

Legal Sources for Trade & Investment in Paraguay

Law Nr. 60/90

“Incentives for the Investment”

MODIFIED BY LAW 2421 “FISCAL ADJUSTMENT ACT”

REPUBLIC OF PARAGUAY

LAW No. 60/90

WHICH APPROVES, WITH AMENDMENTS, DECREE-LAW N°27 DATED MARCH 31, 1990, "BY MEANS OF WHICH DECREE-LAW N° 19 DATED APRIL 28, 1989" WHICH ESTABLISHES THE SYSTEM OF TAX INCENTIVES FOR THE INVESTMENT OF DOMESTIC AND FOREIGN CAPITAL, IS AMENDED AND EXTENDED.

THE CONGRESS OF THE PARAGUAYAN NATION PASSES WITH THE FORCE OF

LAW

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Article 1. Decree-Law N° 27 dated March 31, 1990, by means of which Decree-Law, N° 19 dated April 28, 1989, which establishes the system of tax incentives for the investment of domestic and foreign capital is amended and extended, is hereby approved with following wording:

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CHAPTER I

PURPOSE

“**Art. 1.** The purpose of this Law is to further and increase the capital investments of domestic and foreign origin. To this end, benefits of a fiscal nature shall be granted to the physical and legal persons established in the country and whose investments are performed in accordance with the economic and social policies of the National Government and have following purposes:

- a) The increase in the production of goods and services;
- b) The creation of permanent jobs;
- c) The furthering of exportations and the substitution of importations;
- d) The incorporation of technology that may allow the increase in production efficiency and make possible an increased and better use of raw materials, labor force and domestic energy resources; and
- e) The investment and reinvestment of profits in capital goods.

CHAPTER II

SUBJECT AND MANNERS OF INVESTMENT

“**Art. 2.** Any physical and legal domestic or foreign persons who perform investments under following forms shall be considered beneficiaries under this Law:

- a) In cash financing suppliers credit or other financial instruments, under the conditions established by the Executive;
- b) In capital goods, raw materials and inputs allotted to the local industry for the manufacturing of capital goods established in the investment project approved in accordance with Art. 23 of this Law;

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- c) In trademarks, drawings, models and industrial processes and other forms of transference of technology susceptible of granting of licences;
- d) In specialized technical assistance services;
- e) In leasing of capital goods; and
- f) In other forms determined by the Executive in the regulation.

"**Art. 3.** The capital goods imported or produced locally, referred-to to in this Law, shall be of adequate know-how and usable in condition of productive efficiency.

"**Art. 4.** The subjects of this Law shall not enjoy the benefits granted whenever the goods and products are allotted for personal use or consumption.

CHAPTER III

BENEFITS

"**Art. 5.** Any investments covered by this Law shall enjoy following fiscal and City Administration benefits:

- a) Full exemption of fiscal and City Administration taxes assessed upon the constitution, recording and registration of corporations and firms;
- b) [Abolished]
- c) Full exemption of custom duties and other duties of an equivalent effect, including the domestic revenues of specific application, on the importation, of capital goods, raw materials and inputs allotted to the domestic industry, foreseen in the investments project;
- d) Exemption from requirement of any type of special bank reserve or special deposits for the importation of capital goods;
- e) [Abolished]
- f) [Modified] Whenever the amount of the foreign financing and the activity benefited by the investment is equal or higher than USD 5.000.000 (Five Million American Dollars), the exemption

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of the taxes levied on remittances and payments made abroad, resulting from interest, commissions and capital thereof, shall be granted up to the commissioning of the project, according to the approved investment time-schedule;

g) [Abolished]

h) [Modified] Full exemption of all taxes levied on dividends and profits arising from the approved investment projects for the term of (10) five years as from the commissioning of the project, according to the time-schedule of the approved investment, whenever the amount of the investment is equal or higher than USD 5.000.000 (Five Million American Dollars), and the tax on these dividends and profits are not fiscal credits of the investor in the origin country of the investment.

i) [Abolished]

j) Exemption of the tax under Law N° 70/68, proportionally to the amount of incorporated capital, for a period of (5) five years as from the year following the date of the Resolution approving the investment project;

k) Exemption of the tax on the official stamped paper and official revenue stamps tax foreseen in Law 1003/64 and of tax on services (Law 1035/83) for the beneficiaries, on the acts, contracts, payments, receipts and promissory which evidence the investments foreseen in this Law; and

l) Exemption of the tax on official stamped paper and official revenue stamps tax foreseen in Art. 27, paragraph 2, note 2, of Law 1003/64.

"Art. 6. The benefits contemplated in Art. 5 of this Law shall be effective for a term of ten (10) years whenever the investments carried out arise from resources originated in the repatriation of capital, or whenever these are established in areas of preferential development determined by the plans and programs prepared by the Technical Planning Secretariat.

"Art. 7. The benefits contemplated in Art. 5 of this Law shall be effective for a term of seven (7) years when the investments arise from the incorporation of capital goods of domestic origin.

"Art. 8. [Abolished]

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"Art. 9. [Abolished]

CHAPTER IV

LEASING OF CAPITAL GOODS

"Art. 10. Any capital goods introduced into the country under leasing contracts shall enjoy the benefits granted under Art. 5 of this law, in accordance with the respective regulations, for a term of five (5) years from the year following the date of the Resolution approving the investment project.

"Art. 11. Any capital goods produced locally under leasing contracts shall be entitled to the benefits established in Art. 5 of this Law under the same conditions and terms established in the previous article.

"Art. 12. Any firms which engage in the leasing of capital goods shall enjoy the benefits granted under Art. 5 of this Law, in accordance with the respective regulations.

"Art. 13. The Registry of Leasing , that depends from the General Bureau of Public Registries, is hereby created. All goods under leasing contracts, benefits, levies and other pertinent documentations, shall be registered therein. The Executive shall established the rights, obligations and formalities of such registry.

"Art. 14. To the effects of this Law the Ministry of Industry and Commerce shall set up a Registry of Leasing wherein all goods under leasing contracts, corresponding contracts benefits, levies and other pertinent documentation, shall be recorded.

CHAPTER V

GENERAL PROVISIONS

"Art. 15. Any beneficiaries of Decree-Law N° 19/89, Decree-Law N° 27/90 and this Law shall keep a detailed registry of the goods incorporated in a book provided by the tax authorities permitting them to perform the control of their use and destination.

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Art. 16. The nonperformance of the investment time-schedule established in the approved project, except act of God or force majeure, shall cause the full or partial revocation of the approved benefits, in the following cases:

- a) Any investments made beyond the term established in the authorizing resolution shall give rise to loss of the benefits granted to the part corresponding to the not-performed investment.
- b) Whenever the imported goods should have not been installed in the terms foreseen in the authorizing resolution, the beneficiary shall be obliged to pay the exempted taxes corresponding to such imported goods.
- c) Whenever any delay in performance of the investment mentioned in item a) brings as a consequence the impossibility of implementing the investment project in a term of six (6) months subsequent to the date of the last investment foreseen in the project, this shall cause the full revocation of the Resolution that grants the benefits foreseen this Law and, as a consequence, the payment of the exempted taxes, except in case that the part already performed complies with the objectives of the approved investment project, in which case said revocation shall only affect the non-performed portion of the project; and
- d) Whenever the beneficiary gives the capital goods a different destination to that of the purpose foreseen in the approved project, he shall pay the levies exempted on such goods, plus an additional tax of 100% by way of fine.

Art. 17. The Investment Council is created as an advisory agency of the Ministry of Industry and Commerce and of the Ministry of Finance, and shall be formed by:

- a) A representative of the Ministry of Industry and Commerce;
- b) A representative of the Ministry of Finance;
- c) A representative of the Ministry of Agriculture and Livestock;
- d) A representative of the Technical Planning Secretariat for Economic and Social Development;
- e) A representative of the Central Bank of Paraguay;
- f) A representative of the primary manufacturing industry sector; and

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g) A representative of the Industrial or secondary manufacturing industry sector.

The members of the Investment Council shall be named by the Executive at the proposal of the respective institutions or entities.

The Investment Council shall be chaired by the representative of the Ministry of Industry and Commerce and its regular members shall enjoy fees that shall be established by the Executive.

The Secretary of the Council shall be appointed at the proposal of the Ministry of Finance.

Likewise, each institution shall have an alternate representative.

"Art. 18. The members of the Investment Council shall be persons with proper ability to hold such post.

"Art. 19. The Investment Council shall have the following functions:

- a) To evaluate and pass judgment on the investment projects which correspond to the purposes of this Law, in addition to the corresponding evaluations;
- b) To advise any public and private institutions in the matter of capital investments;
- c) To establish a registry of applications and background of the authorizations granted and inform the National Congress, quarterly, on any approved projects; and
- d) To pass judgment on matters that have relation with capital investments not foreseen in the preceding items.

"Art. 20. In order to qualify for the benefits granted by this Law, any investments projects shall contain basically, following data and information:

- a) Name, domicile and legal situation of the applicant;
- b) A description of the activity to be developed;
- c) A market survey, engineering of the project, site and impact on the environment;
- d) Manpower to be employed;
- e) Domestic and foreign raw materials and inputs required by the investment; and

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f) Amount of the investment and financing manner.

"Art. 21. Taking into consideration the ecological impact, so that an investment project be qualified for receiving the benefits of this Law it must process a plant for the treatment of industrial effluents. Furthermore, the site of the plant shall not affect the life conditions of the surrounding area.

At the erection of industrial plants, any effects on the environment and the arrangement foreseen in the urban planning of each site must be contemplated.

"Art. 22. [Modified] Whenever the investment project referred by Law exceeds amount of USD 5.000.000 (Five Million American Dollars), the project shall be prepared by domestic technicians and/or consulting firms, duly registered with the corresponding registries whose operation is legally authorized in the country.

"Art. 23. The acknowledgment of the benefits provided for under this Law shall be granted to each company by a resolution to be signed by the Minister of industry and Commerce and the Minister of Finance. The agency in charge of its application and performance shall be the Ministry of Industry and Commerce, except in matters which refer to tax aspects, which shall be in charge of Ministry of Finance.

"Art. 24. The Investment Council must give its opinion within a maximum term of sixty (60) days as from date of submission of the application. The pertinent ministerial resolution approving or rejecting the application shall be drawn up in a term of fifteen (15) days as from date of the opinion.

"Art. 25. Any benefits granted by the investment laws are irrevocably, excepting the cases foreseen in Art. 16, items a), b), c) and d).

Any benefits granted under the systems of Decree-Laws N° 19/89 and 27/90 are irrevocably acquired by the beneficiaries and may be extended by the provisions of this Law.

Article 2. To be communicated to the Executive.

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Approved by the Honorable Chamber of Representatives on December 13, 1990, and by the Honorable Chamber of Senators, being passed as a Law by virtue of Article 157 of the National Constitution on December 20, 1990.

José A. Moreno Ruffnelli

Chairman

Hon. Chamber of Representatives

Carlos Caballero Roig

Parliament Secretary

Waldino Rarnón Lovera

Chairman

Hon. Chamber of Senators

Julio Rolando Elizeche

Parliament Secretary

Asunción, March 26, 1991

To be had as Law of the Republic, published and forwarded to the Official Registry.

Andrés Rodríguez

President of the Republic

Antonio ZuccoliIlo Moscarda

Minister of Industry and Commerce

Juan José Díaz Pérez

Minister of Finance

Important Advice: The present translation does not constitute any legal document. Only the original Spanish text, as published in the Legal Gazette of the Republic of Paraguay possesses legal force.