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Tax **News**

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Executive **Summary**

Standard	Date	Content
Binding Consultation	July 2024	The National Directorate of Tax Revenues ("DNIT") clarified doubts regarding the income calculation for the Non-Taxed Amount ("NTA") of the Personal Income Tax ("IRP") in the category of Personal Services Income ("IRP-RSP").
Binding Consultation	July 2024	The DNIT issued its opinion regarding the taxation and form of documenting the sale of community property of spouses.
Binding Consultation	December 2023	The DNIT expressed its opinion on the recognition of the Value Added Tax ("VAT") credit from the purchase of vehicles for individuals rendering personal services.
Binding Consultation	July 2024	The DNIT established its position regarding the tax treatment of income obtained by a non-profit association under a private contract for the provision of services.
Binding Consultation	December 2023	The DNIT expressed its opinion on VAT and the form of documenting the sale of tickets to soccer matches through intermediary agents or payment networks.

Response to Binding Consultation – Clarification regarding the income computation of the NTA in the IRP-RSP

In view of the end of fiscal year 2024 and the upcoming filing of the IRP-RSP corresponding to it, we bring up a binding consultation in which the DNIT recalled the criteria to be taken into account for the computation of the annual taxable income of the IRP-RSP and for the determination of whether it exceeds the NTA established for an individual to be registered as a taxpayer of the IRP-RSP.

In this regard, an employee stated that he was erroneously included ex officio in the obligation 715 of the IRP-RSP, since the amount of his taxable income was a little more than G75,000,000, a figure that does not exceed the NTA of G80,000,000 of yearly taxed income for the IRP-RSP.

In this regard, the DNIT proceeded to calculate the consultant's income based on the documents attached by him, finding that his gross annual income according to the payroll was G82,940,000, of which G7,464,602 corresponded to the worker's contribution of 9% of the salary to the Instituto de Previsión Social ("IPS"), leaving the worker with a net annual income of G75.475.398.

Based on this, the DNIT understood that the applicant did not exceed the NTA and that his ex officio registration in the IRP-RSP was made because his employer, at the time of reporting his salary for the control of pending registrations as IRP-RSP taxpayers, did not discriminate the mandatory withholding on his salary for IPS' contribution, reporting as taxable income the amount of his gross salary, and not the net amount of it.

In this regard, it is important to remember that neither the workers' contributions to the IPS, nor the benefits that employers provide directly to medical services entities in favor of their employees must be considered for the calculation of the income taxed by the IRP-RSP that is received during the fiscal year. Income exempted from IRP-RSP (Christmas bonuses, severance payments, etc.) are not included for this purpose either.

In the case of IPS contributions, their exclusion in the computation of income taxed by the IRP-RSP is established in Article 63 of Law 6380/2019 ("Tax Law"). Regarding the exclusion of exempted income in such computation, this is clarified in Article 35 of General Resolution No. 69/2020.

Response to Guiding Consultation – Form of documenting the alienation of community property of the spouses in the community of marital property.

In response to a binding consultation issued in July 2024, the DNIT ruled on the form in which the disposal of community property of spouses. The taxpayer who submitted the consultation mentioned that he intends to sell a vehicle that is part of the community property, but it is under the name of his wife. In this regard, he raised the possibility of issuing the invoice himself, since his wife is not registered as a taxpayer.

Regarding the above, the DNIT stated that: "... it is not appropriate for the taxpayer to issue an invoice in the name of his spouse, since both are individually liable for their tax obligations". In the case of marriages with community property (or any other property regime of the marriage that may generate a community of property) there is no contributory unit of the spouses as a whole, but rather each of them must be considered as a separate taxpayer, with his or her own income and independent tax obligations.

This statement is supported by Article 51 of the Tax Law, which mentions that, for income tax purposes, in the case of

marriages with community property, each spouse must pay separate income tax on the total income from personal services, as well as income tax in the category of capital income (IRP-RGC) on the assets and rights in respect of which they appear as owners, whether they are their own or community property.

Regarding VAT, the response was limited to mentioning, on the one hand, Article 82 of the Tax Law, which does not mention the community of property as a taxpayer. On the other hand, mention was also made of Article 92 of the Tax Law, which establishes that taxpayers who carry out taxable, exempt or non-taxable acts are obliged to issue and deliver invoices, duly stamped by the Tax Administration, for each sale and rendering of services they carry out.

Response to a Binding Consultation – Recognition of the VAT credit from the purchase of vehicles for individuals providing personal services.

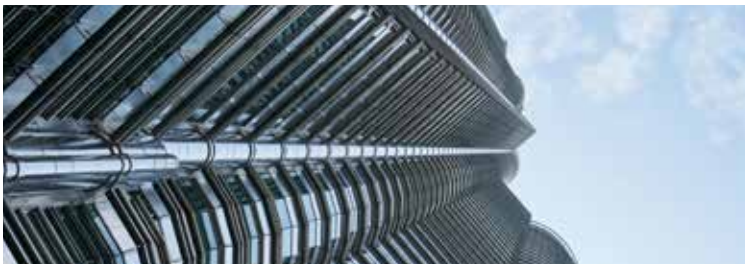
In a response to a binding consultation issued in December 2023, the DNIT expressed its opinion on the VAT credit from the purchase of vehicles that may be used by individuals providing personal services, and the frequency with which they may use this item in their tax settlements.

The taxpayer made the consultation because he acquired a vehicle on June 6, 2023, of which he used as tax credit 30% of the VAT included in the purchase invoice; and, subsequently, on September 10 of the same year, with less than 3 months difference, he purchased another vehicle.

In this regard, the DNIT pointed out that Article 88 of the Tax Law provides that VAT taxpayers, who are so for the rendering of personal services, may take 30% of the VAT credit associated with the purchase of vehicles, without establishing a specific limit as to the number of times this may be done, so that this item may be used as many times as necessary.

However, the DNIT also emphasized that the use of the VAT credit from the purchase of vehicles is conditioned to the fact that (i) the good in question is affected to the income of operations taxed by VAT, (ii) represents a real expenditure and (iii) the invoice that supports it identifies the purchaser of the good (with name and tax identification number) and complies with all legal and regulatory requirements.

Finally, the DNIT also took the opportunity to remind the consultant that the eventual disposal of vehicles, mobile phones and other personal property or equipment, in respect of which the VAT credit has been used as indicated above, will be subject to VAT at the corresponding rate, considering 30% of their disposal value as the taxable base.



Response to a Binding Consultation – Tax treatment of income obtained by a non-profit association under a private contract for the provision of services.

In response to a binding consultation of July 2024, the DNIT issued its opinion regarding the tax treatment to be given to income obtained by a non-profit association under a private contract for the provision of services.

In this regard, the association stated that it entered into a service contract with a third party for the performance of sewing and garment manufacturing work, for which it receives remuneration. As for labor, this is provided by the association, which is also responsible for the workers' salaries.

On the subject, the DNIT concluded that such income is subject to both VAT and Corporate Income Tax ("IRE"). This conclusion is based mainly on Article 25, Paragraph 2, and Article 100, Paragraph 5, of the Tax Law, which limit the respective IRE and VAT exemptions for non-profit entities to income that is linked to the purpose of their creation.

In this case, the DNIT considered that both the services and the activity developed, as well as the income received for them, derive from a commercial activity that is not directly related to the purposes of the entity, since they generate a profit that arises from the combination of capital and labor.

Therefore, although the entity may be included in the exemptions of the Tax Law for non-profit entities, the sewing and dressmaking services it proposes to perform are not directly related to the specific purposes for which it was created, and therefore the corresponding taxes on such services and their income, which are subject to IRE and VAT under Articles 1 and 80, Paragraphs 1 and 2 of the Tax Law, respectively, must be applied.

Response to Binding Consultation – VAT taxation and documentation of ticket sales to soccer matches through intermediaries or payment networks

In response to a binding consultation dated December 2023, the DNIT addressed the VAT taxation and the form of documentation of tickets to soccer matches, organized by the soccer clubs that play the match and the Paraguayan Soccer Association ("APF"), that are sold by intermediary agents or payment networks.

About this matter, the DNIT referred to Article 2 of Decree 312/2018, which specifically regulates the taxation and documentation of the business of ticket sales to public shows through intermediary agents or payment networks.

Referring to the procedure provided therein, but adding to it the VAT exemption for the sale of tickets to sporting events organized by non-profit entities, provided for in Article 100, Paragraph 5, of the Tax Law, the DNIT concluded that the sales of tickets to soccer matches organized by the soccer clubs that play in them and the APF, which are made by intermediary agents or payment networks, must be documented as follows:

(1) The intermediary agent or payment network shall issue the ticket for the sporting event to the purchaser using the stamp issued to said intermediary by the DNIT, stating thereon the sales price exempt from VAT.

(2) The sports entity shall issue to the intermediary agent or payment network the invoice for the tickets sold, exempt from VAT.

(3) The intermediary agent or payment network shall issue to the sports entity (organizer of the sporting event) an invoice for the commission accrued for its services, including VAT.

In this way, the DNIT reaffirms the documentary procedure provided for in the tax regulations in force since before the Tax Law, but adjusting them to the taxation of the transaction, as appropriate (in this case, VAT exemption for the sale of tickets to sporting events by non-profit sporting entities).

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