

# Tax **News**

August 2024

# Executive Summary

Standard	Date	Content
General Resolution No. 17/2024	August 29, 2024	The National Directorate of Tax Revenues ("DNIT") extended the application of fines for late filing of the electronic voucher registry established by General Resolution No. 90/2021.
General Resolution No. 105	December 17, 2021 (Reminder)	# Validity of the due date calendar for mandatory adherence to the Integrated National Electronic Invoicing System ("SIFEN") - Reminder for Group 10, as well as for new taxpayers.
Binding Consultation	August 2024	The DNIT ruled on the refund of Value Added Tax ("VAT") for the export of chia grains.
Binding Consultation	February 2024	Personal Income Tax ("IRP") levied on the remuneration of a civil servant commissioned to a consulate general of Paraguay abroad.
Non-Binding Consultation	June 2024	The DNIT issued its opinion regarding the conditional distribution of profits by the ordinary shareholders' meeting.

**General Resolution No. 17/2024 - The application of fines for late filing of the electronic register of vouchers is extended.**

By means of General Resolution No. 17/2024 (the "RG-17"), the DNIT extended until October 31 of this year the application of penalties for late filing of the electronic registry of vouchers, both for taxpayers with obligation 955-Monthly Voucher Regime ("Obligation 955") and for those with obligation 956-Annual Voucher Regime ("Obligation 956").

This is a partial extension of the grace period that had been granted since 2023 with General Resolutions No. 124/2023, 126/2023 and 132/2023 of the former Undersecretariat of State for Taxation, as well as with DNIT's Resolutions No. 403/2023 and 730/2023, and DNIT's General Resolution No. 07/2024.

The grace period with all benefits expired on August 31 of this year, so after that date and until October 31 the late confirmation of voucher information in Obligation 955 and Obligation 956 is a tax non-compliance without fines for contravention, which would entail, however, the following negative consequences: impossibility to generate the tax compliance certificate, an increase of the taxpayer's risk index, among others.

For non-compliances as of November 1, in addition to the consequences mentioned in the preceding paragraph, the fines for contraventions will also apply.

The partial extension applies until the fiscal year 2023 of Obligation 956, and until the period of August 2024 of Obligation 955, since the filing of the electronic register of vouchers can be made until the subsequent month —second month after— the fiscal period to be declared, since the maximum term for the filing of the electronic register of vouchers of said period is until October, filing that must be made according to the perpetual due date calendar.

**General Resolution No. 105/2021 - The calendar for taxpayers to compulsorily adhere to the SIFEN (REMINDER) was established.**

All taxpayers, and especially those in group 10 of the SIFEN, are reminded that the former Undersecretariat of State for Taxation (now DNIT) issued General Resolution No. 105/2021 (the "RG"), on December 17, 2021. By means of this RG, the mandatory calendar for several groups of taxpayers to adhere to the SIFEN was established, foreseeing 10 groups with 9 different due dates, with a difference of one quarter between each one, from group 3 onwards, according to the following calendar:

Groups	Date from which they are obligated
1 - "Pilot Plan"	July 1, 2022
2 - "Voluntary adherence"	July 1, 2022
3 - "Mandatory"	January 2, 2023
4 - "Mandatory"	April 3, 2023
5 - "Mandatory"	July 3, 2023
6 - "Mandatory"	October 2, 2023
7 - "Mandatory"	January 2, 2024
8 - "Mandatory"	April 1, 2024
9 - "Mandatory"	July 1, 2024
10 - "Mandatory"	October 1, 2024

Obligated taxpayers from groups 3 to 10 may start issuing electronically before the established date, in case they wish to do so gradually. Once the mandatory date arrives October 1, 2024, for group 10 they must exclusively issue all their documents electronically, since the authorization and stamping of their pre-printed or self-printed documents will cease to be valid, except for the one related to virtual withholding vouchers.

Legal entities registered as taxpayers in the Single Taxpayers Registry as of January 1, 2025, will only issue their tax documents electronically, through the E-Kuatia or E-Kuatia'i Systems, except the virtual withholding voucher. To this effect, the DNIT will not issue stamps for means of generation different from the electronic one, except for the exception indicated.

In statements to the press, the National Director of the DNIT, Oscar Orué, declared that it is in the plans of the institution that by 2026 the use of electronic invoices will be mandatory for the 800,000 active taxpayers; or at least for those based in Asunción, the Central Department and in the departmental capitals.

It should be considered that the implementation of an electronic invoicing system is a process whose cost and development are borne by the taxpayer, which often entails a considerable implementation time, as recognized by the DNIT in Article 4 of the RG when it grants a period of up to 18 months of adaptation to those who wish to become electronic billers voluntarily.

Therefore, it is essential to be aware of whether you or your company are affected by the SIFEN obligation, because if you are and you do not take the appropriate measures in time, you may no longer be able to operate normally. If you want to know if you or your organization are affected by this RG, you can consult the complete list of taxpayers [here](#).

## **Response to Binding Consultation - VAT refund for export of chia grains.**

In a response issued to a binding consultation during August of this year, the DNIT established its position on the classification of chia grains for VAT refund on purchases for export: (i) it is not eligible for refund because it is an agricultural product in its natural state or its derivatives from the first processing or industrialization process; or (ii) it is eligible for refund because it is a type of good not included in said category.

In this regard, the DNIT concluded that the VAT refund of the purchases affected to the export of chia grains corresponds, because this product is not expressly included in the list of agricultural products to which the 5% VAT rate applies, contained in Article 90, paragraph d), numeral 1 of Law No. 6380/2019 ("Tax Law"), as indicated in Article 15 of the Annex to Decree No. 3108/2019.

Thus, the DNIT expressed its restrictive interpretation of the list of goods that are not subject to VAT refund for export purposes, in the sense that, if the goods are not listed in the Tax Law as agricultural goods for VAT purposes, then the VAT refund of the purchases for export purposes is applicable.



## **Answer to Binding Consultation - IRP taxation on the income of a civil servant commissioned to a Paraguayan consulate abroad.**

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In response to a binding consultation in February of this year, the DNIT expressed its opinion on the taxation of IRP on the remuneration received by a public official who is not a military nor a Ministry of Foreign Affairs official, but who has been commissioned to serve in one of the three consulates general of Paraguay in the United States of America (New York, Los Angeles and/or Miami).

In this regard, the DNIT stated that, although the general rule for the source of income in the IRP is that the remunerated activity should be carried out in Paraguayan territory, this recognizes as one of its exceptions the remuneration paid or credited by the State to officials who qualify as IRP taxpayers.

Regarding those who qualify as IRP taxpayers, the DNIT also added that, although the general rule for this is that they are individuals with tax residence in Paraguay, this criterion is replaced by Paraguayan nationality for those who render services in diplomatic missions, consular offices or delegations and representations of Paraguay abroad, being able to escape from this only those who have tax residence in the country where they render their services, provided such services are not linked to the diplomatic missions or consular offices of the country.

In this case, since it is a public official of Paraguayan nationality commissioned to render her services in one of the consulates general of Paraguay in the United States of America, the DNIT concluded that the remuneration she receives for such services is taxed by the IRP, even though she has tax residence in that country, due to her connection with the consular office of Paraguay. However, the particularity of the case lies in the way of settling the IRP in this situation.

It would be normal for the applicant to be subject to the presumptive settlement regime of 1% of gross income, set forth in Articles 63 and 64 of the IRP regulations annexed to Decree No. 3184/2019, which results from applying the maximum rate of 10% on a presumptive taxable base of 10% of gross income. However, this is only possible to do so in pure form through the withholding that must be practiced by the General Directorates of Administration and Finance of the Ministry of Foreign Affairs or of the Command of the Military Forces on the payments they make.

The problem in this case is that the applicant was commissioned by an institution other than the military or the Ministry of Foreign Affairs, and therefore it is not possible to make the IRP withholding. Given this situation, the DNIT arrived at the pragmatic solution of having the applicant make her own presumptive self-assessment of the IRP, following the following criteria:

- 1.** Use Form No. 515 "Personal Income Tax - Income derived from the rendering of Personal Services".
- 2.** Declare the total amount of gross income for the year corresponding to the services rendered in the consular office, excluding contributions to the retirement and pension system or to a social security system created or admitted by law.
- 3.** To use 10% of the gross taxable income as the taxable base of the IRP, enter this amount in the column "Taxed -II-", box 12 of item a), Heading 1, and the remainder in the column "Exempt -I-", box 10 of item a), Heading 1.
- 4.** Not to deduct any expense, since it is a presumptive settlement.
- 5.** Apply the progressive rates of 8%, 9% and 10% on the amount of the presumed taxable income, according to the corresponding brackets.

**Response to Non-Binding Consultation - Legal criteria regarding conditional profit sharing.**

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In a response issued to a non-binding consultation during the month of June of this year, the DNIT set out its position regarding the distribution of profits and the taxability of the Dividend and Profits Tax ("IDU") in a particular situation.

In this regard, the taxpayer, which is a corporation, stated that the ordinary shareholders' meeting had decided to capitalize unconditionally 80% of the profits of X fiscal year; while the other 20% is also destined for capitalization, but conditioned to the shareholders not exercising on this portion the power granted to them by the meeting to withdraw them as a cash dividend in proportion to their capital stake, being able to exercise this right within 3 business days.

In this regard, the DNIT stated that 80% of the profits are not subject to the IDU, since they are unconditionally destined to capitalization. Now, concerning the remaining 20%, the DNIT stated that it within the shareholders meeting attributions to decide unequivocally the distribution or not of the profits, without leaving such resolution to the discretion or decision of each shareholder; the latter (attribution to shareholders to withdraw dividends) being equivalent to the provision of profits to those shareholders.

Therefore, the DNIT concluded that, even when the shareholders meeting grants the shareholder the decision to collect or capitalize the profits, this decision will give rise to the IDU's obligation, since it grants the shareholders the individual right to the dividend, the form of execution of which is left to their discretion: collection or capitalization of the dividend, depending on the individual decision of each shareholder.



# Contact



**Rodolfo G. Vouga**  
[rgvouga@vouga.com.py](mailto:rgvouga@vouga.com.py)



**Andrés Vera**  
[avera@vouga.com.py](mailto:avera@vouga.com.py)



**Horacio Sánchez**  
[hsanchez@vouga.com.py](mailto:hsanchez@vouga.com.py)