

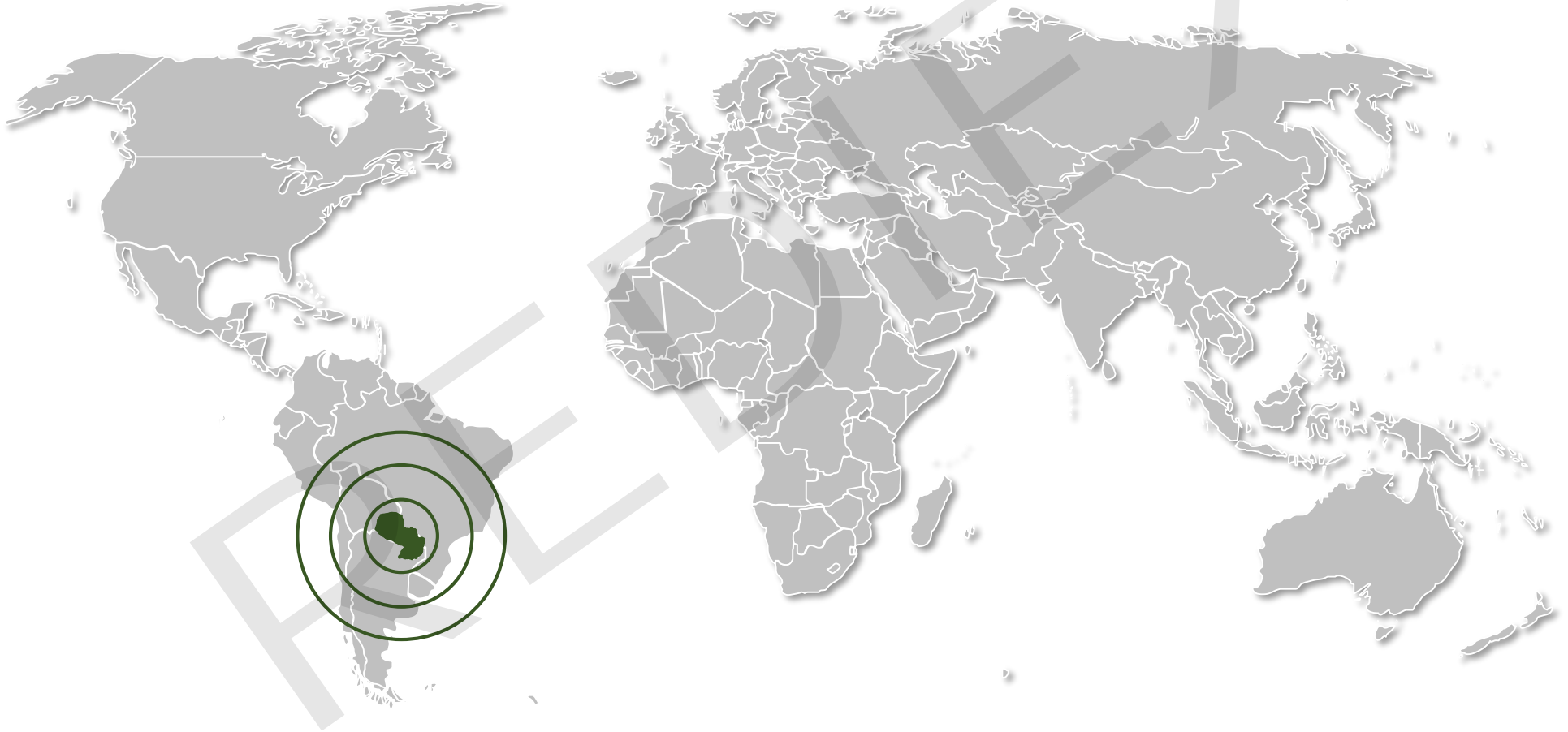
PARAGUAY

LAND OF OPPORTUNITIES



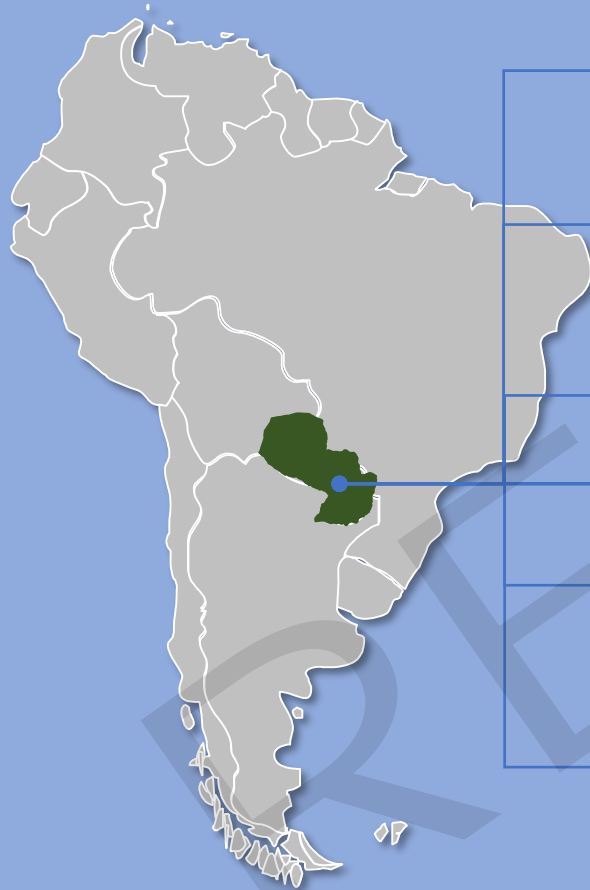


PARAGUAY IS IN THE CENTER OF SOUTH AMERICA





COUNTRY PROFILE



OFFICIAL NAME

Republic of Paraguay

SURFACE

406,752 km²

PRESIDENT

**Mario Abdo Benitez
(2018-2023)**

OFFICIAL LANGUAGES

Spanish and Guarani

URBANIZATION RATE

60%

CAPITAL

Asuncion

GOVERNMENT SYSTEM

Presidential Republic

POPULATION (2020)

7.353.038

LITERACY RATE

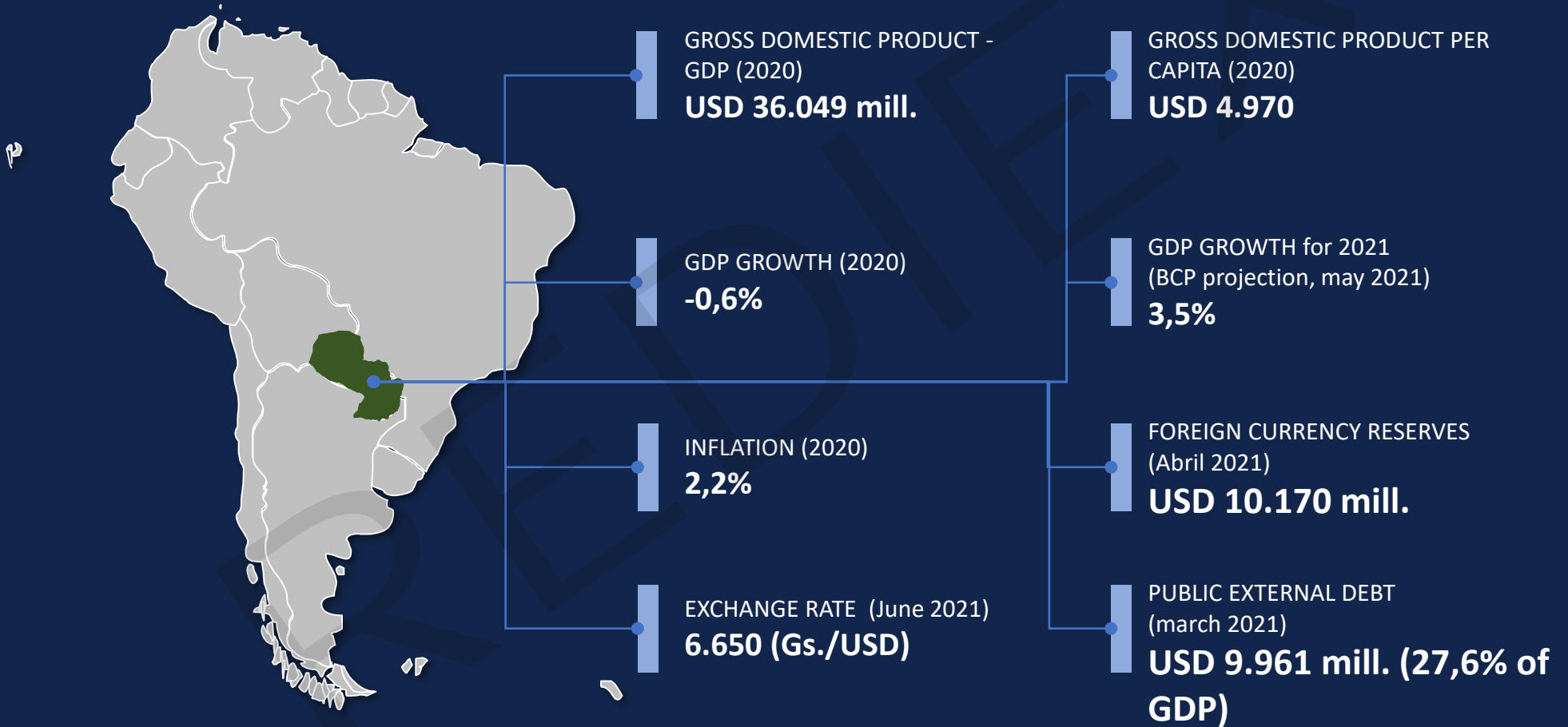
94.3%

CURRENCY

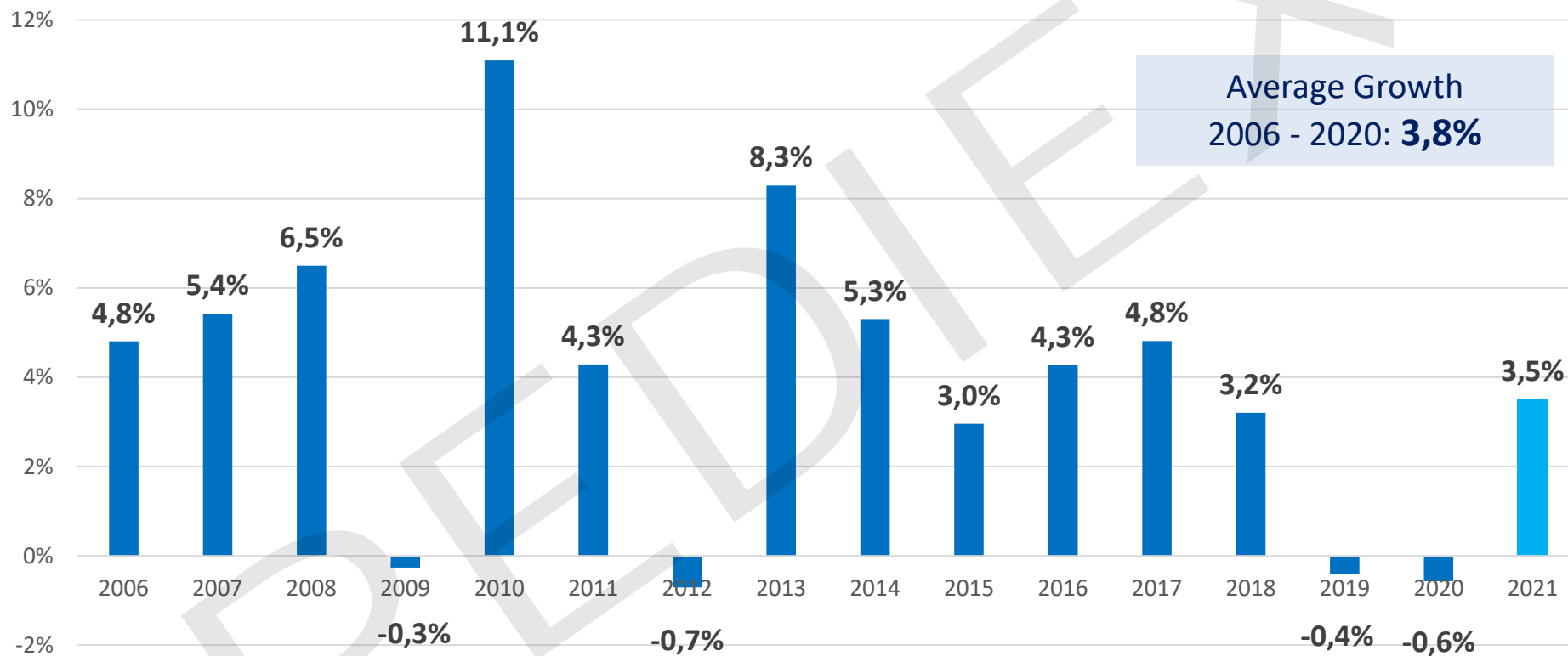
Guarani (PYG)



MAIN ECONOMIC INDICATORS



VARIATION OF PARAGUAYAN GDP

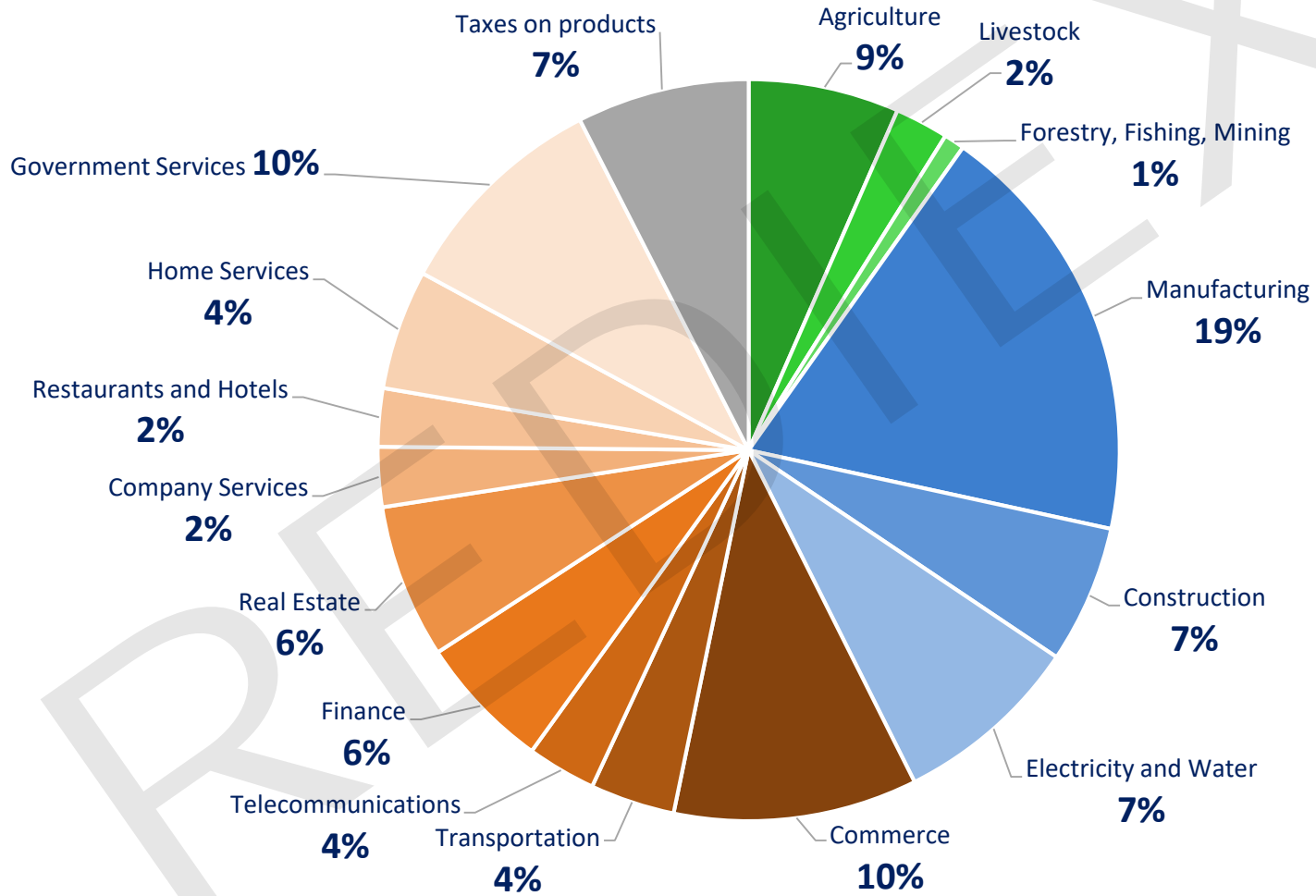


In recent years, Paraguay maintained positive average growth, despite the volatility of its main trading partners. In 2020, remained as the least affected country in the region by the COVID-19 Pandemic.

SOURCE: BCP – 2021 “BCP projection”



GDP COMPOSITION

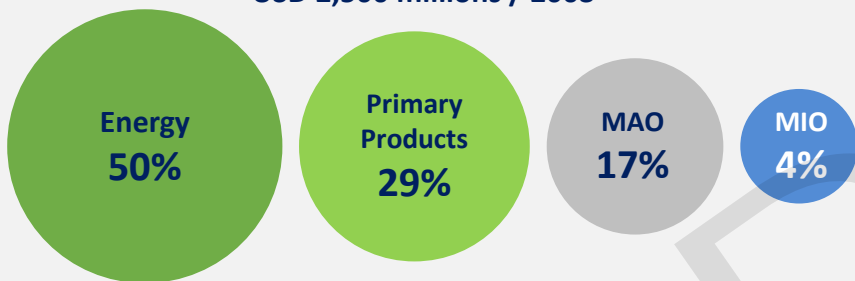


SOURCE: BCP- año de base: 2020

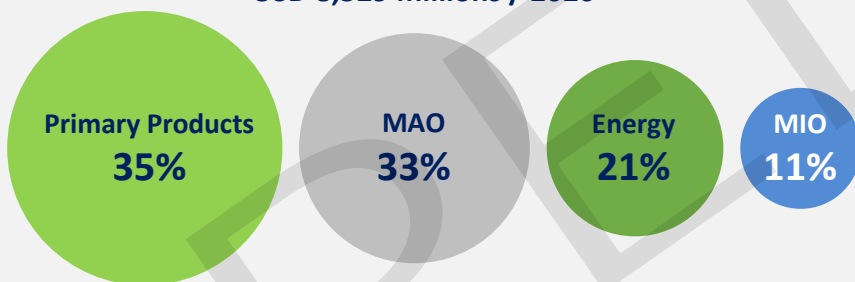
EXPORT COMPOSITION

VALUE AND COMPOSITION OF EXPORTS

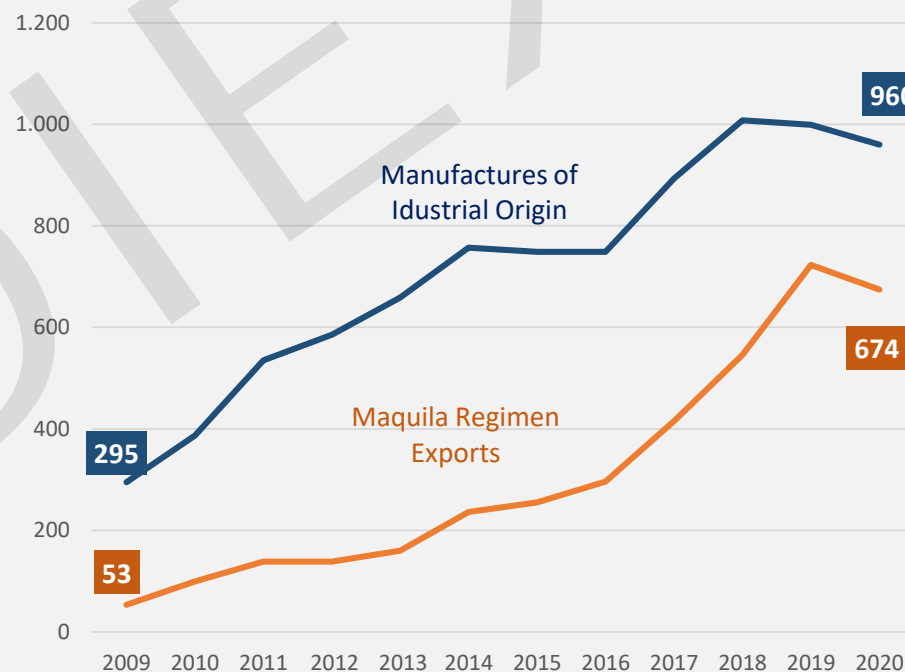
USD 2,500 millions / 2003



USD 8,529 millions / 2020



EXPORTS WITH ADDED VALUE (Millions USD)



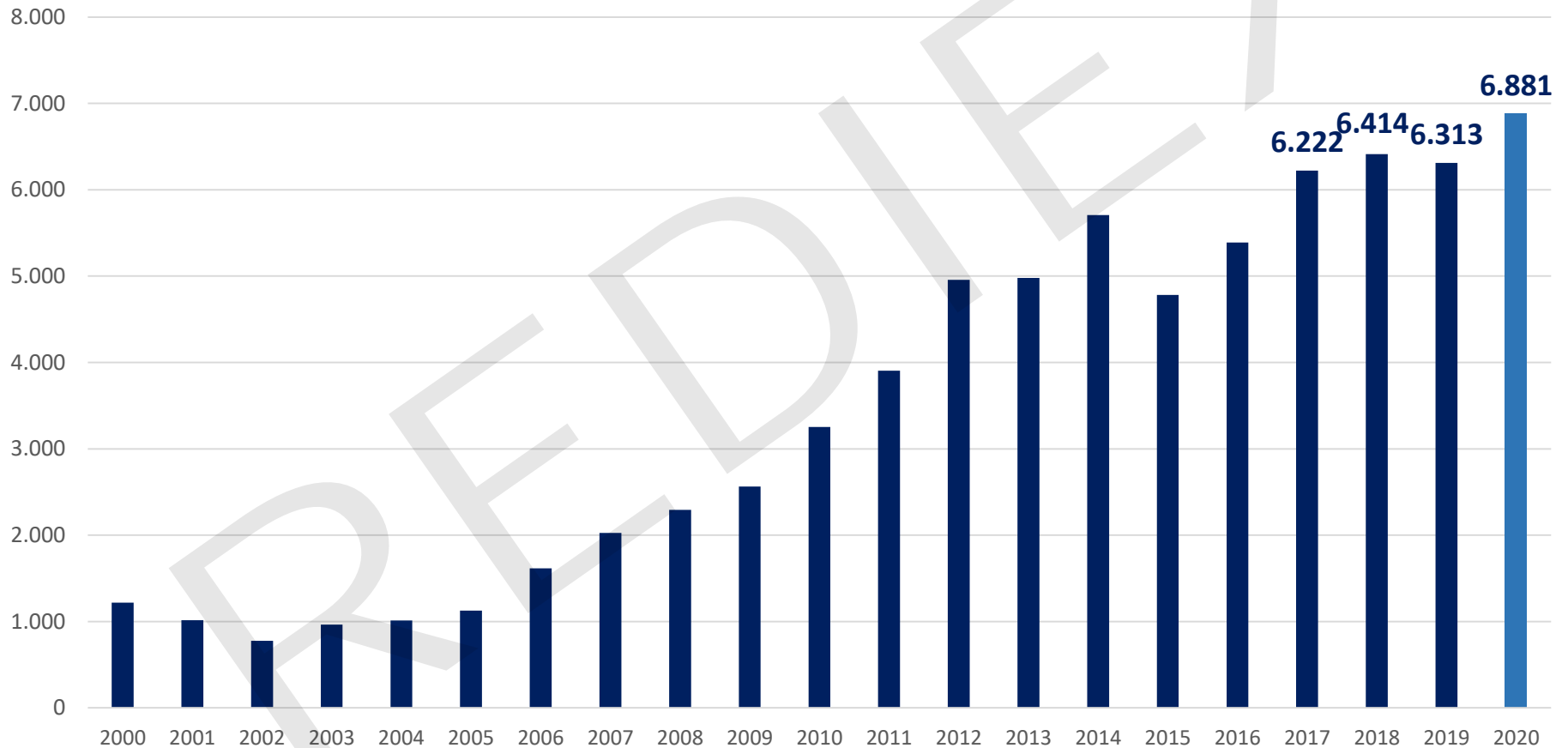
MAO: Manufactures of Agrarian Origin

MIO: Manufactures of Industrial Origin

SOURCE: BCP

FOREIGN DIRECT INVESTMENT (FDI) EVOLUTION

FDI STOCK IN MILLIONS USD

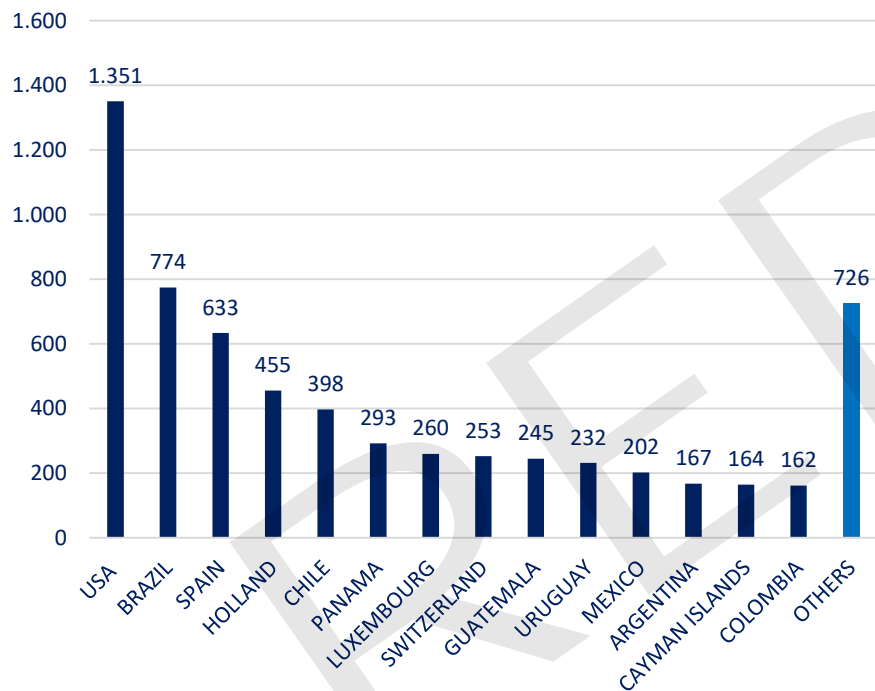


SOURCE: BCP

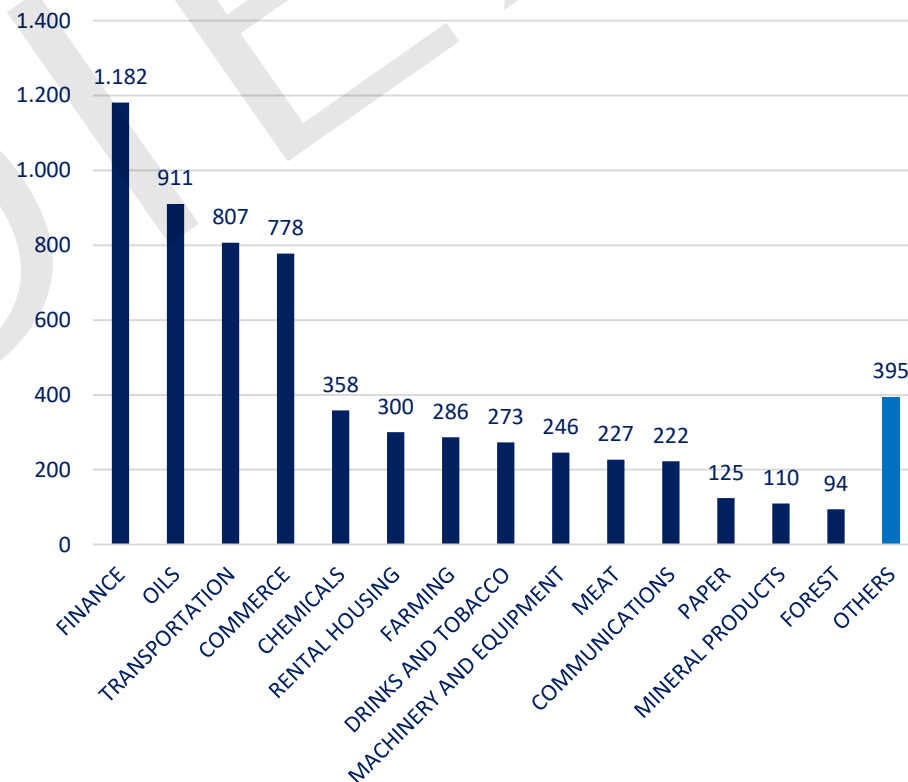
FOREIGN DIRECT INVESTMENT (FDI) COMPOSITION

BALANCE OF FDI IN MILLIONS USD AT THE END OF 2019

MAIN COUNTRIES OF ORIGIN



MAIN INVESTMENT SECTORS



SOURCE: BCP

DIVERSIFICATION OF FOREIGN DIRECT INVESTMENT



SOURCE: BCP - Cierre 2019



TRUSTWORTHY FOR FOREIGN INVESTMENTS



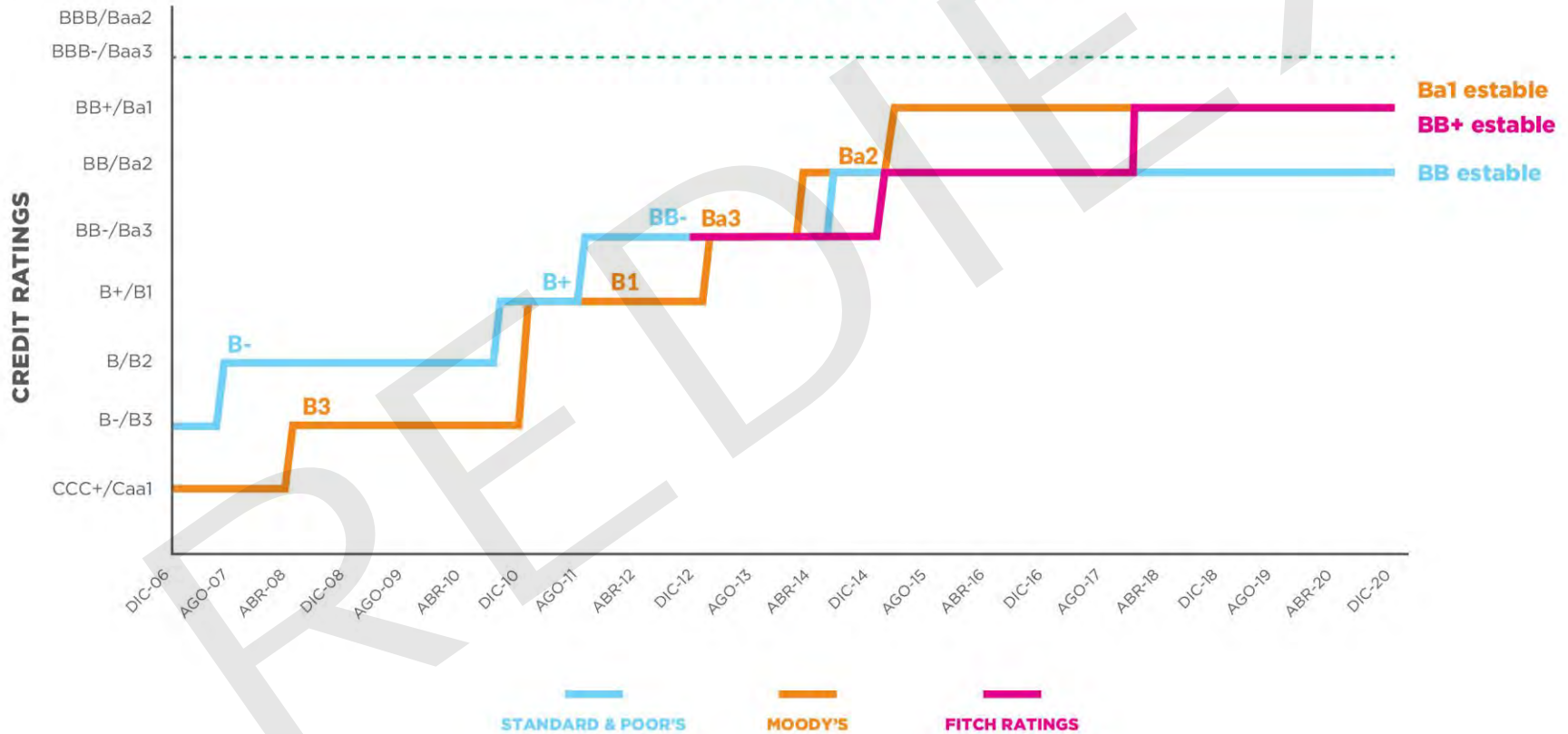
42 countries in 2019



COUNTRY RISK RATING

EVOLUTION OF THE RATING OF PARAGUAY

INVESTMENT GRADE LIMIT



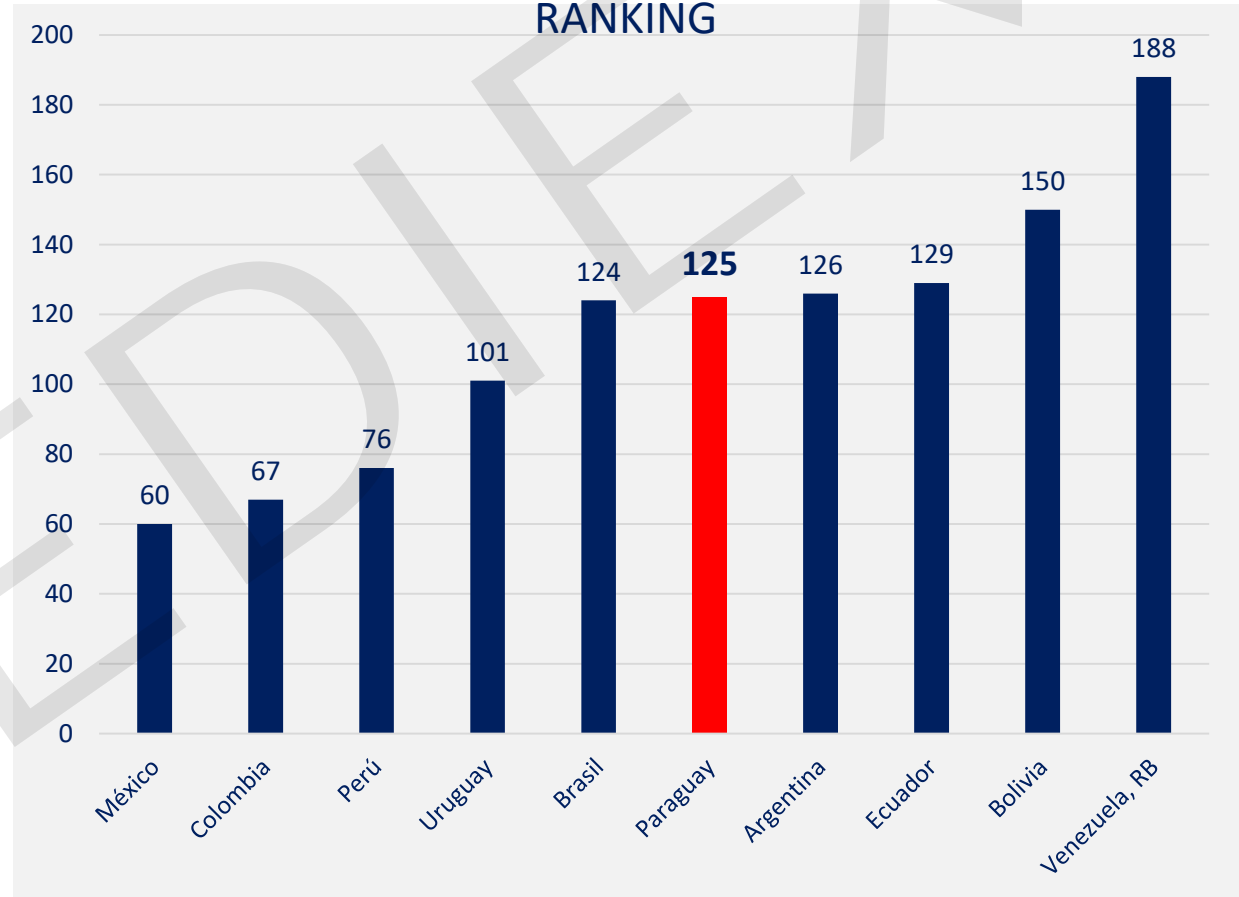
SOURCES: Standard and Poor's, Moody's, Fitch Ratings

LEADER IN FAVORABLE BUSINESS CLIMATE

BUSINESS CLIMATE INDEX

COUNTRY	RANKING
Paraguay	1
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

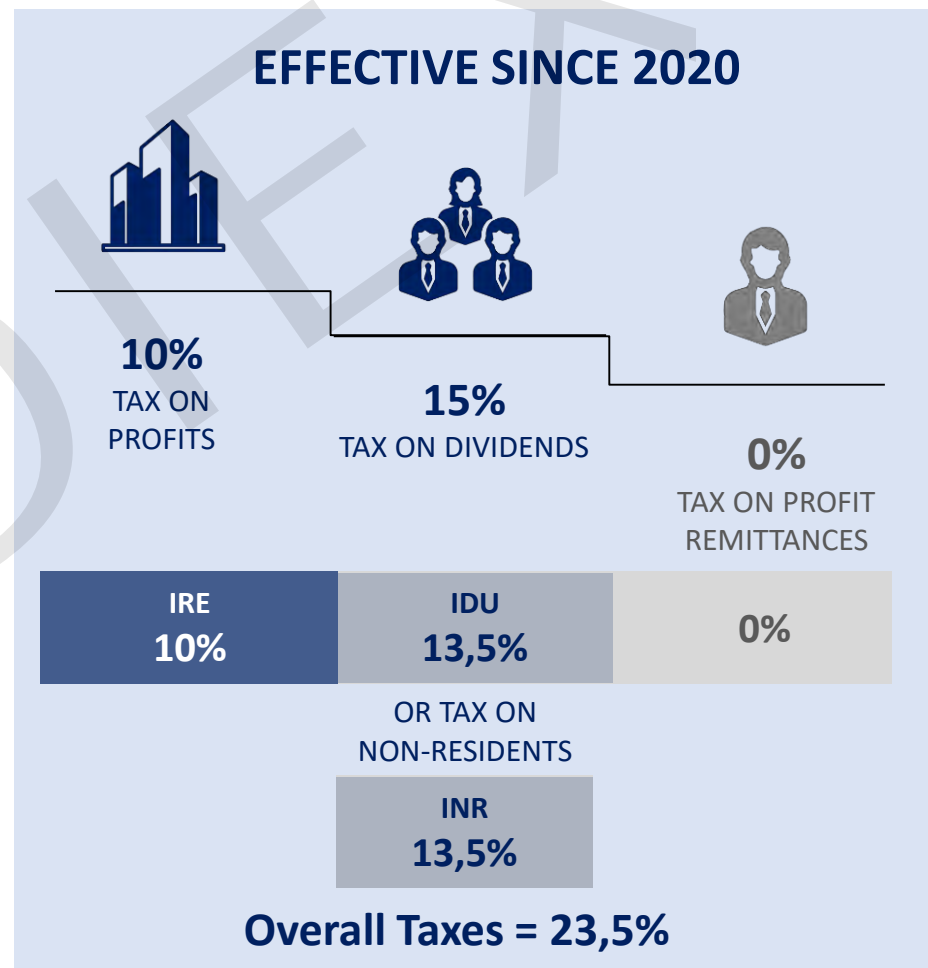
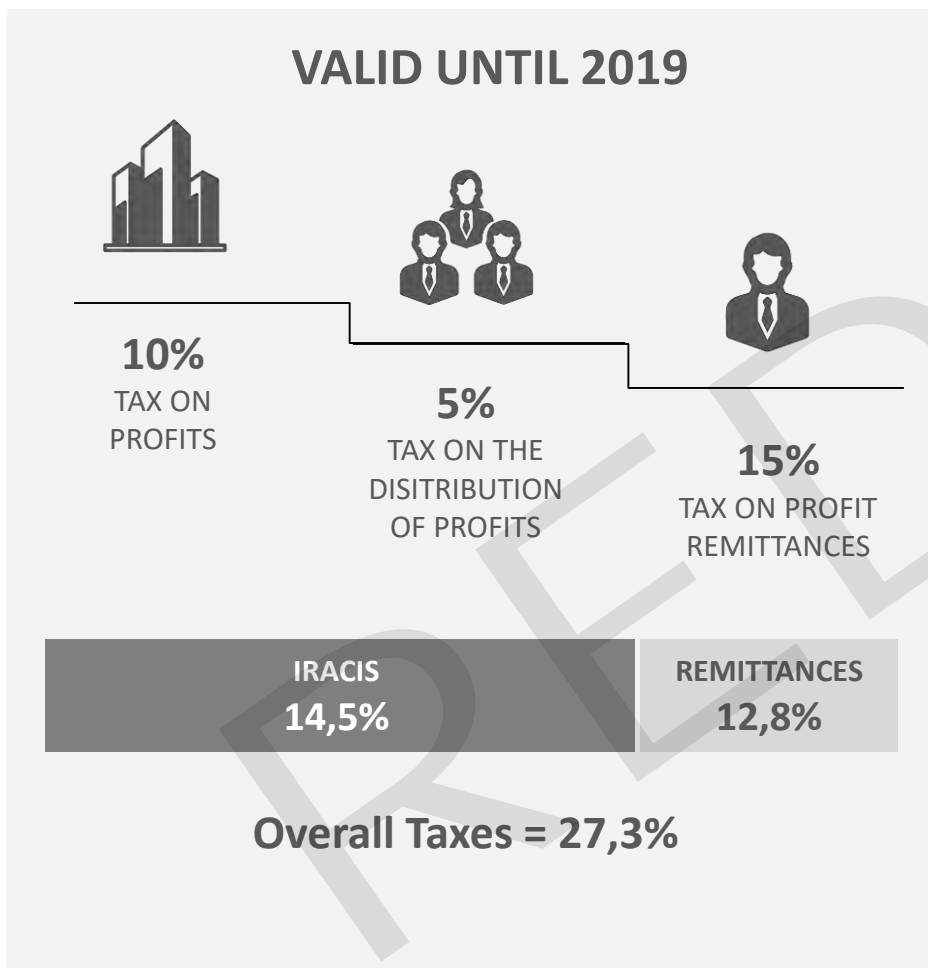
THE MOST SIMPLE AND COMPETITIVE TAX SCHEME

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 (according to the World Bank)	35%	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



LABOR REGIME

In accordance to the current Paraguayan Labor legislation
(Law 213/93 and amendments)

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

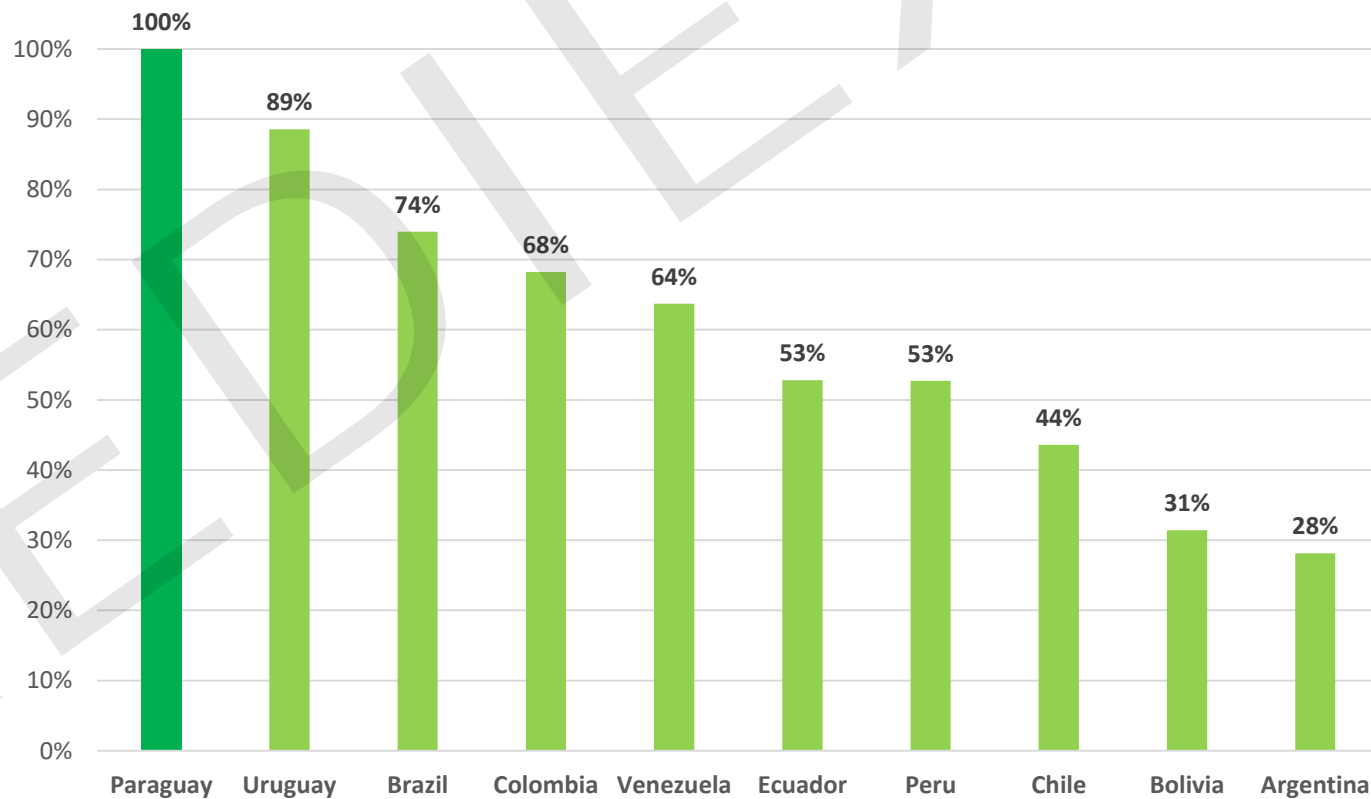
Social Security (IPS)

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

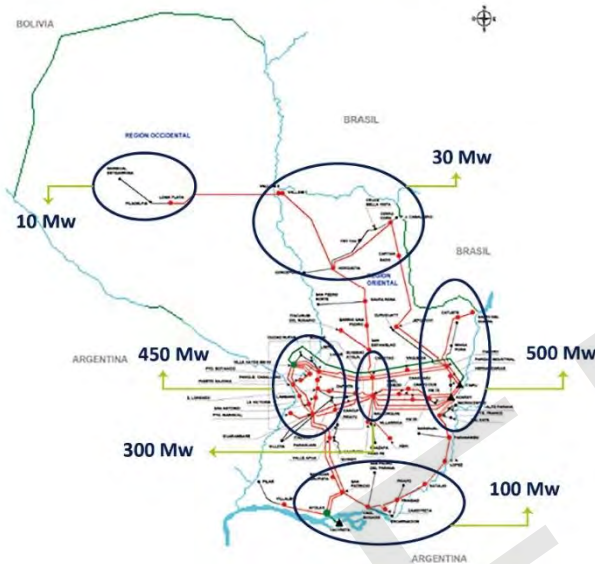
**GENERATION OF ELECTRICITY FROM RENEWABLE SOURCES
(% OF TOTAL)**



SOURCE: World Bank / FDI Intelligence

ENERGY

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

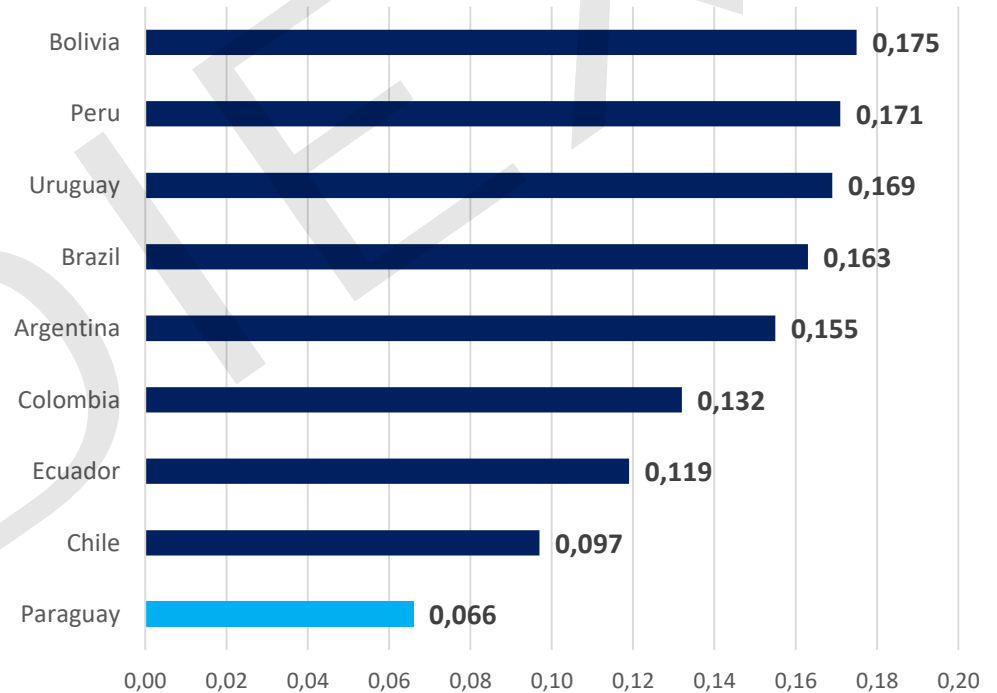


The surplus of electricity produced by the Itaipú and Yacyretá hydroelectric plants, corresponding to Paraguay, is exported to Brazil (78%) and Argentina (22%).

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.

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



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.

INCENTIVES FOR NATIONAL AND INTERNATIONAL INVESTMENTS



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

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 revisión will be in 2023.

60/90 Investment Incentive Law

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)	0%

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 AND THE AUTOMOTIVE REGIME



FISCAL ADVANTAGES

- Exemption of customs tax
- VAT on import is calculated on 20% on the actual customs value

DEVELOPMENT OF THE MOTORCYCLE PARTS SECTOR

Currently, there are 25 companies registered in this sector.

- Plastic parts
- Suspension parts
- Metal parts
- Rubber parts

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.



OTHER INCENTIVES / PPP LAW

By this law, rules and mechanisms to promote the public sector-related investments by the public-private partnership are established.

Eligible projects are:

Road, railway, port and airport projects

Waterway projects, riverway dredge and navigability maintain projects

Social infrastructure

Electrical infrastructure

Urban improvement, equipment and development projects

Drinking water supply and sewage disposal

Other infrastructure investment and public services interest projects

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.

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

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.



THE NEW AUTOMOTIVE SECTOR AGREEMENTS AND THEIR GREAT POTENTIAL



- **Vehicles and auto parts** with a regional content index (ICR) of 50% will enter the signatory countries **cleared of customs duties**
- **Auto parts manufactured** in one country that have **40% of ICR** will have access in the other country with zero tariff up to an amount of **US \$ 35 million** (gradual increase of amounts and ICR until 2026)

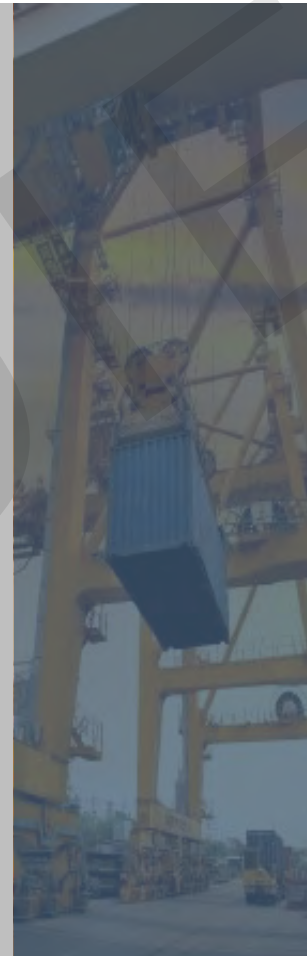


- The incorporation of opportunities for **the development of vehicles with new engines** (electric, hybrid, gas, hydrogen, etc.), starting with a Regional Content Index (ICR) of 30%.
- Preferential access for **maquila products with ICR less than 50%**, starting with **USD 350 million** and an ICR of 40% to reach **USD 750 million and ICR 50%** in 2027
- Preferential access for both countries for **1,000 vehicle units** of people with a **reduced ICR (30% ICR for Paraguay and 35% for Brazil)**

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:



Germany



Austria



Belgium-Luxemburgo



Chile



South Korea



Costa Rica



Cuba



Ecuador



El Salvador



United Arab Emirates



Spain



France



Great Britain



Hungary



Italy



Netherlands



Peru



Portugal



Czech Republic



Romania



South Africa



Switzerland



Taiwan



Venezuela

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



3°

Mate tea
Exporter in the
World



6°

Soybean oil
Exporter in the
World



2°

Stevia
Producer in
the World



4°

Corn Exporter
in the World



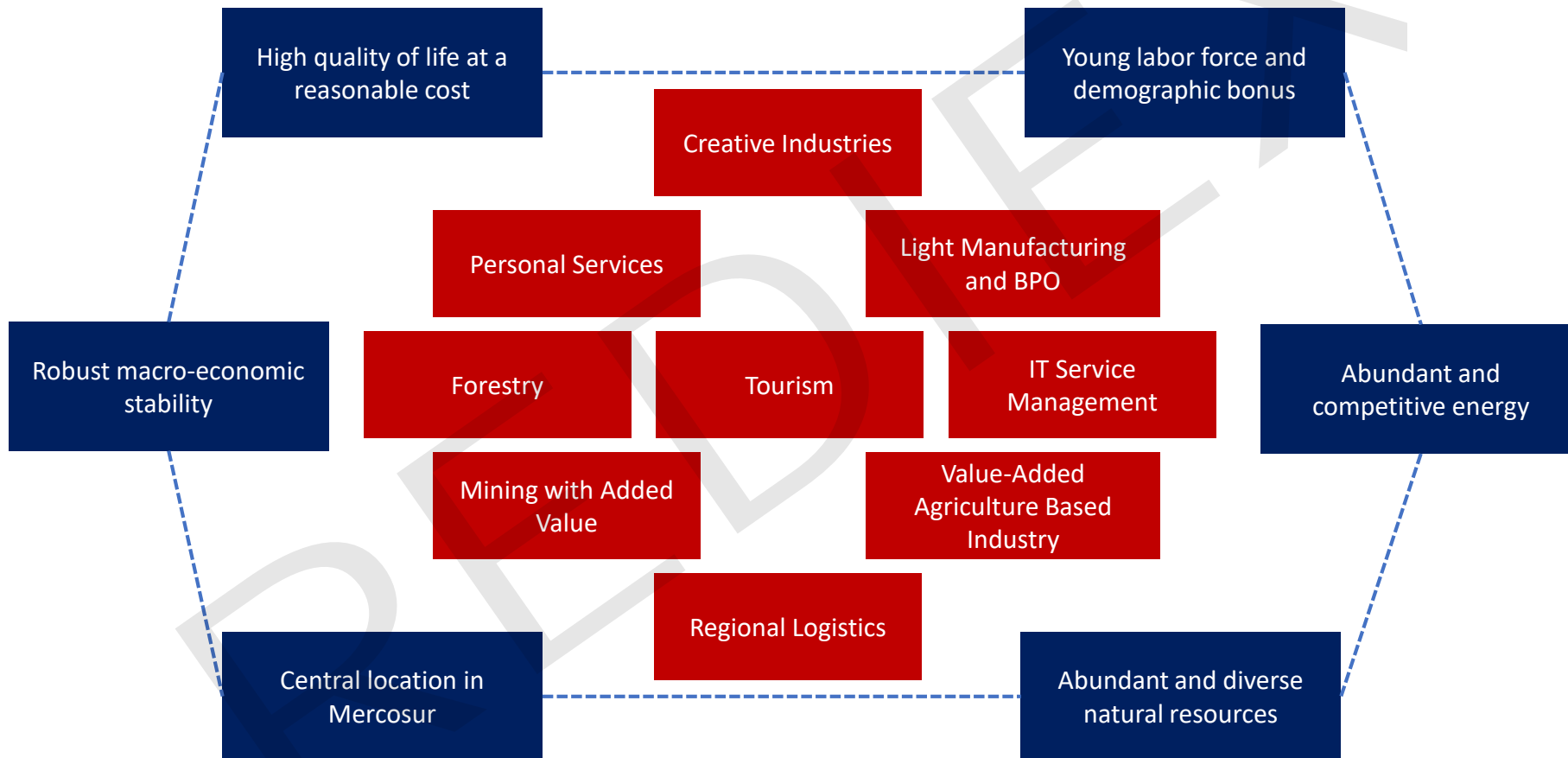
8°

Meat Exporter in
the World



POST-PANDEMIC ECONOMIC MOTORS

PRIORITIZED SECTORS



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

COUNTRY BRAND



PARAGUAY



PRIORITY SECTORS

- Exports
- Foreign Direct Investment
- Tourism
- Culture
- Creative Industries

CONCEPTS THAT SELL

- Paraguay as an energy producer
- Water, as an element of connection with the world, culture, commerce, business and tourism
- Young and growing country, with natural resources and abundant opportunities.



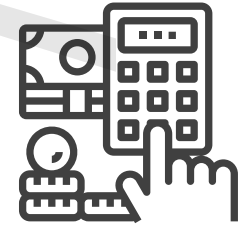
SUSTAINABLE BUSINESS OPPORTUNITIES IN PARAGUAY



FOOD AND DRINKS



INFRASTRUCTURE



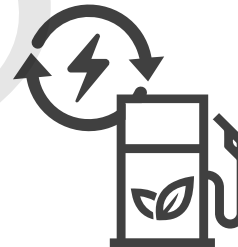
FINANCING



HEALTH CARE



EDUCATION



**RENEWABLE RESOURCES
AND ALTERNATIVE ENERGIES**



**TECHNOLOGY AND
COMMUNICATIONS**

THANK YOU



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