

Paraguay

Land of opportunities



PARAGUAY IS IN THE CENTER OF SOUTH AMERICA



Connectivity Map



From Carmelo Peralta to	Kilometer
Curitiba	1,643
Santos	2,374
Valparaíso	2,800
Antofagasta	1,842
Iquique	2,000
Buenos Aires	1,904
Montevideo	1,989

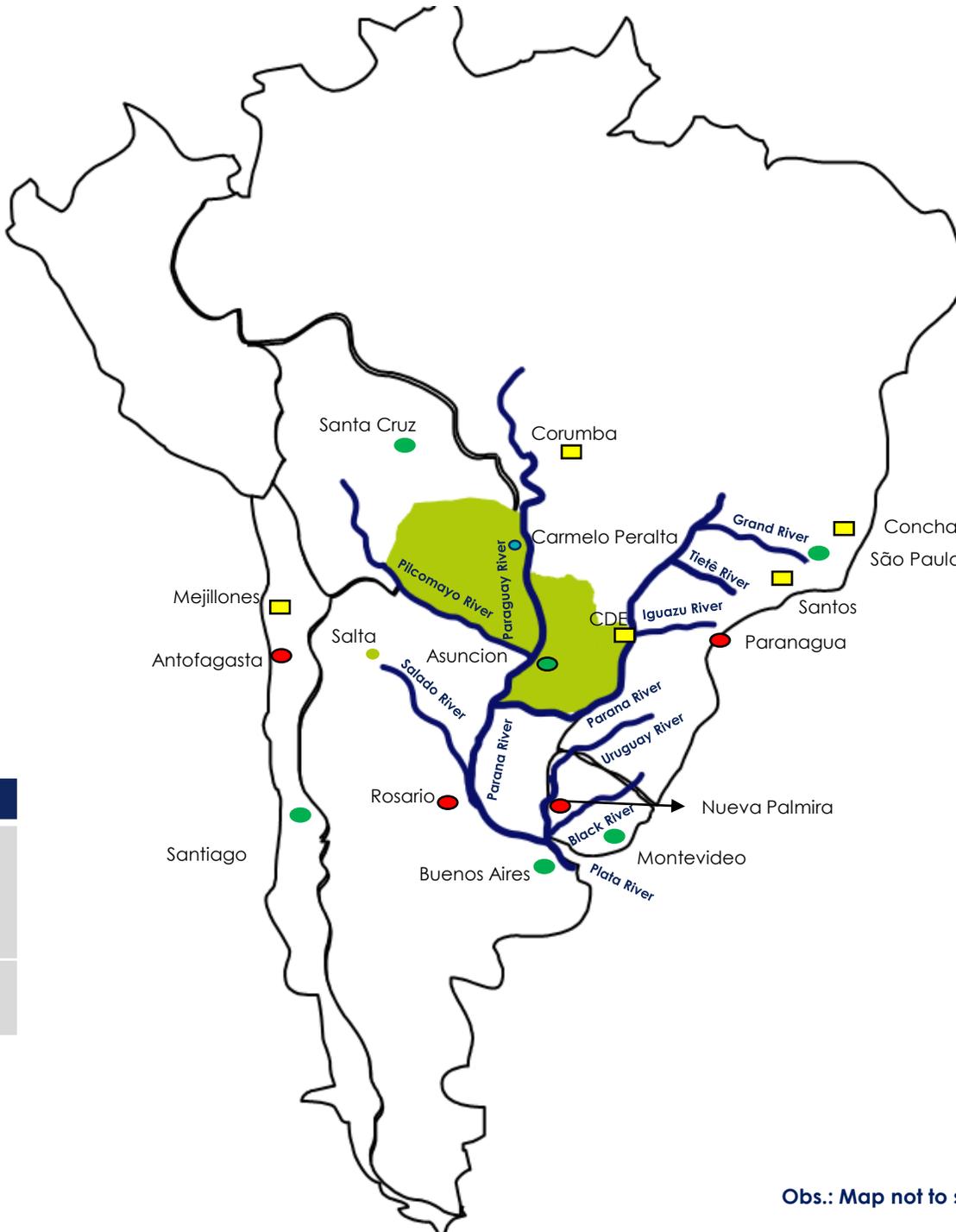
Obs.: Map not to scale



Waterway Connectivity

- Main Ports
- Paraguayan Free Ports
- Regional Ports

Waterway	Length (Km)	Conexions
Paraguay – Paraná – Uruguay	2.770	Bolivia Paraguay Argentina Uruguay
Tietê – Paraná	2.400	Brasil Paraguay



COUNTRY PROFILE



OFFICIAL NAME

Republic of Paraguay

SURFACE

406,752 km²

PRESIDENT

**Santiago Peña
(2023-2028)**

OFFICIAL LANGUAGES

Spanish and Guarani

URBANIZATION RATE

63%

CAPITAL

Asuncion

GOVERNMENT SYSTEM

Presidential Republic

POPULATION (2022)

7,453,695

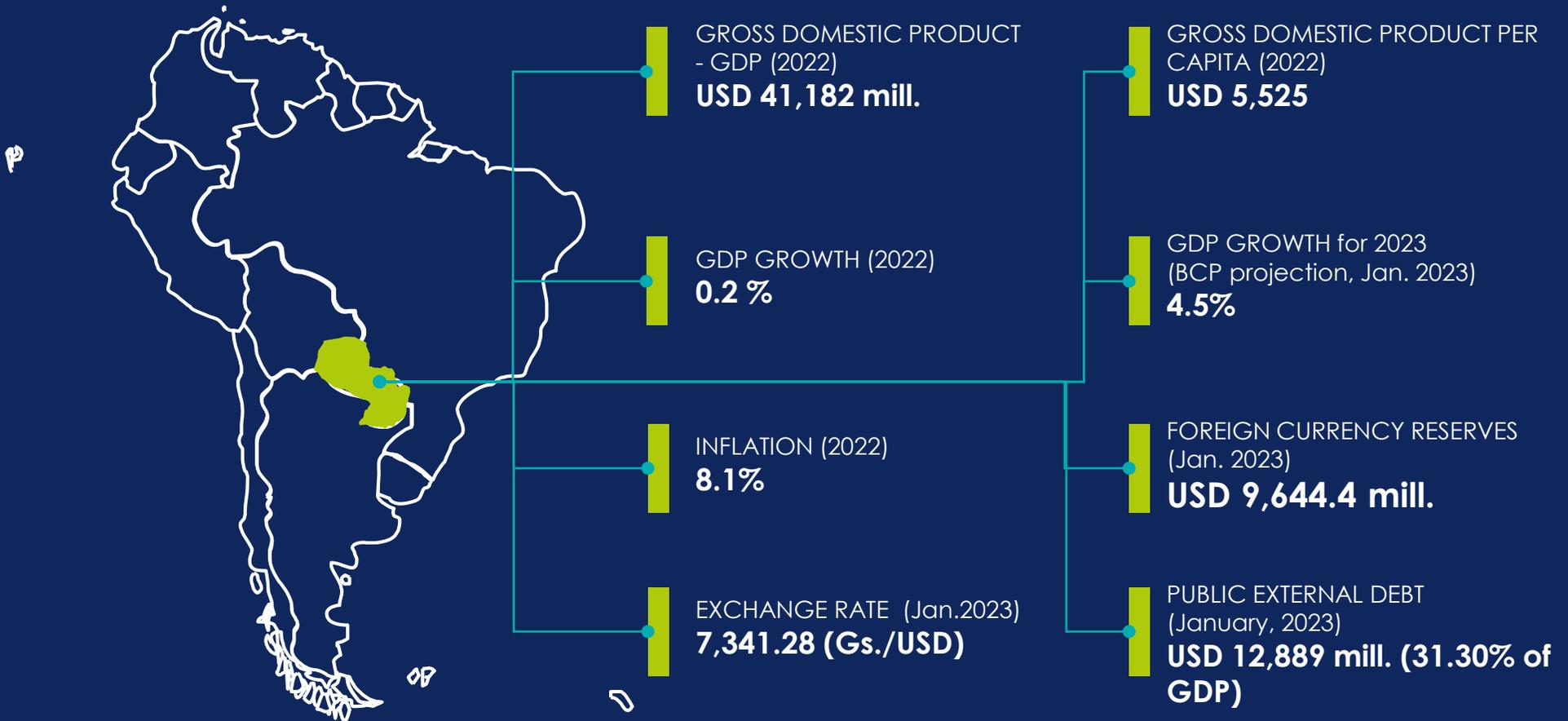
LITERACY RATE

95%

CURRENCY

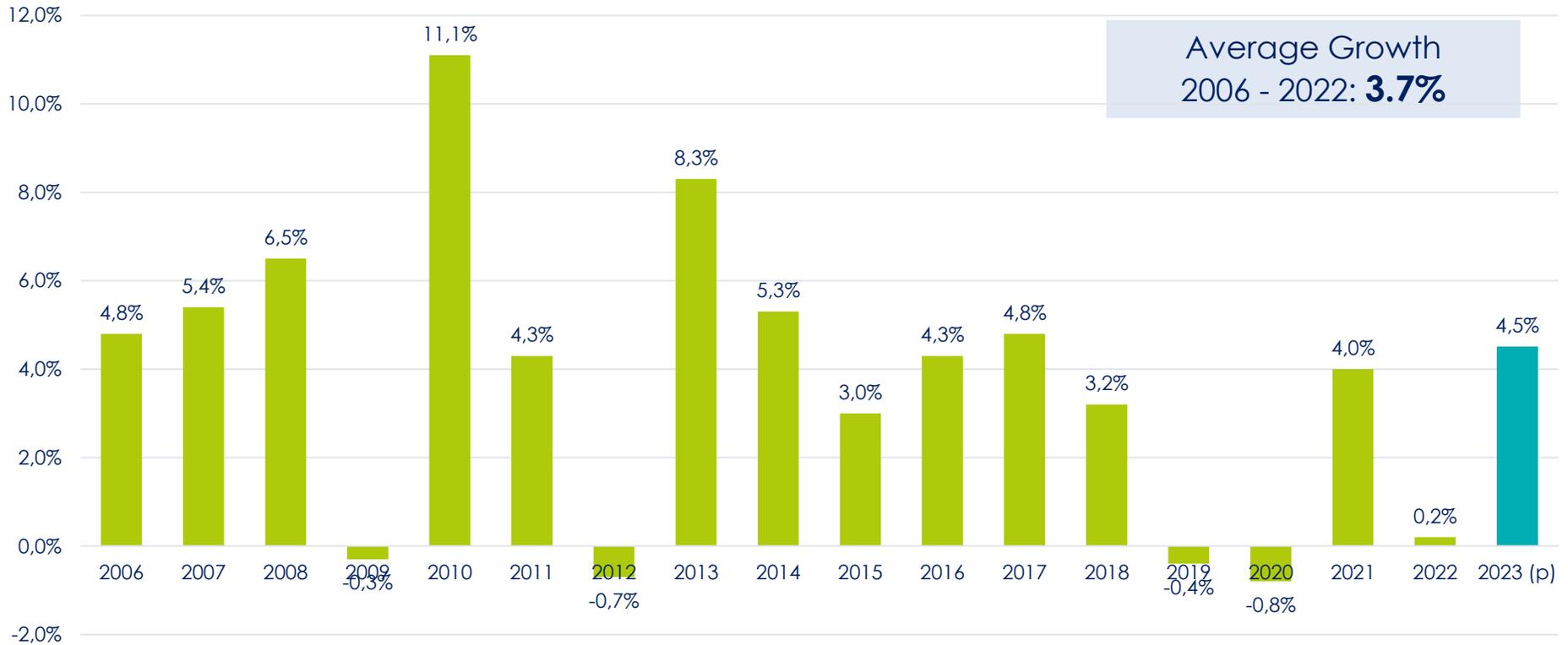
Guarani (PYG)

MAIN ECONOMIC INDICATORS



SOURCES: BCP, DGEEC, FMI

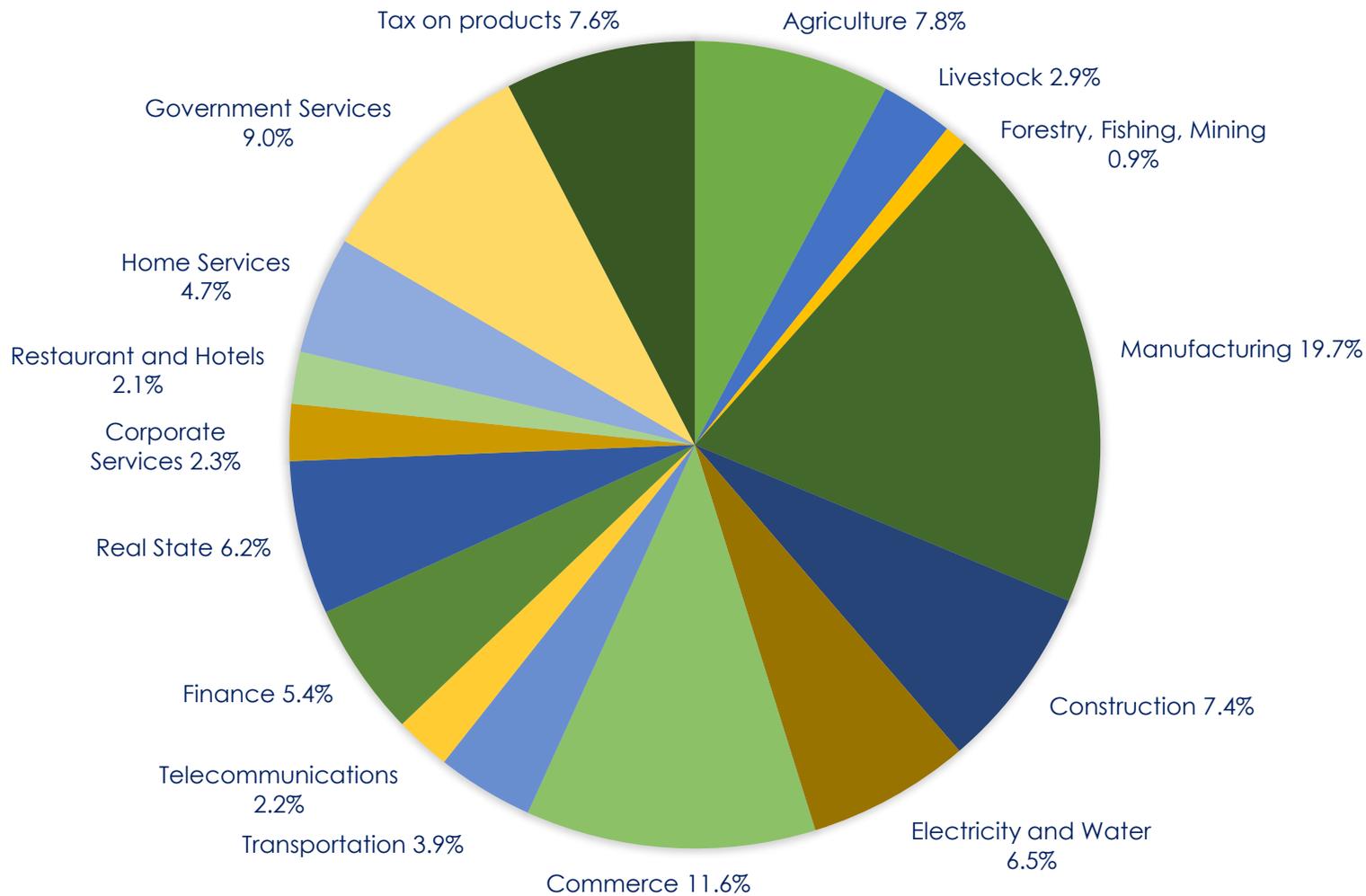
VARIATION OF PARAGUAYAN GDP



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”

GDP COMPOSITION



SOURCE: BCP- base year: 2022

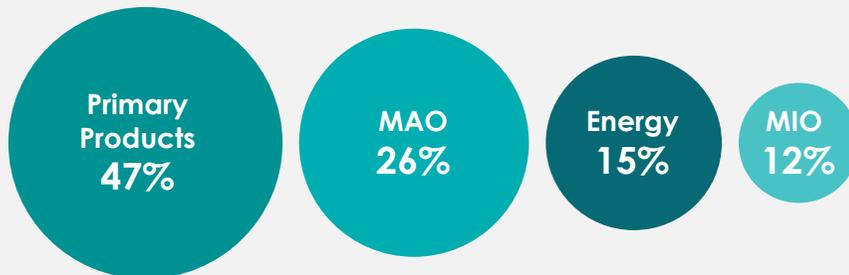
EXPORT COMPOSITION

VALUE AND COMPOSITION OF EXPORTS

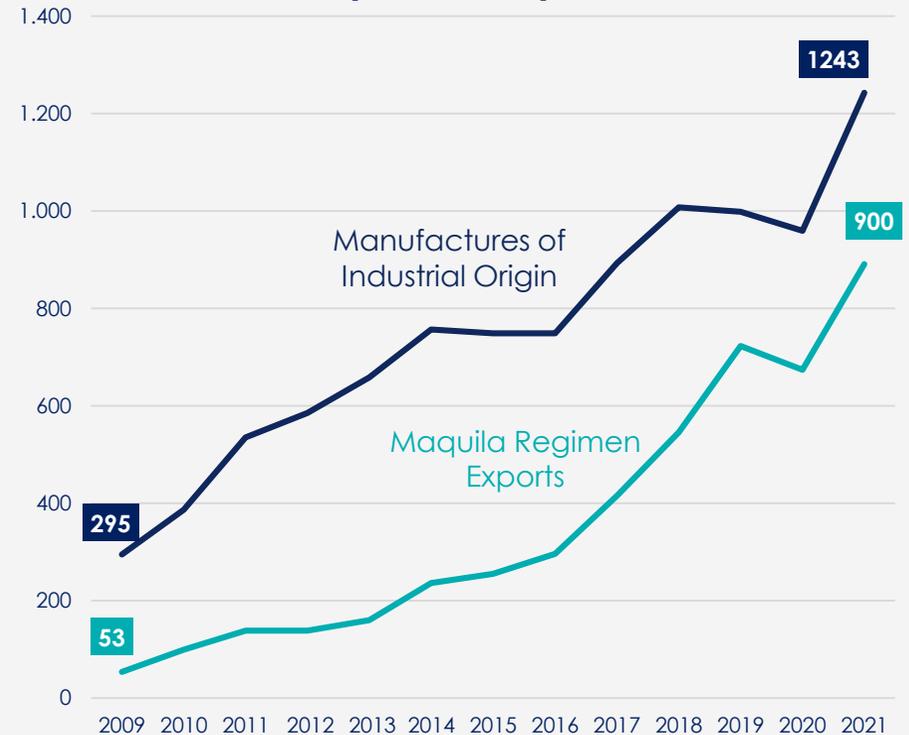
USD 2,500 millions / 2003



USD 10,547 millions / 2021



EXPORTS WITH ADDED VALUE (Millions USD)



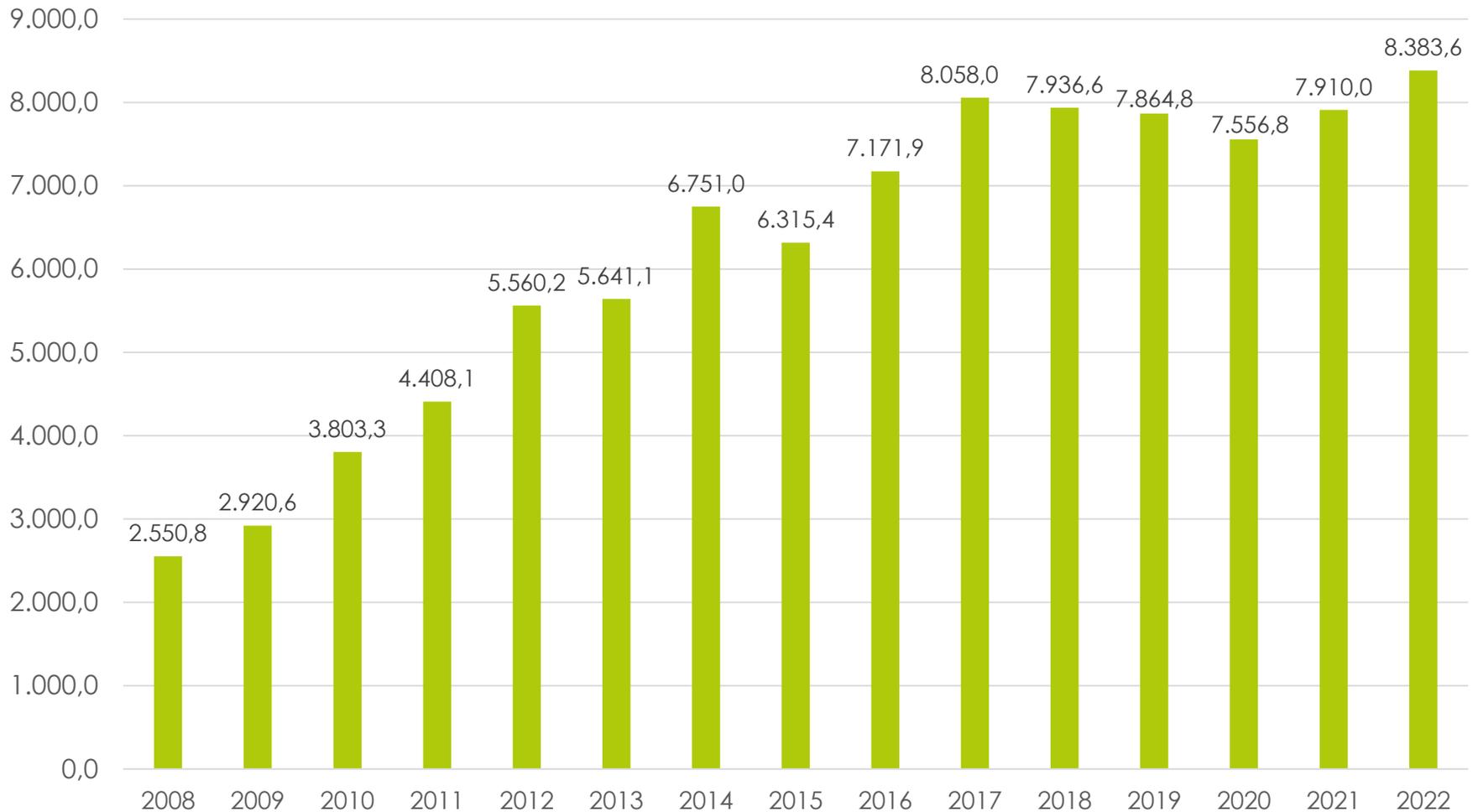
MAO: Manufactures of Agrarian Origin

MIO: Manufactures of Industrial Origin

SOURCE: BCP

FOREIGN DIRECT INVESTMENT (FDI) IN THE ECONOMY

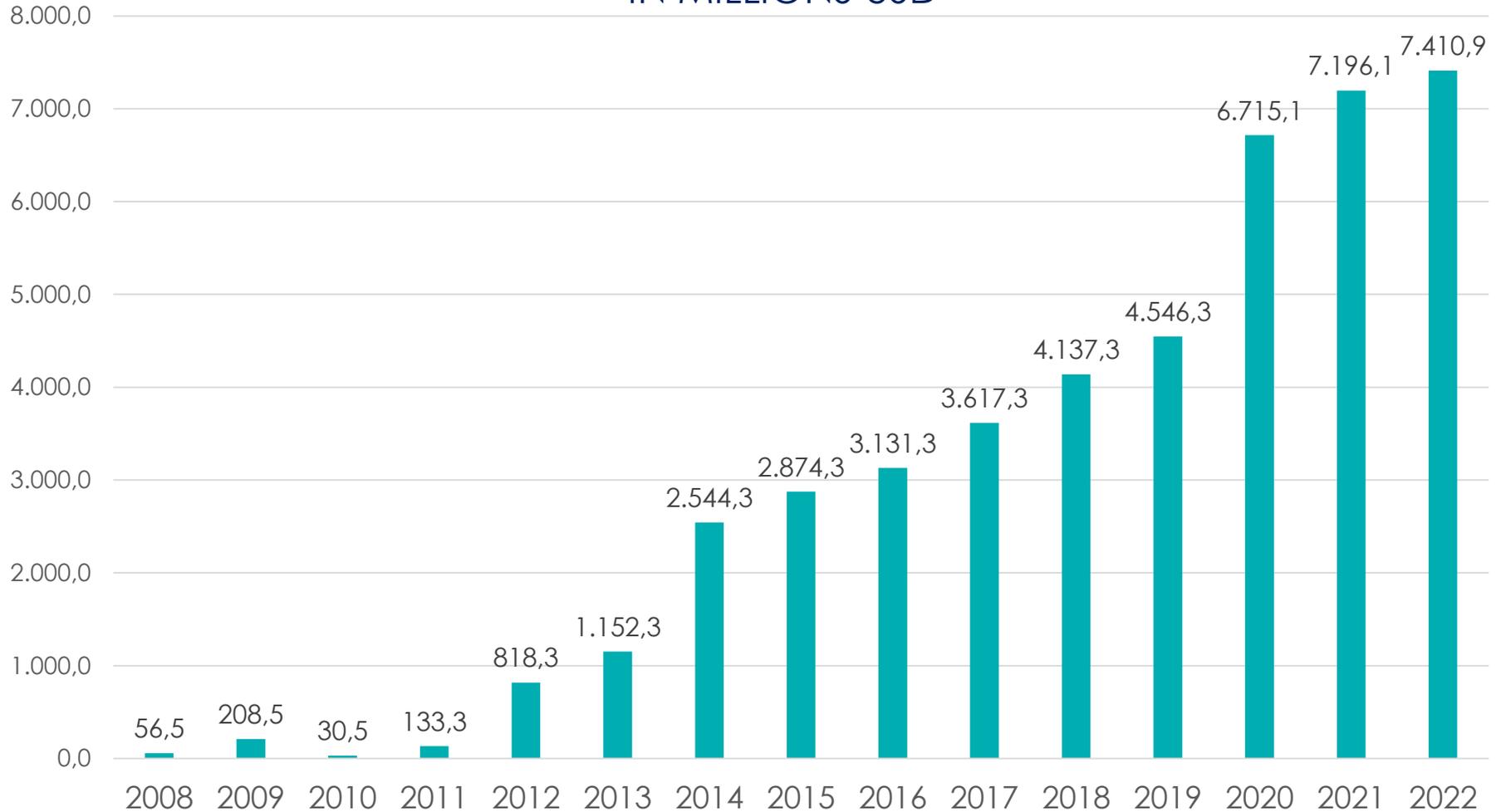
FDI STOCK IN MILLIONS USD



SOURCE: BCP

PORTFOLIO INVESTMENT

IN MILLIONS USD

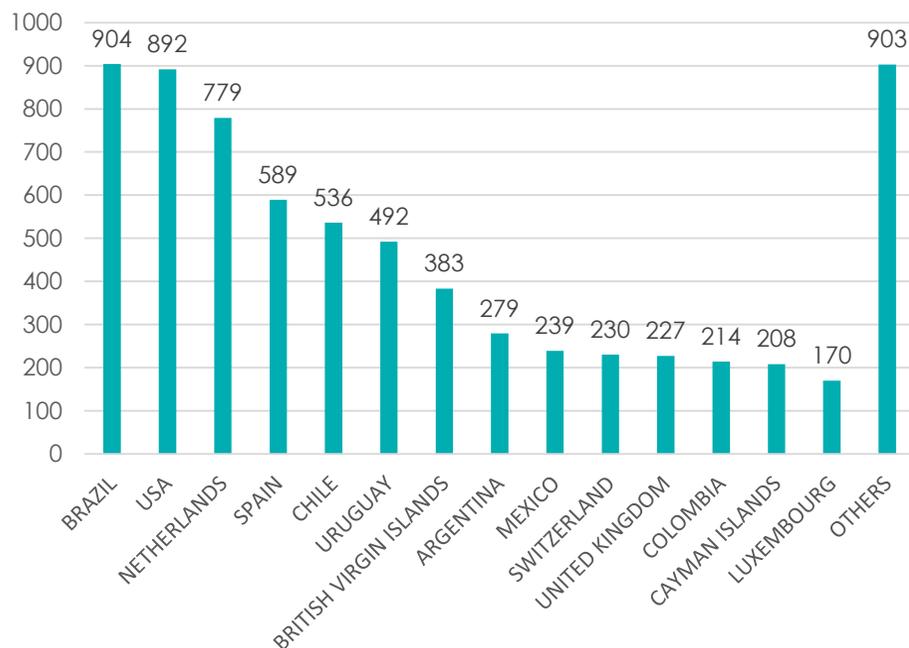


SOURCE: BCP

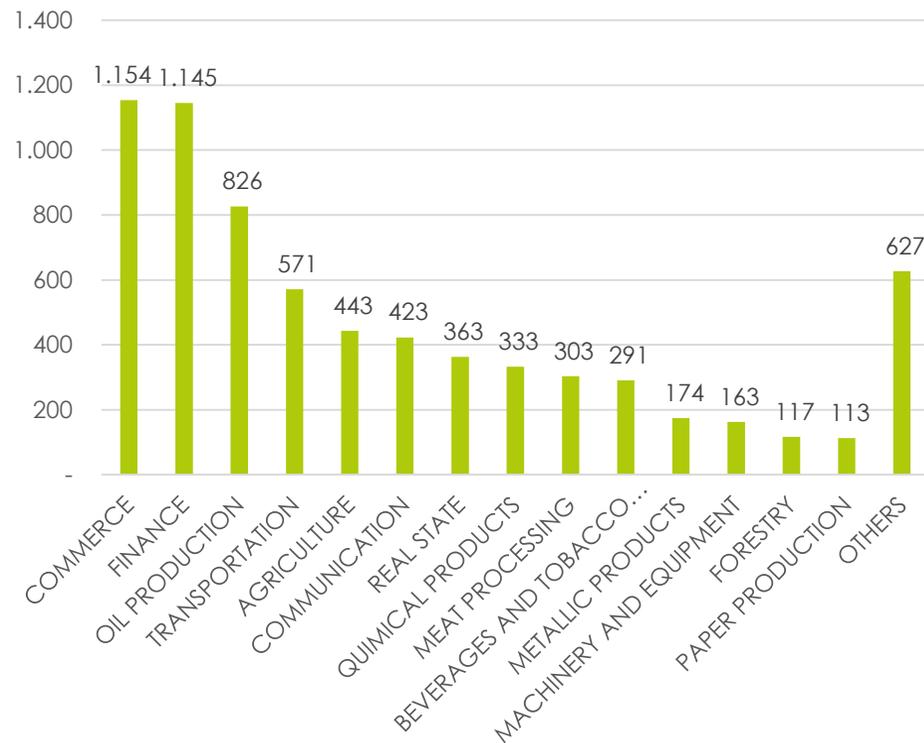
FOREIGN DIRECT INVESTMENT (FDI) COMPOSITION

BALANCE OF FDI IN MILLIONS USD AT THE END OF 2021

MAIN COUNTRIES OF ORIGIN

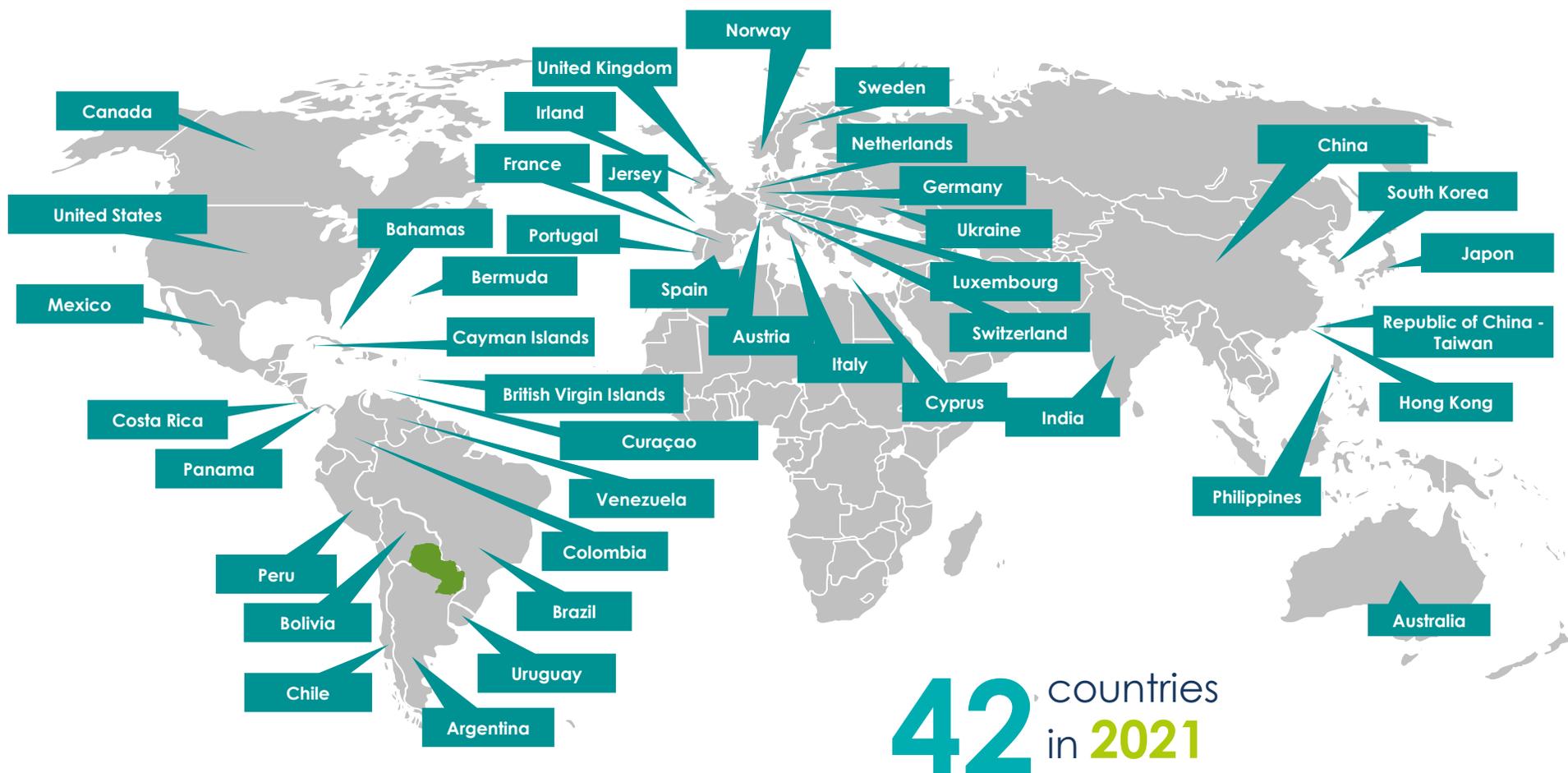


MAIN INVESTMENT SECTORS



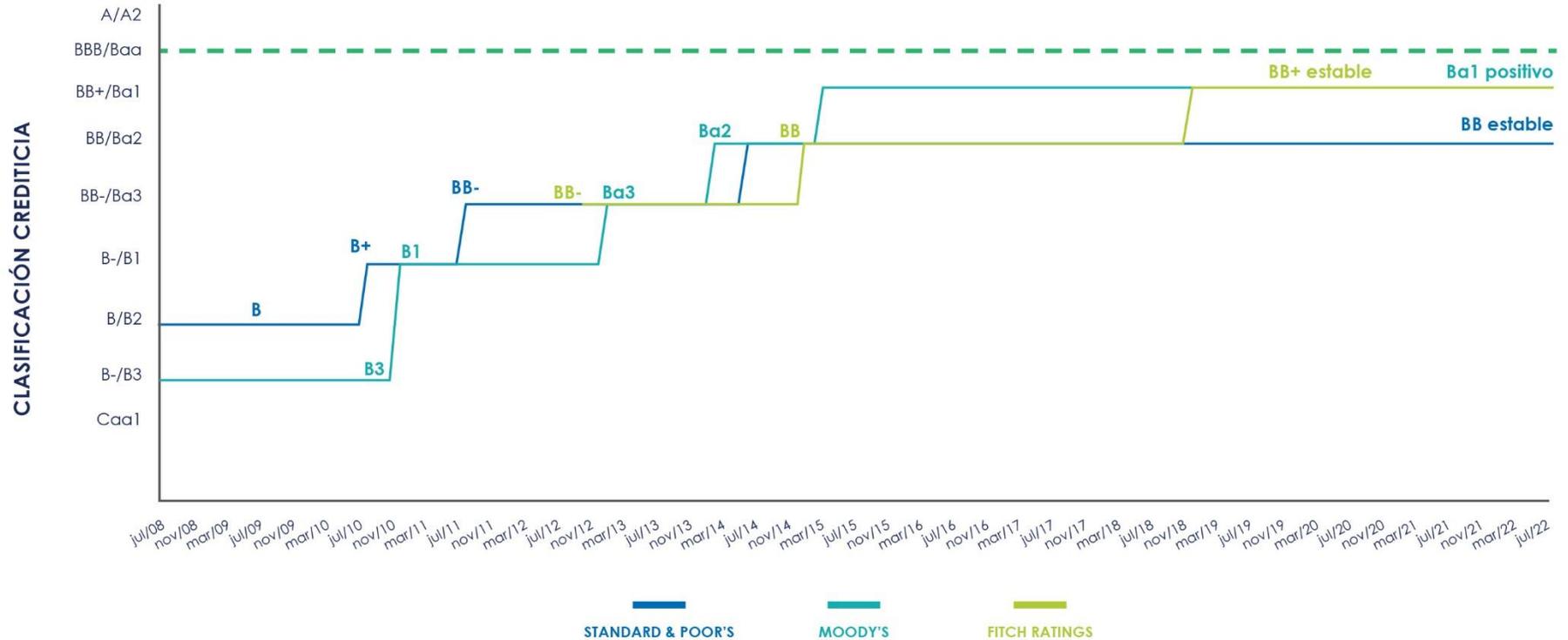
SOURCE: BCP

TRUSTWORTHY FOR FOREIGN INVESTMENTS



COUNTRY RISK RATING

LÍMITE DEL GRADO DE INVERSIÓN



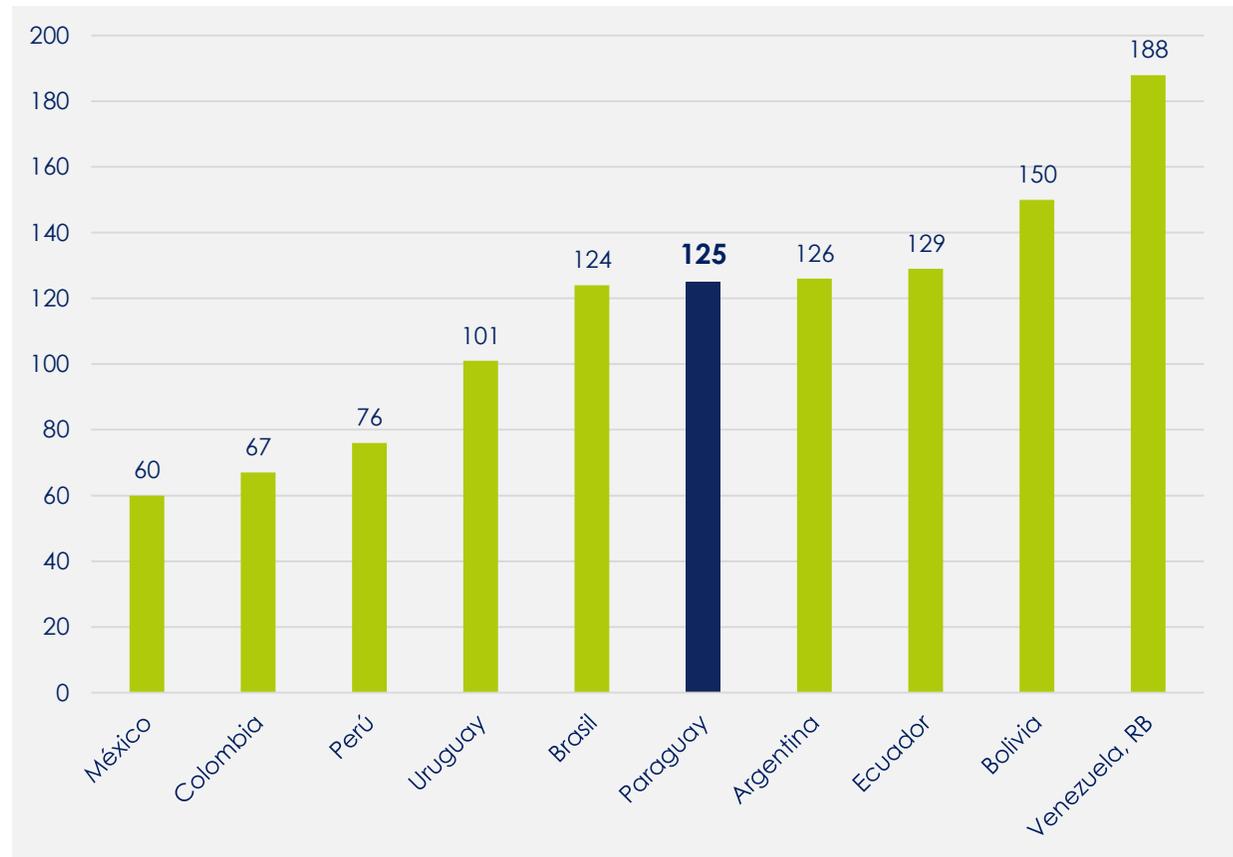
SOURCES: Standard and Poor's, Moody's, Fitch Ratings

LEADER IN FAVORABLE BUSINESS CLIMATE

BUSINESS CLIMATE INDEX

Ranking	Country	Score
1	Paraguay	139.9
2do	Uruguay	119.4
3ro	México	85.7
4to	Perú	83.5
6to	Chile	61.2
7mo	Brasil	58.8
8vo	Colombia	58.7
9no	Ecuador	41.7
10mo	Bolivia	19.2
11vo	Argentina	7.0

INDEX OF EASE OF DOING BUSINESS/ RANKING



*Index of ease of doing business, 2019

SOURCE: Foundation Getulio Vargas 2022

SOURCE: World Bank

THE MOST SIMPLE AND COMPETITIVE TAX SCHEME

TAXES					
Maximum rate for corporate income tax	10%*	30%	25%	34%	10%
Maximum rate for personal income tax	10%	35%	36%	28%	27%
Common indirect tax rate (e.g. VAT)	10%	21%	22%	17%	19%
Total referential of taxes and social contributions (according to the World Bank)	35%	106%	42%	65%	84%

* In the case of distributing dividends, an additional tax of 15% is applied to net income. The two taxes together reach a maximum of 23.5%.

TAX REFORM

TAX EFFECTIVE CHARGE IMPACT ON FOREIGN COMPANIES



10%
TAX ON PROFITS

IRE
10%



15%
TAX ON DIVIDENDS
AND PROFITS

IDU
13.5%

OR TAX ON
NON-RESIDENTS

INR
13.5%



0%
TAX ON PROFIT
REMITTANCES

0%

Overall Taxes = 23.5%

LABOR REGIME

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

PAID HOLIDAYS

SENIORITY	PAID HOLIDAYS
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 (07/2023):** Gs. 2,680,373 (USD 365)
- Maternity Leave and nursing time

Social Security (IPS)

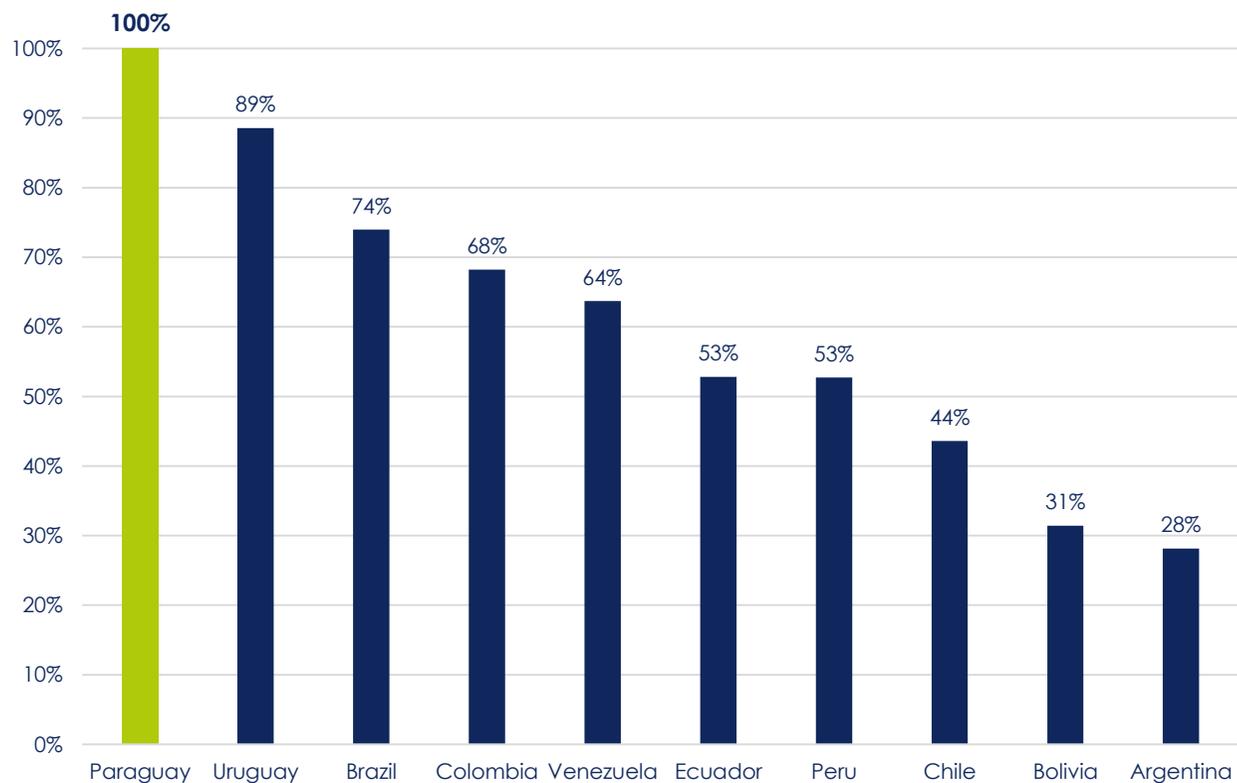
Employer: **16.5%** Employee: **9%**

* 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)

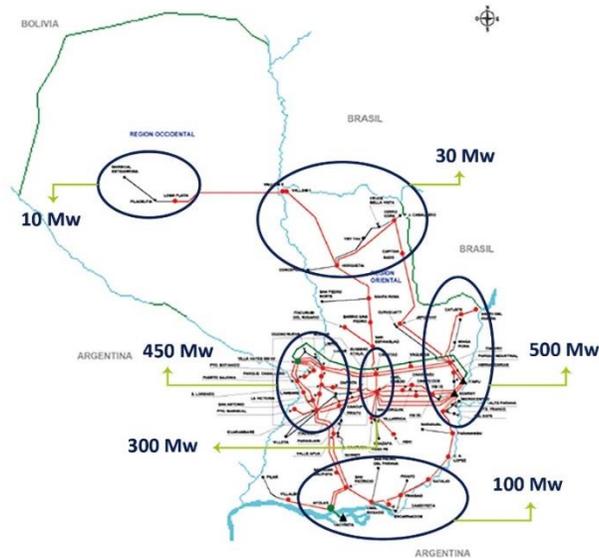


SOURCE: World Bank / FDI Intelligence



ENERGY

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

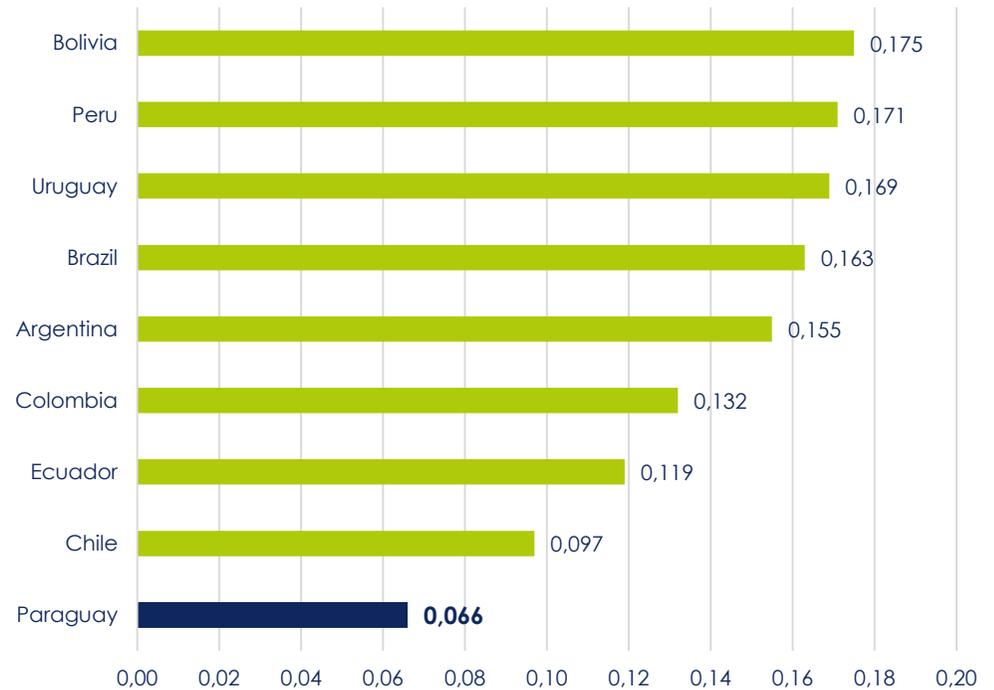


The surplus of electricity produced by the Itaipú and Yacyretá hydroelectric plants, corresponding to Paraguay, is exported to Brazil (78%) and Argentina (22%).

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, the 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

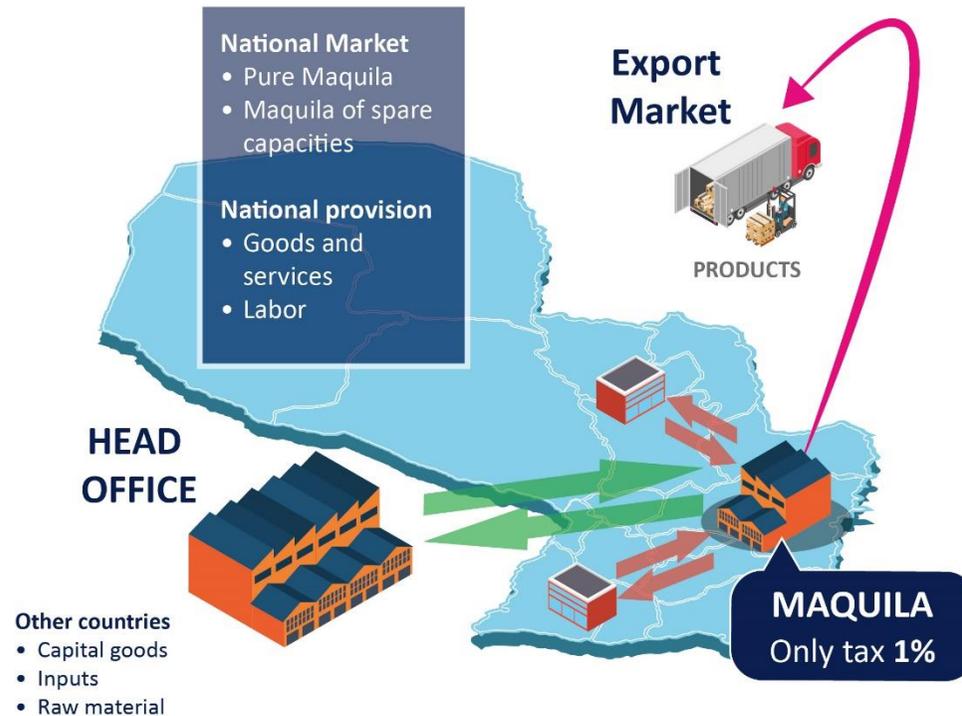
The National Government's structural reforms are underway.

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.



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 13 million)	0%
PROFITS: Tax applied on remittances dividends and utilities (for 10 years for investments equal or higher than USD 13 million)	0%

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.”

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 *
- **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 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.

Elegible 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

FREE TRADE ZONES

Under the Free Zone regime, as long as it meets the origin requirements, the products can benefit from the tariff preferences agreed in the respective international agreements for exports to extra-zone. However, this currently does not imply benefits to exports to MERCOSUR

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

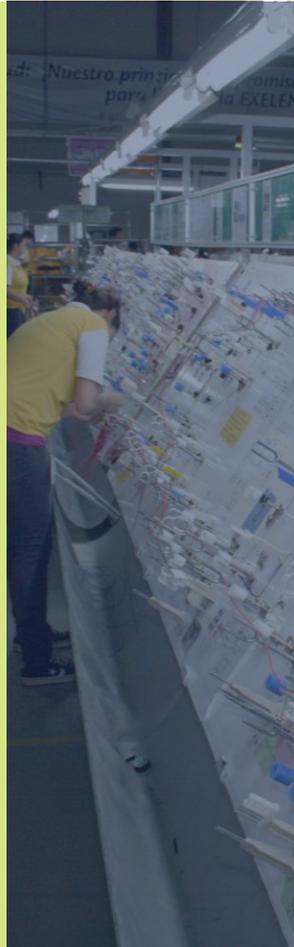
- Paraguay as a Mercosur State Party has access to a market of more than **295 million inhabitants (Source: Mercosur.int)**.
- Paraguay receives special and differentiated treatment in the following areas:
 - Preferential rules of origin: 40% regional content and 60% extrazone (until 2032) for a majority 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 MULTILATERAL AGREEMENTS

AGREEMENTS IN NEGOTIATION OF MERCOSUR WITH:



Canada



South Korea



Lebanon



Indonesia

MERCOSUR MAINTAINS DIALOGUES FOR NEGOTIATIONS WITH:



The Association of Southeast Asian Nations



Gulf Cooperation Council



Eurasian Economic Union



Australia



Japan



El Salvador



Morocco



Pakistan



Tunisia



Türkiye



Vietnam

FUENTES: MRE/MIC

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



Mexico



Peru



Andean Community of Nations

Other Commercial Agreements of Mercosur with:



India



Israel



Palestine State



South Africa Customs Union



Singapore



EFTA



European Union



Egypt

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, Qatar 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 and
Chia Exporter
in the World



6°

Soybean oil
Exporter in the
World



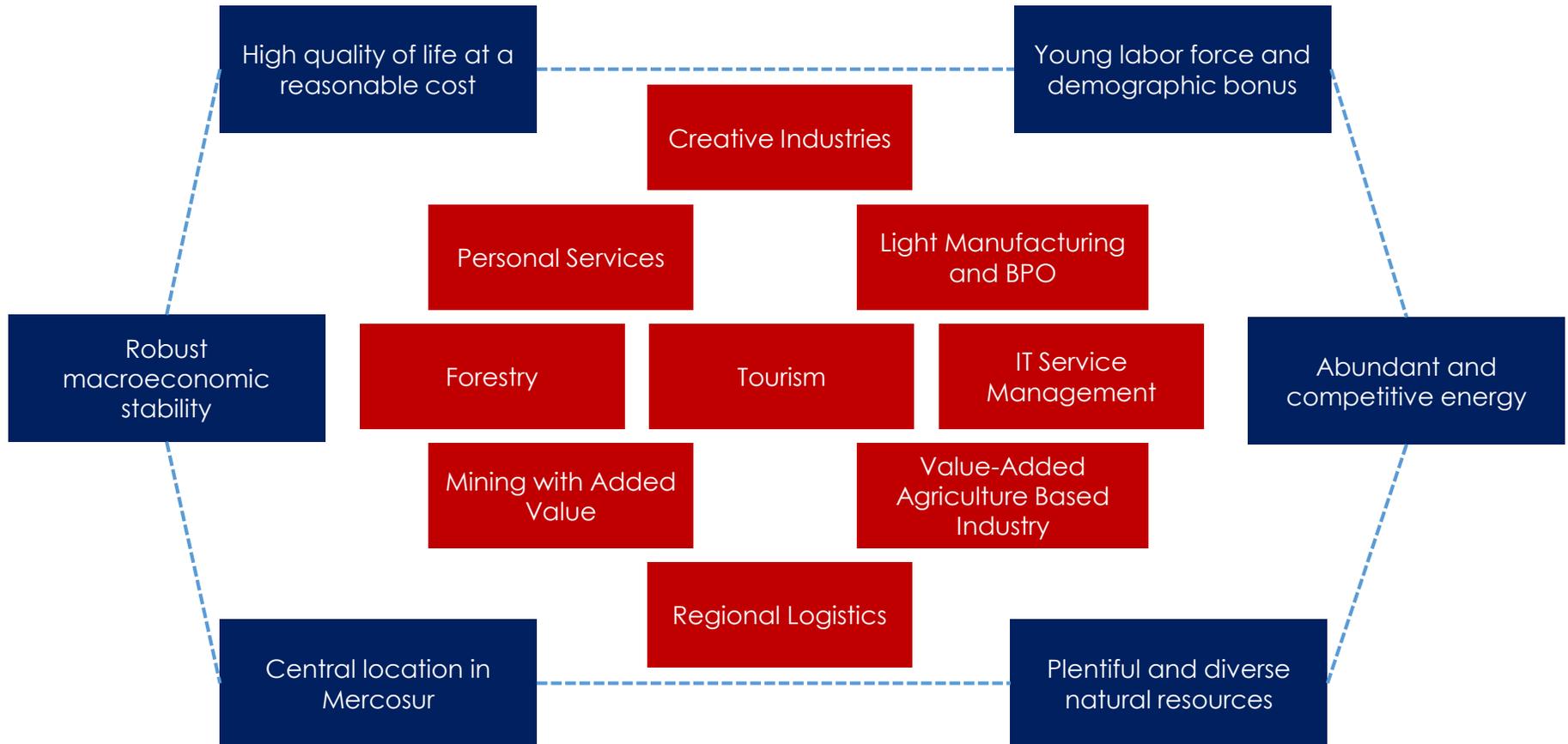
8°

Meat Exporter in
the World



POST-PANDEMIC ECONOMIC MOTORS

PRIORITIZED SECTORS



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

COUNTRY BRAND



PARAGUAY

1
**STRATEGIC
COMPETITION
TOOL**

2
**ASSOCIATED
WITH QUALITY
PRODUCTION**

3
**PROMOTES
TOURISM AND
CULTURE**

4
**HIGHLIGHTS
PARAGUAY'S BEST
QUALITIES**

PRIORITY SECTORS

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

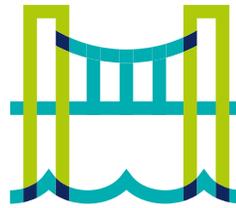
CONCEPTS THAT SELL

- 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 plentiful 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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