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Tax News

July 2024

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Executive
Summary

Norm	Date	Content
General Resolution No. 14/2024	July 01, 2024	The National Directorate of Tax Revenues ("DNIT") established the procedures applicable to the on-board provisioning and supplies regime.
General Resolution No. 15/2024	July 04, 2024	The DNIT extended the mandatory rotation and rest period of the External Tax Auditors ("AEI").
General Resolution No. 16/2024	July 30, 2024	The DNIT established an exceptional mechanism for the presentation of the Transfer Pricing Technical Study ("ETPT"), for taxpayers with fiscal year-end as of December 31, 2023.
Binding Consultation	January 2024	The DNIT ruled on how to document the write-off of inventory for purposes of deductibility of Corporate Income Tax ("IRE") and the reversal of the associated Value Added Tax ("VAT") credit.
Binding Consultation	January 2024	The DNIT set forth its position on the impact of Personal Income Tax ("IRP") on the early withdrawal of retirement contributions.

General Resolution No. 14/2024 - The procedures applicable to the on-board provisioning and supplies regime are established.

By means of General Resolution No. 14/2024 ("RG-14"), the DNIT established the procedures applicable to the on-board provisioning and supplies regime for vehicles on an international trip, provided that the vessels to be provisioned are registered in, or under the flag of, countries that allow similar treatment for the provisioning of Paraguayan transports.

RG-14 regulates Decree No. 1952/2024, about which more information can be found here. Among its most relevant provisions, there are those about the treatment of supplies, deposits and tanks dedicated to the regime, as well as the requirements to be met by river transport companies and those who wish to operate under the regime, whom must comply with the following:

#	RIVER TRANSPORTATION COMPANIES	ON-BOARD SUPPLIERS
	Data for the registration and qualification of vessels	Data for the Importer's Single Window (ISW)
01.	Type of vessel	Applicant's data
02.	Vessel code	Detailed description of goods
03.	Vessel registration	Trip number TEMAFLU/SINTIA
04.	Engine power	Copy of the original invoice
05.	Tank capacity	Copy of BL
06.	Capacity in tons	MIC/DTA copy
07.	Shipowner's RUC	Copy of ship's stores declaration
08.	Shipowner's company name	--------------
09.	Owner's name	--------------
10.	Authorization Decree	--------------
11.	Date of Certificate of Navigability	--------------
12.	Expiration of the Certificate of Navigability.	--------------

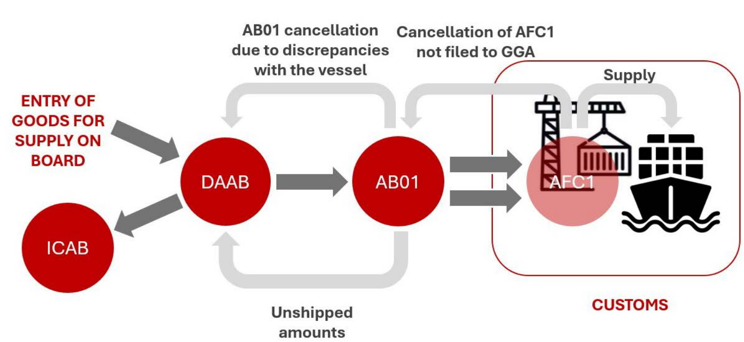
Prior to the arrival of the goods to be subject to the on-board supply regime, an import license must be obtained from the Ministry of Industry and Commerce ("MIC") if restrictions or prohibitions apply to them.

The corresponding Customs Administration will authorize, return and/or reject the request for the entry of goods to the on-board provisioning and supplies regime, within a term no longer than 2 working days from the filing of the request. Upon arrival of the transport vehicles, the General Customs Management ("GGA") must be requested to unload the goods with the corresponding accompaniment and supervision.

The depositary must finish the entry to deposit of the quantities unloaded. The warehouses and tanks for the storage of supplies must be authorized by the MIC and the DNIT.

The customs broker shall proceed to formalize the clearance of the goods, assigning them the customs destination of supply on board ("DAAB") while they are in the warehouse, and then destine them for consumption of the vehicles on an international trip ("AB01") or import them for consumption ("ICAB").

In the event that the goods are destined for AB01, the customs broker must formalize their clearance and present it to the GGA to assign it the status of presented, after which the customs broker will generate the complementary fractioned clearance ("AFC1") based on the declared AB01 clearance. The circulation of goods among the different customs destinations foreseen in RG-14 corresponds to the following scheme:



Goods in free circulation in the national territory —imported or of local production— that are destined for on-board provisioning will be treated as exports for consumption when they correspond to cancelled balances of AFC1 for the supply of goods to vehicles on an international trip.

Failure to comply with the provisions set forth in RG-14 shall be subject to the penalties foreseen for customs offenses and fraud, as well as for smuggling, according to the nature and seriousness of the offense; notwithstanding other sanctions established in the legislation in force.

General Resolution No. 15/2024 - The mandatory rotation and rest period for AEIs is extended.

By means of General Resolution No. 15/2024, the DNIT extended from 5 to 7 consecutive fiscal years the mandatory rotation term of the AEI, which is the term for which taxpayers may hire the same AEI. However, it also increased from 2 to 3 the number of fiscal years of rest that must elapse to be able to hire the same AEI again.

Also, it is established that the number of years or fiscal years remaining to complete the maximum of 7 consecutive fiscal years may be added to contracts executed before the entry into force of General Resolution No. 15/2024, which means 2 things: (i) an AEI that is within the 5 consecutive fiscal years, may continue until 7 years are completed; and (ii) an AEI that is in the rest period, may ignore it and continue with the same taxpayer for the amount of fiscal years missing until completing the 7 years, ignoring the elapsed rest.

General Resolution No. 16/2024 - An exceptional mechanism is established for the filing of the ETPT, for taxpayers with fiscal year-end as of 31-Dec-2023.

By means of General Resolution No. 16/2024 ("RG-16"), the DNIT established exceptionally that the ETPT of taxpayers with fiscal year-end as of December 31, 2023, must be filed in digital format (PDF) through the DNIT's entry desk, and must be contained in an external storage medium, which may be a USB memory stick, CD or DVD.

The working papers must be submitted in electronic spreadsheet format (with .xls, xlsx or .ods extension) with the formulas applied to allow verification of the calculations or ratios used.

The ETPT must be duly validated with the signature of the Authorized Transfer Pricing Professional ("PAPT"), because the DNIT has not yet enabled the ETPT ratification option in the Marangatu system.

The deadline for filing the ETPT was not modified, so they should have been filed in July of this year, according to the perpetual due date calendar, even though the respective means for filing were not enabled. It is noteworthy that the DNIT has corrected this with the issuance of RG-16 only on July 30 of this year, after all the due dates have passed.

In this regard, it is reminded that the filing of the ETPT after the expiration date is subject to a maximum fine established by the Executive Branch for infringements, which is Gs.1.530.000, as established in Decree No. 5046/2021.

Answer to binding consultation on the documentation for the write-off of inventories to be deductible from the IRE and comply with the reversal of its VAT credit.

In a binding consultation answered in January of this year, the DNIT expressed its criteria on the correct way to document the inventory write-off due to decomposition or obsolescence, for both its recognition as a deductible expense for IRE and the reversal of the VAT credit from its acquisition.

In the case of the IRE, the DNIT indicated that the appropriate way to document the loss is through (1) the inclusion of the detail of the write-offs in the opinion of the external tax auditor or, if not required to hire one, (2) by means of a report from the accountant containing the same detail of the write-offs with their cost values.

In the case of VAT, the DNIT indicated that neither the auditor's nor the accountant's report is sufficient to proceed with the reversal of the tax credit, since for this purpose the corresponding VAT debit must be generated, which is done through the issuance of an invoice with the detail of the goods written off at cost price including the VAT that was used as a credit at the time of purchase.

It follows that it will not be necessary to issue an invoice to reverse the VAT credit associated with the goods of the inventory written off when their acquisition has been exempt from this tax; or, if, instead of using the VAT their acquisition as a credit, it has been integrated as a cost of the inventory written off, which raises the question of whether the reversed VAT should be integrated to the deductible expense for the inventory written-off, considering that this cancels the VAT's credit status.

Answer to a binding consultation on the IRP taxation of the early withdrawal of retirement contributions.

In a binding consultation issued in January of this year, the DNIT answered the doubt of an employee as to whether the amounts corresponding to the withdrawal of his retirement contributions due to the termination of his employment relationship are taxed by the IRP. On this issue, the DNIT reasoned that the amount of these contributions is nothing more than the reversal of the employee's remuneration destined to the retirement and pension system, or the social security system created or admitted by law.

That portion of the employee's remuneration is excluded from the calculation of the gross income of the IRP in the category of personal services, provided it is used as a retirement contribution. Therefore, it is natural that this portion of the employee's remuneration constitutes gross income for such tax when its destination as retirement contribution is reverted and it becomes part of the employee's assets, because in the fiscal year this happens those contributions recover their status of employee's remuneration.

That is the logic behind Decree No. 7047/2022 which, among others, amended Article 54 of the IRP regulations annexed to Decree No. 3184/2019, to expressly include in its numeral 3 the early withdrawal of the retirement contribution as other types of income taxed by IRP in the category of personal services.

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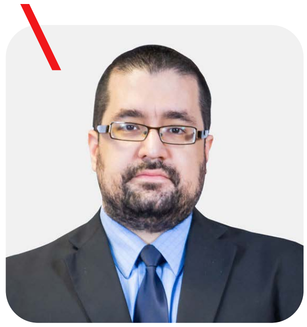

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