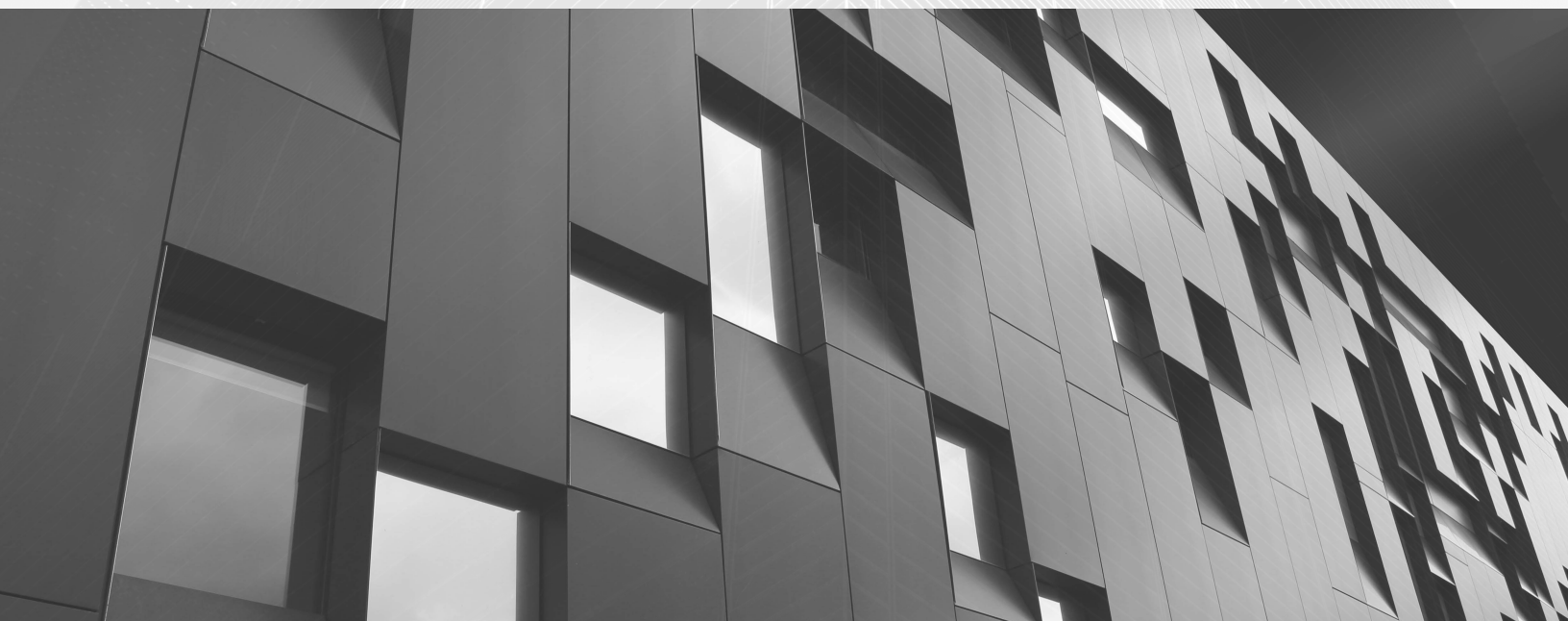


Tax News **March 2023**

Executive Summary

Norm	Content	Date
Law No. 7050	The 2023 budget limits are established for the Undersecretariat of State for Taxation (the "SET") to credit amounts for overpayment or underpayment, interest and surcharges.	January 4, 2023
Decree No. 8915	The extension of the Mercosur preferential regime of origin for Paraguay until 2032 is incorporated into the national legal system.	March 2, 2023
General Resolution No. 127	Measures related to the informative affidavit on exports of soybean, its derivatives, corn, rice and wheat are established; and aspects related to the rebuttal of the presumption of linkage for transfer pricing are clarified.	March 10, 2023
General Resolution No. 128	Exceptionally, the dates for the filing of the tax returns due in mid-March 2023, as well as for the Financial Statements for the fiscal year ended December 31, 2022, are exceptionally extended.	March 13, 2023





More information:

Law No. 7050/2023 - Establishes the 2023 budget limits for the SET to credit amounts for undue or overpayment, interest and surcharges.

Law No. 7050/2023 approved the General Budget of the Nation for the fiscal year 2023 and established several tax measures that, to a greater or lesser extent, affect taxpayers. One of these measures is the annual budgetary limits to credit taxpayers for the balances that correspond to them (a) for undue or excess payment and (b) for accessories in the following tax credit recovery processes: (i) refund of Value Added Tax (exporters, export freight forwarders, Yacypetá suppliers, etc.) and (ii) repetition for the undue or excess payment.

This budgetary measure has been implemented every year since Law No. 5061/2013, which provided for it in Article 7. For this fiscal year 2023, the overall and individual (per taxpayer) budgetary limits are as follows:

Concept	Budgetary limits 2023	
	Global	Individual
Undue or overpayment	PYG 370,000,000,000	PYG 111,000,000,000
Interest and surcharges	PYG 40,000,000,000	PYG 12,000,000,000

The global limits represent the maximum amount that SET can credit in the indicated concepts during the fiscal year 2023, while the individual limits per taxpayer are 30% of the global limit for each concept. This means that no taxpayer may represent a percentage of credits higher than the indicated, thus avoiding that only one taxpayer excludes the others.



If, during the fiscal year, the total of the budgetary limits is reached, the amounts pending crediting are deferred to the following fiscal year without generating legal accessories. However, the area responsible for making the credits must correlatively record the resolutions that provide for them for their inclusion in the General Budget of the Nation of the following fiscal year.

Decree No. 8915/2023 - The extension until 2032 of the Mercosur preferential regime of origin for Paraguay is incorporated to the national legal system

Through Decree No. 8915/2023, the Executive Power incorporated into the national legal system the Decision of the MERCOSUR Common Market Council No. 13/21, "MERCOSUR Origin Regime," registered before the Latin American Integration Association (ALADI) as "Two Hundred and Sixty Additional Protocol to the Economic Complementation Agreement No. 18".

Through that provision, it was agreed to extend until December 31, 2032, the differential origin treatment for Paraguay, according to which the tolerance of inputs from third countries for that country to issue the Mercosur certificate of origin is 60% of the FOB value of the goods originating in Paraguay, which is twenty percentage points higher than the general tolerance of 40%. The value of inputs used for this measurement is the CIF port of destination or CIF seaport.

Paraguay was not the only beneficiary of this extension since a similar regime was also extended until December 31, 2026, for Argentina and Uruguay, which until December 31, 2026, have a tolerance limit for third-country inputs of 50% of the FOB value of their goods, which will drop to 45% as from January 1, 2027. However, in the case of Argentina, these limits only apply to its exports to Uruguay.

With this decision, the previous extension contained in MERCOSUR Common Market Council Decision No. 32/15, which only granted differential origin treatment for Paraguay until December 31, 2025, was repealed. Consequently, Decree No. 8915/2023 repealed Decree No. 7981/2017, which incorporated that decision into the national legal system.

In this way, Paraguay preserves its competitive advantage as an export development pole and preferential access point to Mercosur for products from all over the world, contributing significantly to the country's growth, primarily through the export maquila regime.

General Resolution No. 127/2023 - Establishing measures related to the informative sworn statement of exports of soybean, its derivatives, corn, rice and wheat; and clarifying aspects related to the rebuttal of the presumption of linkage for transfer pricing

The SET issued General Resolution No. 127/2023 (the "RG 127"), in which it addressed two separate but related issues:



I. The Informative Sworn Statement ("DJI") and the supporting documents of the international export price of certain agricultural products reached by numeral 7 of Article 38 of Law No. 6380/2019 (the "Tax Law").

II. Documents that rebut the presumption of linkage between entities under the transfer pricing rules.

First, concerning the DJI, it should be recalled that the goods covered by the referred item 7 of article 38 of the Tax Law are the following: (i) soybeans, (ii) soybean products (oils, meals, pellets, and expellers), (iii) corn, (iv) rice and (v) wheat (the "Commodities"). Through RG 127, the following was established regarding the different periods to be reported with the DJI:

1) Periods from July 2021 to December 2022: The DJI must not be filed as such, but its information must be filed before the entry desk of the General Directorate of Large Taxpayers in electronic spreadsheet format (extension .xls, .xlsx or .ods) with the formulas applied that allow the verification of the calculations. The deadline for this submission is May 2023, according to the DJI calendar.

2) Periods from January to April 2023: The DJI must be submitted through the Marangatu System, and the deadline for this is June 2023, according to the DJI calendar.

3) Periods from May 2023 onwards: The DJI must be filed through the Marangatu System, and the deadline for this is the second month after the Commodities exports have been made, according to the DJI calendar (e.g., the DJI for May 2023 is due in July 2023).

Regarding the first of the listed filings, it should be clarified that (i) the filing shall be considered as a sworn statement, (ii) its untimely filing generates a fine of G. 900,000 and (iii) RG 127 indicates January 2021 as the beginning of the periods reported, which seems to be an error, since number 7 of article 38 of the Tax Law became effective as from July 2021, according to article 32, second paragraph, of Decree 4644/2020.

RG 127 also established on this matter that the documentation supporting the adjustments corresponding to the international price of Commodities reported in the DJI must contain at least the following information:

(a) Name and tax identification of the issuer of the documentation or provider of the service described.

(b) Name, denomination or company name and identification of the Single Taxpayers Registry of the Commodities exporter who is the recipient of the documentation.

(c) Date of issue of the document.

(d) Details and description of the service quoted: price, quantity, sections included, period of time covered by the quotation or price indicated in the document, among others.

Secondly, regarding the documents that disprove the presumptive linkage for the transfer pricing rules, the SET changed the format of presentation of such documents for the Corporate Income Tax ("IRE") fiscal year closed as of December 31, 2022 and eliminated some of them in case they deal with an individual resident abroad.



Specifically, the documents that disprove the presumptive linkage of IRE taxpayers (i) with foreign residents and (ii) for operations developed in the fiscal year closed as of December 31, 2022, must be submitted to the SET's entry desk (originally, it was through the Marangatú System) in portable document format (.pdf extension) in March 2023, according to the due date corresponding to each taxpayer, following the perpetual calendar.

On the other hand, according to RG 127, the IRE taxpayer wishing to deactivate the presumption of linkage for operating with individuals located in foreign territories affected by the transfer pricing rules must only submit to the SET the following documents:

- Certificate of tax residence of the non-resident (translated into Spanish); and,
- Functional organization chart of the IRE taxpayer signed by the legal representative.

Thus, to disprove the presumptive linkage, the following documents are eliminated for this type of counterparties, as they are not applicable: (i) list of shareholders, (ii) list of beneficial owners, and (iii) functional organization chart of the non-resident.

General Resolution No. 128/2023 - Exceptionally extending the dates for the filing of certain tax returns due in mid-March 2023, as well as for the Financial Statements for the fiscal year ended December 31, 2022

Through General Resolution No. 128/2023 (the "RG 128"), the SET decided to exceptionally transfer the due date for the filing of tax returns and the payment of taxes, according to the following schedule:

Termination of RUC	Normal filing date	Exceptional filing date
2	March 11, 2023	March 14, 2023
3	March 13, 2023	

In addition, the SET exceptionally extended until June 2023 (per the perpetual calendar of due dates), the deadline for filing the Financial Statements of IRE taxpayers who pay the tax under the general regime and whose fiscal year ends is December 31, 2022.

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