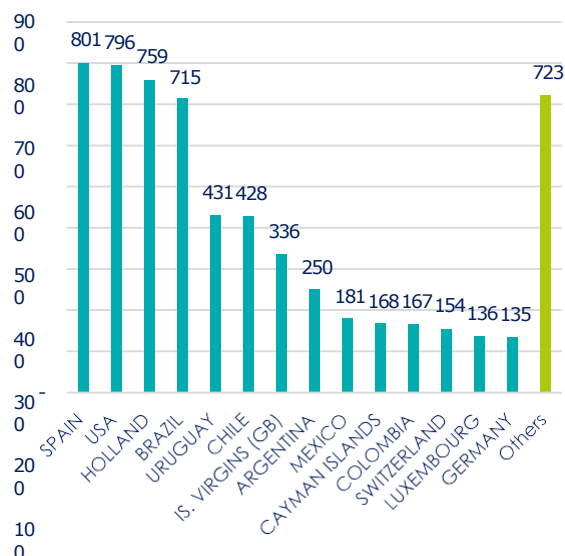
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FOREIGN DIRECT INVESTMENT (FDI) COMPOSITION

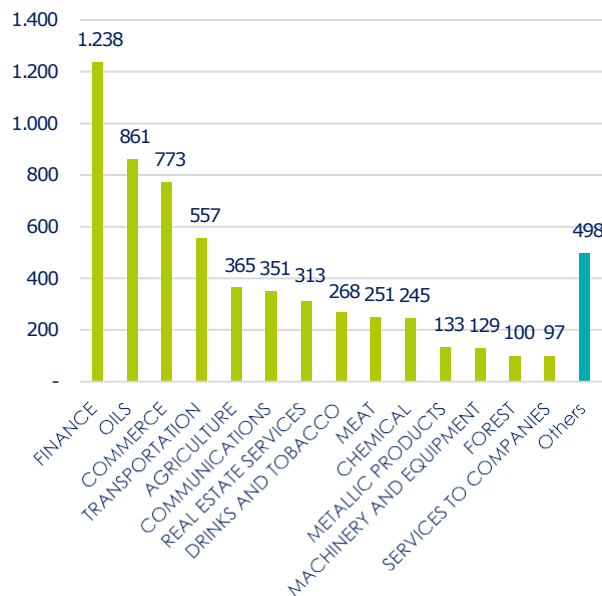
BALANCE OF FDI IN MILLIONS USD AT THE END OF 2020

MAIN COUNTRIES OF ORIGIN



SOURCE: BCP

MAIN INVESTMENT SECTORS



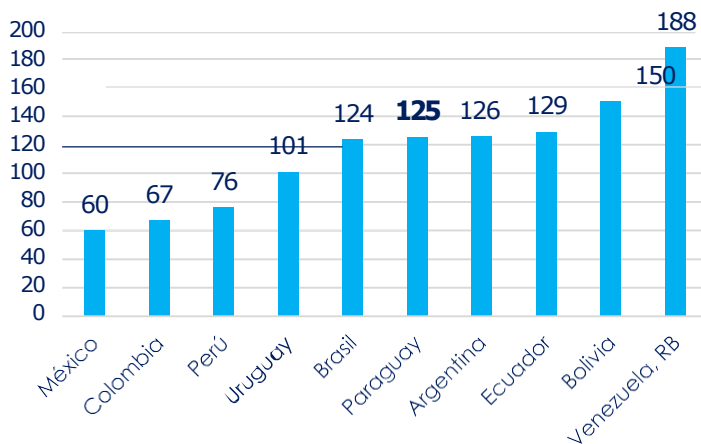
LEADER IN FAVORABLE BUSINESS CLIMATE

BUSINESS CLIMATE INDEX

COUNTRY	RANKING
Chile	2
Brazil	3
Colombia	4
Peru	5
Mexico	6
Uruguay	7
Bolivia	8
Argentina	9
Ecuador	10

SOURCE: Foundation Getulio Vargas 2021

INDEX OF EASE TO DOING BUSINESS/ RANKING








SOURCE: World Bank



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THE MOST SIMPLE AND COMPETITIVE TAX SCHEME

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

*** In the case of distributing The two taxes together reac**

dividends, an additional tax of 15% s applied to net income. h a maximum of 23.5%.Más ción sobre este texto de origen informa

LABOR REGIME

In accordance to the current paraguayan Labor legislation

(Law 213/93 and ammendments)

PAID HOLIDAYS

ENIORITY	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

Social Security (IPS)

Employer: **16,5%** Employee: **9%**

OTHER IMPORTANT DATA

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

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



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KEY FACTS FOR INVESTMENT IN PARAGUAY

Greater projected economic growth in Latin America between 2020 and 2024 (according to IMF)

Lowest indirect tax rate in the region

Lowest corporate tax rate in the region

Lowest energy costs in the region

Economic resilience to external factors (crisis in Argentina and Brazil)

Growing economic diversification

Macroeconomic discipline

Low public debt

The National Government's structural reforms are underway.

Youngest population in the region

SOURCE: MIC/REDIEX

60/90 INVESTMENT INCENTIVE LAW

0%

Import tax on Capital Goods (Machinery and Equipment)

0%

Value Added Tax (VAT) on Capital Goods (Local or foreign acquisition)

0%

DEBT: Tax applied on remittances and payments of Interests (for investments equal or higher than USD 5 million)

0%

PROFITS: Tax applied on remittances dividends and utilities (for 10 years for investments equal or higher than USD 5 million)

SOURCE: MIC/REDIEX



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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

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”

SOURCE: MIC/REDIEX

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.

SOURCE: MIC/REDIEX

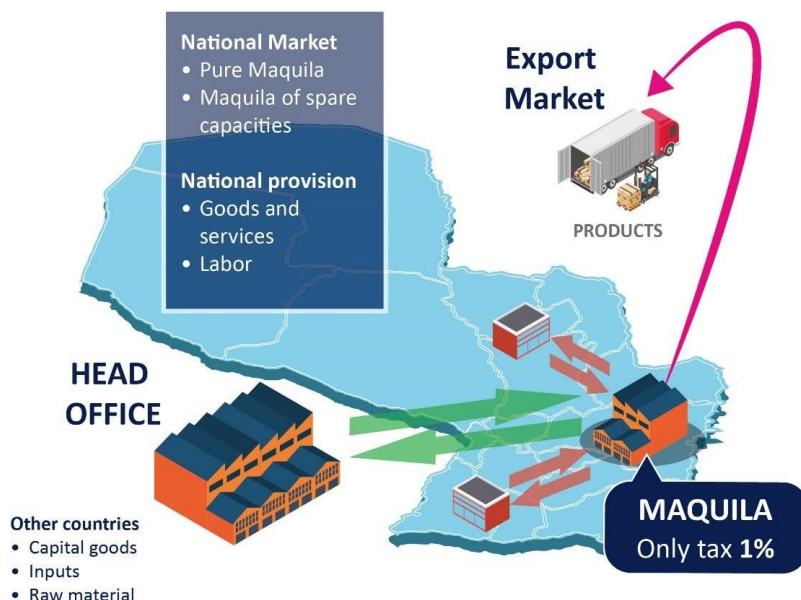


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MAQUILA REGIME

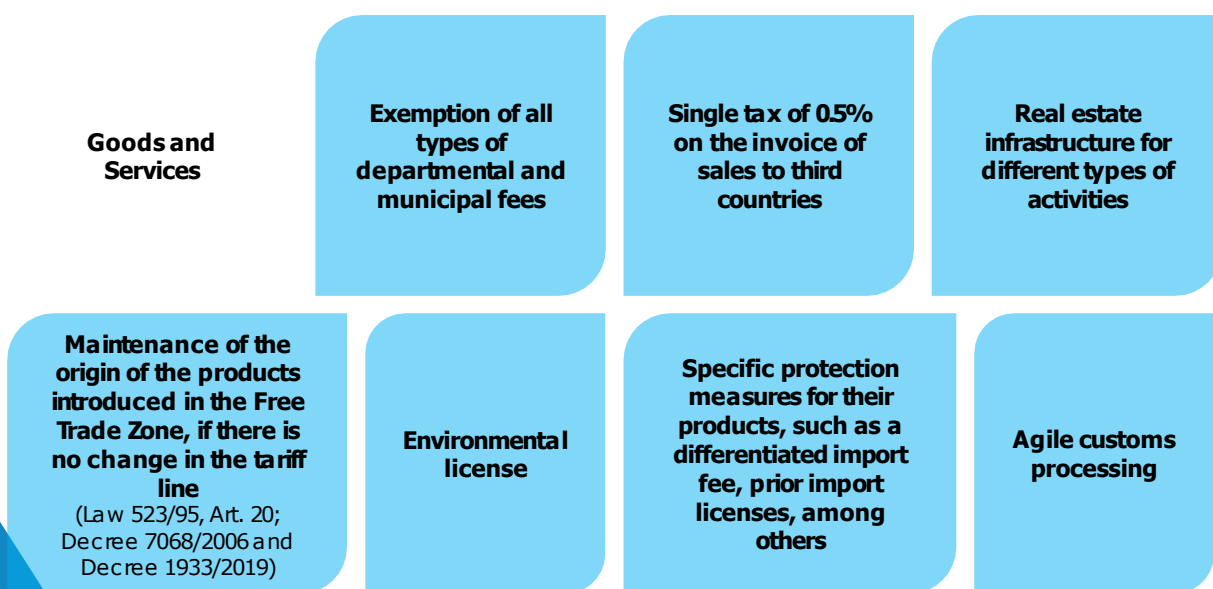
Regime for the production of goods and services for export

- **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.



SOURCE: MIC/REDIEX

FREE TRADE ZONES



SOURCE: Ministry of Finance



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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% extra zone 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.



SOURCE: MIC/REDIEX



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MOODY'S INVESTORS SERVICE

Moody's Investors Service ("Moody's") has affirmed on July 22, 2022 the Government of Paraguay's long-term Ba1 issuer ratings and senior unsecured bond ratings and changed the outlook to positive from stable.

The key drivers for the “Positive Outlook” are:

- ✓ A track-record of solid growth and prudent fiscal policy are supporting Paraguay's positive credit momentum; fiscal and debt metrics compare favorably with those of Baa-rated sovereigns.
- ✓ Structural and fiscal reforms will support institutional strength and governance.

