



Paraguay - Civil law (Napoleonic)

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## Incorporating a company in Paraguay

# Paraguay taxes

Do you want to incorporate in Paraguay? Reading this will help you becoming knowledgeable on the specific tax laws and rates for a LLC which is the most common legal entity in Paraguay.

Paraguay taxes corporate income on a territorial basis. This means that income accrued offshore, from our research, and these things do change, is not subject to taxation. However, income from interest, commissions, and capital gains accrued outside the country, are considered local-source income and subject to Corporate Income Tax. Taxes are low in Paraguay because the income corporate tax rate is 10%. This ranks Paraguay as 34th overall in terms of corporate tax rate worldwide.

The value added tax (VAT) rate is 10.00%, which ranks Paraguay as 47th overall in terms of VAT taxation rate internationally. In terms of other taxation, an employer will contribute 16.5% to the equivalent of a social security fund and an employee will contribute 9.00%. The overall complexity of the tax system is medium. This is measured by average time to comply with a country's labor tax requirements is as it is 96hours. Contributing to this is the number of yearly labor tax payments, which is 1 in PY.

Thin capitalization laws are not in effect. This refers to any sort of laws on companies' debt-to-asset ratios. Distribution of dividends is subject to a 5% additional tax charged on source. Dividends received are usually not considered taxable income. Stock dividends are not considered taxable income, except when represent more than 30% of taxable income of an investor. Dividends are payments of a company profit, voted on by the board, to shareholders. Dividends can be issued as shares of stock, cash payments, or other property.

Capital Gains are considered business income and therefore taxed at a flat rate of 10%. A capital gains tax is levied on the profits that a corporation or natural person realizes when he or she sells a capital asset for a price that is higher than the purchase price.

The interest withholding tax rate is estimated at 15%. This should be interpreted that the taxman expects relevant legal entities to withhold 15% of interests paid abroad. The dividends withholding tax rate is 15%. This should be interpreted that the tax authorities expects LLC's to withhold 15% of dividends remitted abroad. The royalties withholding tax rate 15%. This means that the taxman expects companies to withhold 15% of payments abroad on royalties.

There is no known tax on wealth in Paraguay. There are no inheritance and transfer taxes. There is a real property tax. There are many well known credits for innovation, certain economic activities and free trade areas that include tax exemptions and incentives in Paraguay.

The above is not tax or legal advice for your particular circumstances. We are able to help you to find a tax advisor in Paraguay who can give you the proper advice and help you need. Ready to get started? Click the free consultation button above or press incorporate now if you are in a hurry.

The vat rate in Paraguay is 10% which ranks 46 in the world.

- ✗ Patent box
- ✗ RND credit
- ✗ Wealth tax
- ✓ Estate tax
- ✗ Transfer taxes
- ✗ Asset taxes
- ✓ Capital duties

- 1 Tax treaties
- 0% Offshore Tax
- 10% Corp rate
- Loss carryback years
- 138 Corporate time
- 10% VAT rate

# Paraguay Legalese

The underlying legal code in Paraguay is civil law (napoleonic) law. You will want to get some local advice as to how to best structure a company in Paraguay. One is permitted to electronically sign documents.

The abbreviation PY is for Paraguay and the most common company structure in Paraguay is a LLC.

The average time to incorporate is 8 weeks to put together the paperwork and file a LLC in PY. The min share capitalization is 0, This means you don't have any minimum share capital. The types of currencies you can use to capitalize your company is frequently PYG, USD, EUR, BRL, ARS, and any legal currency.

Yes, one is allowed to re-domicile a LLC from PY. You are usually allowed to change the jurisdiction of the company, pending certain procedures.

There must be at least 1 shareholder. This makes it possible for you to own a LLC in PY by yourself. Corporate Shareholders are permitted, which means you can have a legal entity as a shareholder. Foreign ownership is allowed, up to 100% of the ownership of the legal entity.

A legal entity is only required to have one director. Furthermore, corporate directors are not permitted. Directors should not have an expectation of privacy, as they are not kept private in Paraguay. There is a body of law which requires companies to hold an annual meetings of shareholders.

A registered office is a requirement, whom the company will pay yearly, for an office which can receive any lawsuit papers on behalf of the business. However, a corporate secretary is not required in PY, which can save the company money if you can perform basic corporate governance internally.

There is a requirement to file accounts to relevant authorities. On that note, there is oftentimes a requirement to have these accounts audited.

Overall we think Paraguay is a good option and have given it a score of 77 as an IO score, using the Incorporations.IO proprietary formula.

- ✗ **Directors not disclosed in a public registry**
- ✗ **Shareholders not disclosed in a public registry**
- ✓ **Redomiciliation permitted**
- ✓ **Registered office required**
- ✗ **Corporate director permitted**
- ✗ **Local Secretary not required**
- ✗ **Local Director not required**
- ✓ **Electronic signature**

- 1 Shareholders required**
- 1 Directors required**
- 8 weeks to form**



# PARAGUAY

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## Country Info



🚩 National Flag of

**Tetã Paraguái (grn)**

**República de Paraguay (spa)**

\$ Currency

**PYG**

☎ Area Code

**+595**

🏛 Capital

**Asunción**

📍 Region

**South America**

🗣 Native Languages

**Guaraní**

**Spanish**