

Tax **News**

January 2024

Executive Summary

Norm	Date	Content
Decree No. 1026	December 29, 2023	The head of the Vice Ministry of Economy and Planning (" <u>VEP</u> ") is appointed as representative of the Ministry of Economy and Finance (" <u>MEF</u> ") to the National Council of Free Trade Zones (" <u>CNZF</u> "), replacing the former Undersecretary of State for Taxation (" <u>SET</u> ").
Decree No. 1032	December 29, 2023	Decision No. 09/21 of the Common Market Council (" <u>CMC</u> ") of the Southern Common Market (" <u>MERCOSUR</u> "), which extends until 2028, the possibility of temporarily increasing the Arancel Nacional Vigente (" <u>ANV</u> ") above the Arancel Externo Común (" <u>AEC</u> "), is incorporated to the national legal system.
Decree No. 3108	December 19, 2019 (Update)	The percentage of guarantees to be presented for the accelerated Value Added Tax (" <u>VAT</u> ") refund regime is fixed for 2024.
Resolution DNIT No. 757	January 10, 2024	The procedure for the registration of the application for the qualified certificate of electronic signature (" <u>CCFE</u> ") in the Marangatú Tax Management System (" <u>Marangatú</u> ") is regulated.
Resolution DNIT No. 01	January 12, 2024	The date on which legal entities that register as new taxpayers in the Taxpayer Registry (" <u>RUC</u> ") are obliged to issue their receipts only electronically is postponed until January 1, 2025.

More Information

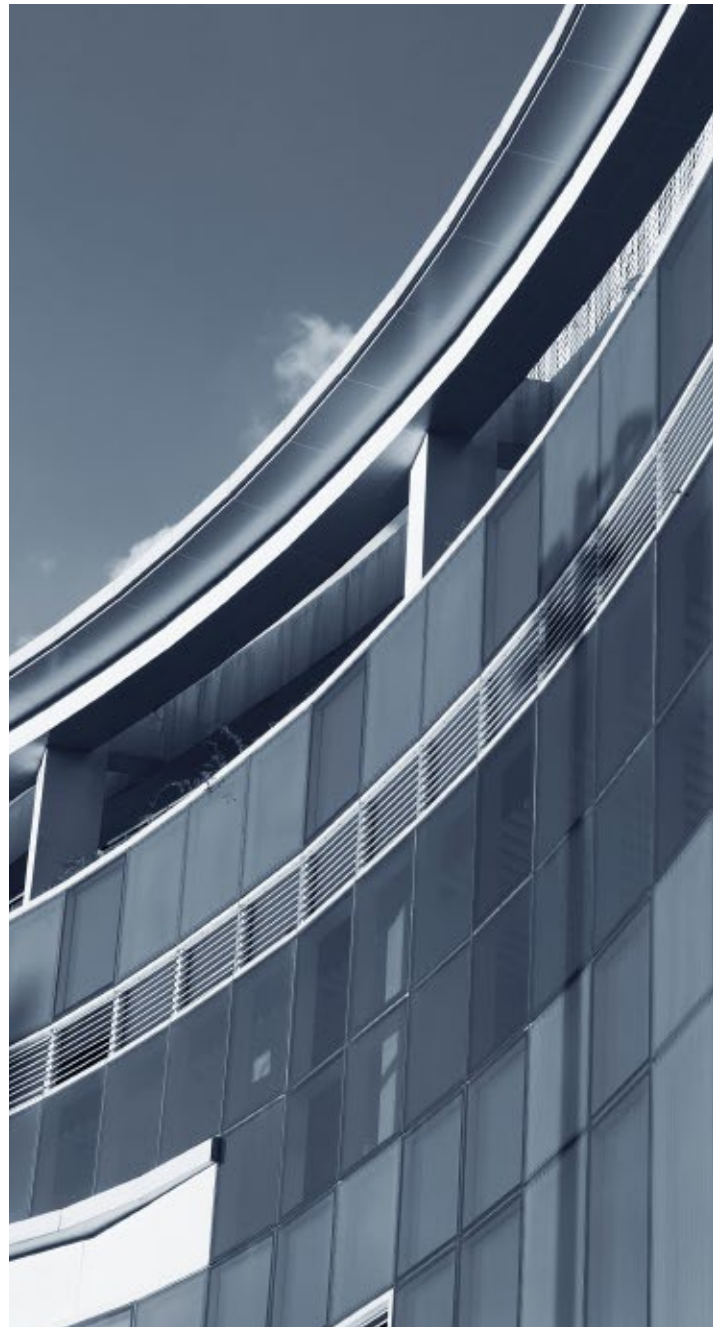
Decree No. 1026/2023 - The head of the VEP is appointed to represent the MEF that integrates the CNZF, replacing the former SET.

By means of Decree No. 1026/2023, the Executive Branch amended Article 1 of Decree No. 7713/2000, by which the CNZF was integrated, to appoint the head of the VEP as representative of the MEF that integrates the CNZF. Thus, the position previously held by the head of the former SET, an institution that has been absorbed by the National Directorate of Tax Revenues ("DNIT"), was replaced.

This is because Law No. 523/1995 establishes that the CNZF will be composed of three members, each representing the following ministries: (1) Ministry of Finance ("MH") (replaced by MEF), (2) Ministry of Industry and Commerce, and (3) Ministry of Public Works and Communications.

This implies that the tax authority, which today is the DNIT, no longer occupies a seat within the CNZF since, unlike the former SET -which depended on the former MH-, the DNIT is an autonomous entity and is not part of the structure of the MEF. Something similar happened in 2004 when, with the Customs Code entry into force contained in Law No. 2422/2004, the customs authority ceased to participate in the CNZF when the former National Customs Directorate was separated from the SET and, thus, from the MH.

The question remains as to whether, in the near future, a new seat will be created in the CNZF, to be occupied by a representative of the new tax and customs authority, especially taking into account the special tax regime that free zone users have and the inspection and control tasks that the DNIT must exercise over them.



Decree No. 1032/2023 - Decision No. 09/21 of the MERCOSUR CMC, which extends until 2028 the possibility of temporarily increasing the ANV above the CET, is incorporated into the national legal system.

By means of Decree No. 1032/2023, the Executive Power has incorporated into the national legal system Decision No. 09/21 (the "Decision") of the MERCOSUR CMC on "Specific actions in the tariff area due to trade imbalances derived from the international economic situation", which has already been protocolized before the Latin American Integration Association ("ALADI"), as the fourteenth (214.o) additional protocol to the Economic Complementation Agreement No. 18 of 1991.

The decision extends until December 31, 2028, the mechanism established in Decision No. 27/15 of the CMC, by which MERCOSUR States Parties may request a transitory increase of the import tax rates or ANV above the CET for imports from outside the MERCOSUR zone, which was only in force until December 31, 2021. Likewise, the mechanism foresees the process by which the States Parties may object to the increase sought by another.

It is worth mentioning that the rate increases intended by a State party may not exceed the maximum bound by the other States party to the World Trade Organization ("WTO"); they may not exceed 100 tariff positions of the Common Nomenclature of Mercosur ("NCM"), nor may they have a duration of more than 12 months, extendable for equal periods. The intended elevations of the ANV and its extensions must be submitted to the consideration of the other States Parties through the Pro Tempore Presidency of Mercosur, which is currently held by Paraguay.

It is important to mention concerning MERCOSUR tariff regulations that recently, in December 2023, MERCOSUR has decided to extend until December 31, 2025, the suspension of restrictions to the List of Exceptions to the Common External

Tariff ("LETEC") of each State Party, through Decision No. 12/23 of the CMC. This restriction meant that the States could only modify up to 20% of the NCM codes of their respective LETECs every six months. With the suspension of this restriction, States may modify 100% of the NCM codes of their LETECs, which for Paraguay means the possibility of modifying the 649 NCM codes foreseen for its LETEC.

Decree No. 3108/2019 - The percentage of guarantees to be submitted for the accelerated VAT refund regime is fixed for 2024 (UPDATE).

Article 102 of Law No. 6380/2019 had foreseen that exporters and freight forwarders may request an accelerated refund of the VAT credit affected their export or export freight operations, presenting for this purpose a bank guarantee, financial guarantee or insurance policy with a minimum validity of 90 business days from the date on which the refund request is filed.

For the first three refund requests under the accelerated regime, the guarantee must cover 100% of the VAT credit capital required to DNIT, plus accessories. From the fourth application onwards, the guarantee must only cover the portion of the VAT credit resulting from the average percentage of rejected credits ("PCR") under the accelerated regime from January to November of the previous year, plus accessories.

To establish the value of the guarantee, the applicant must multiply the PCR by the VAT credit for which a refund is requested. The following legal accessories must be added to the resulting amount, calculated up to the expiration date of the guarantee on the amount of the VAT credit resulting from the PCR: daily interest of 0.05% and late payment penalty of 12%.

DNIT publishes the annual PCR; on this occasion, it was published that the PCR is 3.48% for 2024. This PCR represents an increase of 173 basis points (+1.73%), which is almost a doubling of the PCR set for 2023, which was 1.75%. DNIT accompanied this publication with the following example calculation for the guarantee:

Data	Values
Amount requested:	€1.500.000.000
Date of application:	08/01/2023
Warranty issued:	08/01/2023
Warranty expires:	21/05/2023
PCR:	3,48%

Ejercise	
VAT credit:	€52.200.000 = €1.500.000.000 x 3,48%
Interest:	€3.497.400 = €52.200.000 x 134 x 0,05%
Overdue:	€6.264.000 = €52.200.000 x 12%
Warranty	€61.961.400

A more direct way to express the total coverage of the guarantee as a percentage of the VAT credit is achieved by expressing the accessories as percentages of the PCR. This is achieved by estimating the interest at 6.7% (134 days times 0.05%) and the late payment penalty at 12%, which, when added together, amount to 19.7% of the PCR, which can be rounded up to 20%. To add this percentage directly to the PCR, it must be expressed as 1.20 times the PCR, which for a PCR of 3.48% means a total guarantee of 4.18% of the VAT credit.

In those cases where the bank, financial or insurance policy guarantee is less than the amount rejected, the taxpayer must immediately pay the difference in favor of the Treasury, plus the legal accessories that will be calculated until the total payment.

Resolution DNIT N° 757/2024 - Regulates the procedure for registering the CCFE application in Marangatú.

Through Resolution DNIT No. 757/2024 regulates the procedure for registering the CCFE application through Marangatú. While the application is made before the DNIT, the issuance of the certificate will be performed by a Qualified Provider of Trust Services ("PCSC"). The DNIT acts as an intermediary between the interested party and the PCSC and apparently absorbs the costs of the CCFE.

To apply for the CCFE, the interested party must appear in person at the DNIT office and must comply with the following requirements:

- To have the RUC in active status.
- Have declared in the RUC the following contact information: (i) a cell phone number, (ii) an e-mail address and (iii), in the case of legal entities, the name and surname of the leading legal representative with the above data for this representative.
- To have a confidential access password to Marangatú (Form N° 625 - Act of Manifestation of Will in "Approved" status).
- Be up to date in the fulfillment of their tax obligations.



Submit the original documents, according to the type of person concerned, which must match the documents stored in the Marangatu, which are as follows:

Individuals, Individual Limited Liability Company ("EIRL") and undivided succession	Legal entities and other types of entities
A valid identity card or passport issued in Paraguay.	An identity card or valid passport is issued in Paraguay by the leading legal representative of the legal entity.
The deed of incorporation is duly registered in the Public Registry of Commerce (applicable for EIRL).	Specific documents required according to the type of legal entity (these are detailed in the annex to the resolution).
An original or copy authenticated by a public notary of the resolution of declaration of heirs (applicable for inheritance).	

Once the DNIT official, who acts as a registration agent, verifies compliance with the requirements indicated, it will proceed to register Form No. 16, "Request for Qualified Electronic Signature Certificate", in the Marangatu. Subsequently, the applicants will receive a link in the Marandu mailbox, redirecting them to the user portal, where they must request the certificate and create a key for their electronic signature.

The PCSC will forward the contract to the DNIT to provide trust services and issue the CCFE in its system. The contract will be printed so that the applicant can sign it; then, it will be digitized and stored within Marangatu.

The CCFE will be valid for four years from the date of issuance and may be renewed or revoked at the taxpayer's request. After the term above has elapsed without renewal, the CCFE will be extinguished due to expiration. The request for renewal of the CCFE must be made within 30 days before the expiration date, for which the taxpayer must comply with the same requirements mentioned above to obtain the CCFE.

The DNIT will gradually establish the taxpayers who must comply with Resolution DNIT No. 757/2024 provisions to obtain the CCFE for the improvement of tax management.

Resolution No. 01/2024 - The date on which legal entities registering as new taxpayers in the RUC must issue their vouchers only electronically was postponed.

By means of General Resolution DNIT No. 01/2024, it was established that as of January 1st, 2025, legal entities that register as new taxpayers in the RUC may only issue their receipts electronically, through the E-Kuatia system or the E-Kuatia'i system, except the virtual withholding voucher.

To guarantee this measure, the resolution also establishes that, as of the date above, the DNIT will no longer issue stamps to generate receipts that are different from the electronic ones, also exempting from this measure the virtual withholding voucher.

This modifies the provisions of General Resolution No. 105/2021, which had established January 1st of this year as the starting date of the measure. The reason responds to the objective of achieving a sustainable and gradual implementation of the Integrated National Electronic Invoicing System ("SIFEN"), whose general regulations were recently updated in December 2023 by Decree No. 872/2023.

This amendment also defers the generalized application of electronic invoicing until after the mandatory calendar provided for in Article 1 of General Resolution SET No. 105/2021 is exhausted, whose last date of application, foreseen for Group 10 in the mandatory scheme, is set for October 1st, 2024. Thus, the new taxpayers affected by this modification would become a sort of Group 11 of electronic invoicing.

Contact



Rodolfo G. Vouga
rgvouga@vouga.com.py



Andrés Vera
avera@vouga.com.py



Horacio Sánchez
hsanchez@vouga.com.py