

Paraguay

Transfer Pricing Country Profile

April 2023

		SUMMARY	REFERENCE
The Arm's Length Principle			
1	Does your domestic legislation or regulation make reference to the Arm's Length Principle?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Article 35, Book I, Chapter III, "Independence Principle", of Law N° 6380/2019 .
2	What is the role of the OECD Transfer Pricing Guidelines under your domestic legislation?	During the process of drafting the regulations of Law N° 6380/2019, Book I, Chapter III "Special Rules for Valuation of Operations", Paraguay has worked collaboratively with OECD experts so that the regulations of the Law (Decree and Resolutions) grant specific guidelines that consider the OECD Transfer Pricing Guidelines, within the framework of what is permitted by Law. However, it is important to mention that there is no express mention of the Guidelines in the Law or in the Decree and Resolutions.	Law N° 6380/2019
3	Does your domestic legislation or regulation provide a definition of related parties? If so, please provide the definition contained under your domestic law or regulation.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Article 37, "Linked or Related Parties", of Law N° 6380/2019 states that: "It will be considered that 2 (two) or more persons are related or related parties, when a person or group of persons participates directly or indirectly in the administration, control or capital of another. For these purposes, a company participates in the capital of another, when directly or indirectly it owns more than 50% (fifty percent) of the capital stock of the same with the right to vote. The same percentage will be applied in the participation in legal persons, whose capital is not represented by shares.	Article 37, Book I, Chapter III, "Linked or Related Parties" of Law N° 6380/2019 . Article 3 of General Resolution N° 96/2021 , by which the Technical Aspects of the Application of the Valuation Methods provided in Chapter III of Title I of Book I of Law No. 6380/2019 "on Modernization and Simplification of the National Tax System" are regulated.

It will be understood that there is participation in the administration or control, among other cases, when a company has the practical capacity to influence the commercial decisions of another, manifested through the appointment of managers, administrators or directors, contractual dominant influence, influence functional or credit rights in such a way that they can guide or define the activities of the Business Income Tax (Impuesto a la Renta Empresarial, hereinafter “IRE”) taxpayer.

The term “person” includes individuals and legal entities, permanent establishments of residents abroad, trusts or any other entity or similar legal figure, national or foreign, whatever the name by which it is designated.

Related parties of a permanent establishment shall be considered to be the parent company or other permanent establishments thereof, as well as the persons indicated in the previous paragraph and their permanent establishments.

Unless proven otherwise, it will be presumed that the operations of residents in Paraguay with residents in countries or jurisdictions with low or no taxation, including with users of free zones or maquiladora companies, are between related parties. In this case, the taxpayer must comply with the obligation established in Article 35 of this Law.

The Executive Branch will determine the list of countries or jurisdictions with low or no taxation.”

Furthermore, Article 3, “Linked or related parties” of the General Resolution N° 96/2021 provides that:

“For the purposes of the analysis and application of the provisions of article 37 of Law N° 6380/2019, the relationship between the parties to an operation will be considered configured when, among others, one of the assumptions detailed below is verified:

- a. A person or group of people exerts their functional influences, directly or indirectly, on another manifested through:
 1. Agreement of contractual clauses related to the central objective of the business that had not been accepted or agreed upon by independent parties in the same circumstances.
 2. Agreements, circumstances or situations by which administrative management is granted to a person whose participation in the social capital is a minority.
 3. The existence of a person in common who has functional influence over the group of people simultaneously or influences the negotiation of two people in an operation between both parties.

- b. A person or group of persons indistinctly owns, in common, a participation greater than 50% (fifty percent) of the social capital of another with the right to vote.
- c. A person or group of persons possesses the necessary votes to direct the corporate will or prevail in the competent corporate body of another.
- d. A person or group of persons owns an entity in common that has the necessary votes to direct the corporate will or prevail in their competent corporate body.
- e. A person or group of people participate decisively in setting business policies, supply of raw materials, production and / or marketing of another.

Transfer Pricing Methods

4	<p>Does your domestic legislation provide for transfer pricing methods to be used in respect of transactions between related parties?</p>	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>If affirmative, please check those provided for in your legislation:</p> <table border="1" style="width: 100%; text-align: center;"> <thead> <tr> <th>CUP</th> <th>Resale Price</th> <th>Cost Plus</th> <th>TNMM</th> <th>Profit Split</th> <th>Other (<i>If so, please describe</i>)</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;"><input checked="" type="checkbox"/></td> <td style="text-align: center;"><input checked="" type="checkbox"/></td> <td style="text-align: center;"><input checked="" type="checkbox"/></td> <td style="text-align: center;"><input checked="" type="checkbox"/></td> <td style="text-align: center;"><input checked="" type="checkbox"/></td> <td style="text-align: center;"><input checked="" type="checkbox"/></td> </tr> </tbody> </table> <p>Among the “other methods” provided by Paraguayan legislation in article 38 of Law N° 6380/2019 is the one provided in numeral 7 of article 38 of the Law that establishes:</p> <p>“In the case of goods with respect to which there is a public international price through transparent world or regional markets, stock exchanges or similar, in order to establish the basis for determining the IRE, the prices recorded in the export documents must be adjusted to the prices fixed or established by said markets or exchanges on the date of fulfilment of the shipment, or failing that of the day before there was a price. In future operations, the Executive Branch will establish the terms and conditions for the application of this Article.</p> <p>The Executive Power will determine the assets with respect to which the method established in this numeral 7 is mandatory and the Tax Administration will issue the regulations for its application.</p> <p>For the purposes of the preceding paragraph, the listing date will be the shipment date or, failing that, the day immediately prior to shipment, when there was a listing. The price of the date of execution of the contract may be used, only when</p>	CUP	Resale Price	Cost Plus	TNMM	Profit Split	Other (<i>If so, please describe</i>)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<p>Article 38, Book I, Chapter III, “Valuation Methods”, of Law N° 6380/2019.</p> <p>Article 21 of Decree N° 4644/2020, by which Chapter III “Special Rules for Valuation of Operations” of Title I of Book I of Law N° 6380/2019 “on Modernization and Simplification of the National Tax System” is regulated.</p>
CUP	Resale Price	Cost Plus	TNMM	Profit Split	Other (<i>If so, please describe</i>)										
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>										

		<p>said contract is registered before the Tax Administration in the manner and conditions determined by it.</p> <p>With the exception of what is provided in the preceding numeral 7, taxpayers will first apply the method provided in numeral 1 of this article, and may use the methods indicated in numerals 2, 3, 4, 5 and 6 of the same, when the method provided for in numeral 1 is not appropriate to determine that the operations carried out are at market prices.</p> <p>From the application of any of the methods indicated in this article, a range of prices, considerations or profit margins may be obtained, when there are two or more comparable operations.</p> <p>These ranges will be adjusted by applying statistical methods. If the price, consideration or profit margin of the taxpayer are within these ranges, said prices, consideration or margins will be considered as agreed or used between independent parties. In the event that the taxpayer is outside the adjusted range that exposes a decrease in the tax base of the IRE, it will be considered that the price or the consideration that independent parties would have used is the median of said range.</p> <p>For the purposes of this Chapter, income, costs, gross profit, net sales, expenses, operating profit, assets and liabilities, will be determined based on the provisions established by the Tax Administration.”</p> <p>Furthermore, Article 21, “Assets covered by Numeral 7 of Article 38 of the Law”, of Decree N° 4644/2021 provides that:</p> <p>“In order to establish the basis for the determination of the IRE, the subjects affected by this Decree must adjust the price of the goods reached by this article, when the price does not conform to those fixed or established in the international or regional markets or stock exchanges, to the date of the shipment or the day before there was a quote, or to the date indicated in the "Registry of Sales Contracts" in the future, as appropriate.</p> <p>The goods reached will be the following:</p> <ul style="list-style-type: none"> a) Soy; b) Products derived from soy (oils, flours, pellets and expellers); c) Corn; d) Rice; and, e) Wheat.” 	
5	<p>Which criterion is used in your jurisdiction for the application of transfer pricing methods?</p>	<p>Please check all that apply:</p> <p><input checked="" type="checkbox"/> Hierarchy of methods</p> <p><input type="checkbox"/> Most appropriate method</p>	<p>Article 38, Book I, Chapter III, “Valuation Methods”, of Law N° 6380/2019.</p>

		<input type="checkbox"/> Other (<i>if so, please explain</i>)	
		<p>Article 38, “Valuation Methods”, of Law N° 6380/2019 provides that the CUP method (as provided in numeral 1) should be applied first. Taxpayers may also use the methods indicated in numerals 2, 3, 4, 5 and 6 of Article 38 (namely, the Resale Price Method, the Cost Plus Method, the Profit Split Method, the Residual Profit Split Method and the Transactional Net Margin Method), when the method provided in numeral 1 (i.e. the CUP method) is not appropriate to determine that the operations carried out are found at market prices. Numeral 7 of Article 38 provides for a method applied to commodities.</p>	
6	<p>If your domestic legislation or regulations contain specific guidance on commodity transactions, indicate which of the following approaches is followed.</p>	<input type="checkbox"/> For controlled transactions involving commodities, the guidance contained in paragraphs 2.18-2.22 of the TPG is followed. <input checked="" type="checkbox"/> Domestic legislation mandates the use of a specific method for controlled transactions involving commodities (<i>if so, please explain</i>) <input type="checkbox"/> Other (<i>if so, please explain</i>)	<p>Article 38, Book I, Chapter III, “Valuation Methods”, of Law N° 6380/2019.</p> <p>Article 21 of Decree N° 4644/2020, by which Chapter III “Special Rules for Valuation of Operations” of Title I of Book I of Law No. 6380/2019 “on Modernization and Simplification of the National Tax System” is regulated.</p>
		<p>Please refer to the response to question 4 above.</p>	
Comparability Analysis			
7	<p>Does your jurisdiction follow (or largely follow) the guidance on comparability analysis outlined in Chapter III of the TPG?</p>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<p>Articles 8, 9 and 10 of Decree N° 4644/2020, by which Chapter III “Special Rules for Valuation of Operations” of Title I of Book I of Law No. 6380/2019 “on Modernization and Simplification of the National Tax System” is regulated.</p> <p>Articles 9, 10, 15, 16 and 17 of General Resolution N° 96/2021, by which the Technical Aspects of the Application of the Valuation Methods provided in Chapter III of Title I of Book I of Law No. 6380/2019 “on Modernization and Simplification of the National Tax System” are regulated.</p>
		<p>Chapter III of the OECD Transfer Pricing Guidelines were taken into account in order to prepare the indicated guide, both in the Decree and in the Resolution within the provisions of the Law.</p> <p>Article 15, “Comparable operations and their selection”, of the General Resolution N° 96/2021 provides that:</p> <p>“The information from independent third parties to be used as a comparable must be related to the commercial or financial activity of the party being analyzed. In the event that the information includes several business segments or activities other than those of the analyzed operation, it must be identified and ensured that said segments or activities do not influence or distort the comparability analysis according to the Principle of Independence, in which case the segmentation of this information in a proportional way applied to its financial statements will not be justified.</p>	

		<p>If the information from independent third parties include operations with related parties, these must be segregated in such a way that they do not distort the determination of the remuneration of the related party operation in compliance with the Principle of Independence established in the Law and the Decree.”</p> <p>Moreover, Article 16, “Comparable operations with losses”, states that:</p> <p>“The operations, businesses or companies that are used in the comparability analysis may not contain or reflect operating losses, either before or after the application of adjustments that improve comparability unless justified in the detailed Transfer Pricing Technical Study and document the need to include them (losses), due to the characteristics of the sector or business, market circumstances or business strategies, sector or industry.”</p> <p>Finally, Article 17, “Comparability analysis process”, is as follows:</p> <p>“In order to carry out the comparability analysis, the affected subject may consider the following steps:</p> <ol style="list-style-type: none"> 1. Determine the fiscal year referred to in the analysis. 2. Analyze the factors related to the subject affected or the environment in which the controlled operations take place. 3. Carry out the functional analysis in order to identify the relevant comparability criteria, including the unique and valuable contributions present, that is, especially the involvement and intensity of the competitive advantages of the group, or those related to the factors of success or business value generators, which generally involve the use or generation of intangibles. 4. Review existing internal comparables, if any. 5. Review external comparable information sources and their reliability. 6. Select the most appropriate method and the relevant financial indicator. 7. Define the comparables to use from the identification of potential comparables. 8. Define the need to make adjustments to improve the reliability of comparable information, its identification and calculation. 9. Apply the most reliable comparables for the selected method and determine the remuneration in accordance with the Principle of Independence.” 	
8	<p>Is there a preference in your jurisdiction for domestic comparables over foreign comparables?</p>	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>While both internal and external comparables are allowed, Article 9 of Decree 4644/2020 provides that if there are internal and external comparables, the</p>	<p>Article 7 of Decree N° 4644/2020, by which Chapter III “Special Operations Valuation Rules” of Title I of Book I of Law No. 6380/2019 “on Modernization and Simplification of the National Tax System” is regulated.</p>

		<p>taxpayer would take into account preferably the internal comparable in the transfer pricing analysis.</p> <p>Moreover, Article 7, “Analysis of the part or parts of the operation”, of Decree N° 4644/2020 states that:</p> <p>“The comparability analysis and the justification of the transfer prices may be carried out indistinctly on the situation of the IRE taxpayer or the domestic or foreign related party.</p> <p>The selection of the party under analysis must be consistent with the functional analysis of the operation. The part under analysis will be the one to which the method can be applied with more reliability, in accordance with what is indicated in the previous paragraph, and for which there are comparables that require the least amount of adjustments, that is, the one whose functional analysis results are less complex.</p> <p>In the event that, based on the functional analysis, the foreign related party is analyzed, for the purposes of the provisions of this article, the taxpayer must have the documentary evidence certified in the country of origin by an independent auditor.</p> <p>The Tax Administration will establish the form and conditions of presentation of the aforementioned documentary evidence.”</p>	Article 9 of Decree N° 4644/2020
9	<p>Does your tax administration use secret comparables for transfer pricing assessment purposes?</p>	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p>	
		<p>It is too early to even affirm the use or not of secret comparables in the application of transfer pricing considering that Chapter III of Book I of Law N° 6380/2019 only came into force from fiscal year 2021.</p>	
10	<p>Does your legislation allow or require the use of an arm’s length range and/or statistical measure for determining arm’s length remuneration?</p>	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p>	<p>Article 38, Book I, Chapter III, “Valuation Methods”, of Law N° 6380/2019.</p> <p>Article 11 of Decree N° 4644/2020, by which Chapter III “Special Rules for Valuation of Operations” of Title I of Book I of Law No. 6380/2019 “on Modernization and Simplification of the National Tax System” is regulated.</p>
		<p>See response to question 4 in relation to Article 38 of Law No. 6380/2019.</p> <p>Moreover, Article 11, “Rank according to the Principle of Independence”, of Decree N° 6644/2020 provides that:</p> <p>“When by application of the methods established in numerals 1 to 6 of article 38 of the Law, two or more comparable transactions are identified, the interquartile range and the median of the prices, of the amounts of the considerations or of the profit margins must be determined.</p>	

		<p>If the price, the amount of the consideration or the profit margin set by the taxpayer is within the interquartile range, said prices, amounts or margins will be considered as agreed between independent parties and in accordance with the Principle of Independence.</p> <p>In the event that the price, the amount of the consideration or the profit margin set by the taxpayer is outside the range and affects the tax base of the IRE, the price, amount or profit margin in operations between independent parties is the median of that range.”</p>	
11	<p>Are comparability adjustments required under your domestic legislation or regulations?</p>	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>Article 36, “Comparability”, of Law 6380/2019 provides that:</p> <p>“For the purposes of this law, it will be understood that the operations are comparable when there are no differences that significantly affect the price or the consideration or the profit margin referred to in the methods established in this law, and when there are such differences, these are eliminated through reasonable adjustments.”</p> <p>To determine such differences, the pertinent elements required will be taken into account, depending on the method used, considering, among others, the following:</p> <ol style="list-style-type: none"> 1. The characteristics of the operations, including: <ol style="list-style-type: none"> a) In the case of financing operations, elements such as the principal amount, term, guarantees, solvency of the debtor and interest rate. b) In the case of provision of services, elements such as the nature of the service, and whether or not the service involves experience or technical knowledge. c) In the case of use, enjoyment or disposal of tangible assets, elements such as the physical characteristics, quality and availability of the asset. d) In the event that the exploitation or transfer of an intangible asset is granted, elements such as a patent, trademark, trade name or technology transfer, the duration and degree of protection. e) In the case of disposal of shares, elements such as the updated stockholders' equity of the issuer, the present value of projected profits or cash flows, or the last stock market price on the day of the disposal of the issuer will be considered. 2. The functions or activities, including the assets used and the risks assumed in the operations of each of the parties involved in the operation. 3. The contractual terms. 	<p>Article 36, Book I, Chapter III, “Comparability”, of Law N° 6380/2019.</p> <p>Article 13 of General Resolution N° 96/2021, by which the Technical Aspects of the Application of the Valuation Methods provided in Chapter III of Title I of Book I of Law No. 6380/2019 “on Modernization and Simplification of the National Tax System” are regulated.</p>

		<p>4. Economic circumstances.</p> <p>5. Business strategies, including those related to the entry, permanence and expansion of the market.</p> <p>Furthermore, Article 13, “Adjustments that improve comparability”, of General Resolution N° 96/2021 is as follows:</p> <p>“Comparability adjustments should be considered as long as they improve the reliability of the results, so they should only be performed on the basis that the differences that they seek to correct really affect the comparison. The importance of the difference for which the adjustment is considered, the quality of the data submitted to the adjustment, the purpose of the adjustment and the reliability of the criteria used to carry it out must be taken into account.</p> <p>Adjustments that improve comparability should not be applied routinely or without due justification for their use and application.</p> <p>The justification and support must be quantitative - in other words, the formulas and calculations performed must be shown in detail, as well as the impact of the adjustment on the comparability results; and qualitative, for which the need and impact of the adjustment in improving reliable comparability must be documented.</p> <p>In the case of applying accounting adjustments, what is indicated in the previous paragraph must be taken into account, and indicate or refer to the difference, practice, principle or accounting standard for which the adjustment is required.</p> <p>The subject affected must indicate, including their formulas, the calculations made of all the adjustments applied that improve comparability with the corresponding documentary support in the Transfer Pricing Technical Study, in the manner and conditions established by the Tax Administration.”</p>	
Intangible Property			
12	<p>Does your domestic legislation or regulations contain guidance specific to the pricing of controlled transactions involving intangibles?</p>	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>Article 20, “Intangibles”, of Decree N° 4644/2020 states as follows:</p> <p>“In controlled operations that imply licensing, sale or other transfers of intangible property between related parties, in accordance with the Principle of Independence, the price at which an independent comparable party would be willing to transfer the property, value and the utility of the intangible property to the transferee in the business.</p>	<p>Article 20 of Decree N° 4644/2020, by which Chapter III “Special Rules for Valuation of Operations” of Title I of Book I of Law No. 6380/2019 “on Modernization and Simplification of the National Tax System” is regulated.</p>

		<p>When applying the comparability factors to a transaction involving the licensing, sale or other transfer of intangible property, at least the special factors relevant to the comparability of controlled and non-controlled transactions shall be considered, including:</p> <p>a) the expected benefits of the intangible property; b) any geographical limitation on the exercise of rights over intangible property; c) the exclusive or non-exclusive nature of the transferred rights; and d) whether the assignee has the right to participate in further development, improvement, maintenance, protection and exploitation of the intangible property by the assignor.”</p>	
13	Does your domestic legislation or regulation provide for transfer pricing rules or special measures regarding hard-to-value intangibles (HTVI)?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
14	Are there any other rules outside transfer pricing rules that are relevant for the tax treatment of transactions involving intangibles?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Intra-Group Services			
15	Does your domestic legislation or regulations provide guidance specific to intra-group services transactions?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <p>The following articles of Decree No. 4644/2020 are relevant for the provision of intragroup services:</p> <p>Article 17, “Intra-group Services in accordance with the Principle of Independence”, states that:</p> <p>“In the provision of services between an IRE taxpayer and a related party residing outside the country, or in the country when the operation for one of the parties is exonerated, exempt or not reached by the IRE, it will be considered for the analysis of the compliance with the Principle of Independence, among others, the following:</p> <p>a) The service has been effectively provided; b) The service provides, or when it was provided it was expected to provide, the recipient a benefit that improves its commercial position and,</p>	<p>Articles 17, 18 and 19 of Decree N° 4644/2020, by which Chapter III “Special Rules for Valuation of Operations” of Title I of Book I of Law No. 6380/2019 “on Modernization and Simplification of the National Tax System”.</p>

		<p>therefore, an independent party in comparable circumstances would have been willing to pay for it if it had contracted it; and,</p> <p>c) The price paid for the service corresponds to what would have been agreed between independent companies for comparable services in comparable circumstances.”</p> <p>Article 18, “Intra-group Services not in accordance with the Principle of Independence”, provides that:</p> <p>“The provision of services between an IRE taxpayer and a related party residing outside the country or in the country, in the latter case when the operation for one of the parties is exonerated, exempt or not reached by the IRE, will be considered not in accordance with the Principle of Independence when the service:</p> <ul style="list-style-type: none"> a) Has been previously paid or corresponds to duplicate services; b) The withholding of the respective tax has not been made in the corresponding cases, or; c) It is carried out by a related party solely due to the participation of the shareholder in one or more members of the group, including any of the following costs incurred or activities carried out by said related party: <ul style="list-style-type: none"> i. costs or activities related to the legal structure of the taxpayer's parent company, such as parent company shareholder meetings, issuance of shares in the parent company and costs of the parent company's supervisory board; ii. costs or activities related to the reporting requirements of the taxpayer's parent company, including consolidation of reports; and, iii. costs or activities related to the collection of funds for the acquisition of shares, unless those shares are directly or indirectly acquired by the IRE taxpayer and the acquisition benefits or is expected to benefit said taxpayer.” <p>Article 19, “Specific Intra-group Services”, is as follows:</p> <p>“When identifying specific services provided by an IRE taxpayer to a related party or vice versa, being the related party residing outside the country or in the country, in this last case when the operation for one of the parties is exonerated, exempt or not reached by the IRE, it will be determined if the registered amount for the provision of the service is consistent with the Principle of Independence for each specific service.</p> <p>When the services are provided simultaneously by a taxpayer to several related persons and it is not possible to identify specific services provided to each of them, the total charge of the service will be allocated between the related parties that</p>	
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		<p>benefit or expect to benefit from the services according to criteria of reasonable allowances.</p> <p>The assignment criteria will be considered reasonable when they are based on one or more variables that:</p> <ul style="list-style-type: none"> a) take into account the nature of the services, the circumstances under which they are provided and the benefits obtained or expected to be obtained by the people to whom the services are intended; b) relate exclusively to uncontrolled transactions; or c) can be measured technically and reasonably reliably.” 	
16	Do you have any simplified approach for low value-adding intra-group services?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
17	Are there any other rules outside transfer pricing rules that are relevant for the tax treatment of transactions involving services?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Financial Transactions			
18	[NEW] Does your domestic legislation or regulations provide guidance specific to financial transactions?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<p>Article 10, numeral 3, letter a of Decree N° 4644/2020, by which Chapter III “Special Rules for Valuation of Operations” of Title I of Book I of Law No. 6380/2019 “on Modernization and Simplification of the National Tax System” is regulated.</p>
		<p>Article 10(3)(a), “Comparability criteria”, of Decree N. 4644/2020 states that:</p> <p>“For the purposes of determining the market value that would have been agreed by independent persons under conditions that respect the Principle of Independence, in addition to what is established in article 36 of the law, it will be taken into account those elements or circumstances that reflect to a greater extent the economic reality of the transactions analyzed, depending on the method used, considering other elements or circumstances indicated below:</p> <p>[...]</p> <p>3) The characteristics of the goods or services:</p> <ul style="list-style-type: none"> a) In financial transactions: the amount of capital or loan, term, guarantees, solvency of the debtor, capacity effective repayment, interest rate, amount of commissions, administrative order charges and any other payment or charge, accreditation or, where appropriate, debit that is made or practiced in virtue of them. 	

		[...]"	
19	[NEW] Are there any other rules outside transfer pricing rules that are relevant for the tax treatment of financial transactions? <i>(e.g. whether your jurisdiction has implemented the measures in BEPS Action 4 to limit interest deductions and other financial payments or any similar rules)</i>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Article 15, Book I, Title I, Chapter I, number 23, "Deductible Expenses", of Law N° 6380/2019 .
		<p>Article 15, "Deductible Expenses", of Law No. 6380/2019 is as follows:</p> <p>"Provided that the conditions and requirements indicated in article 14 of this law are met, it will be admitted to deduct:</p> <p>[...]</p> <p>23. Disbursements for interest on loans, royalties and technical assistance, when carried out by:</p> <ol style="list-style-type: none"> a) The partner or shareholder of the company, provided that he is a taxpayer of any Income Tax. b) The parent company or other branches or agencies abroad. c) Related companies. <p>As long as these disbursements are not higher than the market price or accrue interest at rates that do not exceed the average deposit rates of the banking and financial market applicable to operations of similar characteristics, according to the publication of the average rates issued by the Central Bank from Paraguay; the amount of the corresponding taxes has been entered; and said disbursements do not exceed 30% (thirty percent) of the net income for the year, before calculating the deduction of such disbursements. These interests will be subject to the same withholding regime regardless of their deductibility."</p>	
Cost Contribution Agreements			
20	Does your jurisdiction have legislation or regulations on cost contribution agreements?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Transfer Pricing Documentation			
21	Does your legislation or regulations require the taxpayer to prepare transfer pricing documentation?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <p><i>If affirmative, please check all that apply:</i></p> <input type="checkbox"/> Master file consistent with Annex I to Chapter V of the TPG <input checked="" type="checkbox"/> Local file consistent with Annex II to Chapter V of the TPG	<p>Article 39, Book I, Chapter III, "Technical Study", of Law N° 6380/2019.</p> <p>Article 2, "Subjects obliged to present the ETPT", Article 3, "Content of the Technical Study of Transfer Pricing", of General Resolution N° 115/2022, by which the technical</p>

	<p> <input type="checkbox"/> Country-by-country report consistent with Annex III to Chapter V of the TPG <input type="checkbox"/> Specific transfer pricing returns (separate or annexed to the tax return) <input type="checkbox"/> Other (specify): </p> <p>Article 39 of Law No. 6380/2019, “Technical Study”, provides that: “Taxpayers who carry out operations with related parties residing in the country and abroad, must obtain and keep a Technical Study that includes supporting documentation that demonstrates that the amount of their income and deductions were made in accordance with the prices or considerations that would have been used by independent parties in comparable operations, which must contain at least the following information:</p> <ol style="list-style-type: none"> 1. The name, denomination or business name, domicile and fiscal residence, of the persons related to whom operations are carried out; as well as the documentation that demonstrates the direct and indirect participation between the related parties. 2. Information regarding the functions or activities, assets used and risks assumed by the taxpayer for each type of operation. 3. Information on transactions with related parties and their amounts, for each related party and for each type of transaction, in accordance with the types of transactions listed in numeral 1 of article 36 of this law. 4. The method applied in accordance with article 38, including comparable operations or companies for each type of operation. <p>Taxpayers whose gross income in the immediately preceding fiscal year has not exceeded PYG (Paraguayan Guaraníes) 10 000 000 000 (approx. EUR 1 293 496) will not be required to comply with the requirement established in this article, except those who are in the event that refers to the penultimate paragraph of article 37^(*).</p> <p>The exercise of the powers of verification with respect to the obligation provided for in this article, can only be carried out for what it does to completed years. The documentation and information referred to in this article must be registered in the accounting, identifying the operations with related parties residing abroad.</p> <p>Article 2 of General Resolution No. 115/2022 cites and specifies the obligated subjects to submit the Transfer Pricing Technical Study.”</p> <p>(*) Penultimate paragraph of Article 37 provides that: “...Unless proven otherwise, it will be presumed that the operations of residents in Paraguay with residents in countries or jurisdictions with low or no taxation, including with users of free zones or maquiladora companies, are between related parties. In this case, the taxpayer must comply with the obligation established in Article 35 of this Law...”</p>	<p>study of Transfer Pricing and additional reports established in article 39 of Law N° 6380/2019 “on modernization and simplification of the national tax system” is regulated, and other regulations are established for the application of Chapter III, Title I, Book I of the aforementioned Tax Law.</p>
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		<p>Article 2 of General Resolution No. 115/2022 states the subjects obliged to present the Transfer Pricing Technical Study (Estudio Técnico de Precios de Transferencia, hereinafter, “ETPT”), as follows:</p> <p>“The following will be required to submit the Transfer Pricing Technical Study:</p> <ol style="list-style-type: none"> 1. The IRE taxpayer who enters into operations with related parties residing abroad, or in the country when the operation for one of the parties is exonerated, exempt or not reached by the IRE, and whose gross income in the immediately preceding fiscal year was over PYG 10 000 000 000 (approx. EUR 1 293 496). 2. The IRE taxpayer who carries out operations with residents in countries or jurisdictions with low or no taxation or with users of free zones or maquiladora companies, provided that the presumption of connection has not been disproved in accordance with the provisions of article 4 of General Resolution N° 96/2021. <p>Article 3 of General Resolution 115/2022 specifies the information that must be included, as a minimum, in the Transfer Pricing Technical Study.”</p>	
22	<p>Please briefly explain the relevant requirements related to filing of transfer pricing documentation (i.e. timing for preparation or submission, languages, etc.)</p>	<p>According to the provisions of Article 7 of General Resolution N° 115/2022, the Technical Study must be submitted in portable document format (.pdf extension) and the work papers used for the development of the analysis of compliance with the principle of independence exposed in the Technical Study must be submitted in electronic spreadsheet format (with .xls, xlsx or .ods extension) with the applied formulas that allow verification of the calculations or relationships used or applied.</p> <p>In addition, the qualitative and quantitative summary of the operations with related parties carried out by the subjects affected in the reported fiscal year must be reported in the "Marangatu" System and the information requested is detailed in said article, generally related to the subject's data required, the fiscal year reported, the identification of the related parties, the identification of the operations carried out with each related party and other information requested by the Tax Administration.</p> <p>Article 9 of General Resolution No. 115/2022 establishes the form and deadline for submitting the Technical Study:</p> <ul style="list-style-type: none"> • Those who have the fiscal year close on 31 December must present it in July of the following fiscal year that is declared; • Those who have the fiscal year close on 30 April must submit it in November of the fiscal year being declared; • Those whose fiscal year ends on 30 June must present it in January of the following fiscal year that is declared. <p>Moreover, Article 27 of Decree N° 4644/2020, “Transfer Pricing Technical Study and additional reports”, states that:</p>	<p>Article 39, Book I, Chapter III, “Technical Study”, of Law N° 6380/2019.</p> <p>Article 27, “Transfer Pricing Technical Study and additional reports”, of Decree N° 4644/2020, by which Chapter III “Special Rules for Valuation of Operations” of Title I of Book I of Law N° 6380/2019 “Modernization and Simplification of the National Tax System” is regulated.</p> <p>Articles 7, 9 and 10 of General Resolution N° 115/2022.</p>

		<p>“IRE taxpayers who enter into operations with related parties residing abroad or in the country whose gross income in the immediately preceding year is greater than PYG 10 000 000 000 (approx. EUR 1 293 496) must present the Technical Study to the tax administration.</p> <p>Those taxpayers of the IRE regarding their operations with their related party residing in countries or jurisdictions with low or no taxation and those related to users of free zones or maquiladora companies, regardless of the amount of their income, will also be obliged to present the aforementioned study.</p> <p>The Transfer Pricing Technical Study will consist of a detailed analysis of the controlled operations subject to the valuation rules and will contain, in general, the following information:</p> <ul style="list-style-type: none"> a) Analysis and documentation supporting operations and related parties. b) Transactions with or between related parties. c) Information about the multinational group and its structure. d) The financial and tax situation of the multinational group in the different jurisdictions in which the affected subject operates, as long as this information cannot be obtained by the tax administration through the information exchange mechanisms in force. <p>The tax administration will establish the documents, information, terms and conditions for the presentation of the Transfer Pricing Technical Study on controlled operations, including the annexes that contain the information indicated in this article.”</p> <p>The transfer pricing documentation should be submitted in Spanish.</p>					
23	<p>Does your legislation provide for specific transfer pricing penalties and/or compliance incentives regarding transfer pricing documentation?</p>	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>Article 13 of General Resolution N° 115/2022, provides for the following sanctions:</p> <p>“Failure to comply with formal obligations related to the presentation of the Transfer Pricing Technical Study, additional reports and DJI-Num 7, framed in the violation offense established in article 176 of Law N° 125/1991, will entail the application of a fine as provided in the following table:</p> <table border="1" data-bbox="667 1273 1585 1449"> <thead> <tr> <th><i>Breach</i></th> <th><i>Fine amount</i></th> </tr> </thead> <tbody> <tr> <td>Presentation after the expiration period of the supporting documents that distort the presumed relationship with foreign residents</td> <td>PYG 900 000 (approx. EUR 116)</td> </tr> </tbody> </table>	<i>Breach</i>	<i>Fine amount</i>	Presentation after the expiration period of the supporting documents that distort the presumed relationship with foreign residents	PYG 900 000 (approx. EUR 116)	<p>Article 13 of General Resolution N° 115/2022, by which the technical study of Transfer Pricing and additional reports established in article 39 of Law N° 6380/2019 “on modernization and simplification of the national tax system” is regulated, and other regulations are established for the application of Chapter III, Title I, Book I of the aforementioned Tax Law.</p>
<i>Breach</i>	<i>Fine amount</i>						
Presentation after the expiration period of the supporting documents that distort the presumed relationship with foreign residents	PYG 900 000 (approx. EUR 116)						

		Presentation of the DJI-Num 7 after the expiration period	PYG 900 000 (approx. EUR 116)	
		Technical study with inaccurate data	Maximum fine established by the Executive Branch for contraventions, in force at the expiration of the submission period	
		Presentation of the Transfer Pricing Technical Study outside the due date	Maximum fine established by the Executive Branch for contraventions, in force at the expiration of the submission period	
		Non-conservation for the limitation period of the supporting documents that justify the information indicated in the Transfer Pricing Technical Study and additional reports	Maximum fine established by the Executive Branch for contraventions, in force at the expiration of the submission period	
24	<p>If your legislation provides for exemption from transfer pricing documentation obligations, please explain.</p>	<p>Regarding the exemption from the transfer pricing documentation obligations, taxpayers whose gross income in the immediately preceding year did not exceed PYG 10 000 000 000 (approx. EUR 1 293 496) are not required to submit the Technical Study. In turn, Article 11 of General Resolution N° 115/1991 establishes:</p> <p>“Without prejudice to taking into account those subjects obliged to present the ETPT, the tax administration, within the framework of its powers of control and inspection conferred by the laws that govern the matter, may request all taxpayers affected by the provisions of Chapter III of Title I, Book I of Law No. 6380/2019, the presentation of receipts and justifications that support that the prices, the amounts of the considerations or the profit margins declared in the operations with their related parties, comply with the principle of independence.”</p> <p>The taxpayers affected by the provisions of Chapter III of Title I, Book I of Law No. 6380/2019 are the ones subject to transfer pricing rules (Articles 35 to 39 of Law No. 6380/2019.</p> <p>In addition, by virtue of the provisions of article 6 (modified text) by General Resolution N° 118/2022 it is established that they will be excluded from the analysis of the principle of independence by obligated subjects and, consequently, will not be included in the operations indicated in said article.</p>	<p>Article 11 of General Resolution N° 115/2022, by which the technical study of Transfer Pricing and additional reports established in article 39 of Law N° 6380/2019 “on modernization and simplification of the national tax system” is regulated, and other regulations are established for the application of Chapter III, Title I, Book I of the aforementioned Tax Law.</p>	

Administrative Approaches to Avoiding and Resolving Disputes

25	Which mechanisms are available in your jurisdiction to prevent and/or resolve transfer pricing disputes?	Please check those that apply: <input type="checkbox"/> Rulings <input type="checkbox"/> Enhanced engagement programs <input type="checkbox"/> Advance Pricing Agreements (APA) <input type="checkbox"/> Unilateral APAs <input type="checkbox"/> Bilateral APAs <input type="checkbox"/> Multilateral APAs <input checked="" type="checkbox"/> Mutual Agreement Procedures <input type="checkbox"/> Other (<i>please specify</i>):	Paraguay's OECD MAP Profile International Agreement to avoid double taxation and the prevention of tax evasion
		Please refer to Paraguay's OECD MAP Profile for further information.	

Safe Harbours and Other Simplification Measures

26	Does your jurisdiction have rules on safe harbours in respect of certain industries, types of taxpayers, or types of transactions?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
27	Does your jurisdiction have any other simplification measures not listed in this questionnaire? If so, please provide a brief explanation.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	

Other Legislative Aspects or Administrative Procedures

28	Does your jurisdiction allow/require taxpayers to make year-end adjustments?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Article 30, "Tax effect of the application of the Transaction Valuation Rules", Decree N° 4644/2020 , by which Chapter III "Special Operations Valuation Rules" of Title I of Book I of Law N° 6380/2019 "Modernization and Simplification of the National Tax System" is regulated.
		Article 30 of Decree N° 4644/2021, "Tax effect of the application of the Operations Valuation Rules", states that:	

		<p>“The amount resulting from the price adjustment in accordance with the Principle of Independence or on the assets indicated in the article 21 of this decree will constitute net income of the Paraguayan front on which the IRE rate will be applied.</p> <p>The payment of the IRE on the adjustment coming from the application of the operations valuation methods will be carried out annually.</p> <p>The tax administration will establish the forms and conditions for compliance with said obligation.</p> <p>The payment of the IRE on the adjustment resulting from the application of the operations valuation methods will be made annually, in Form 500, "General Business Income Tax", version 2, item 3, subparagraph b, "Net Income equivalent to the total amount adjusted for determined transfer prices (Article 38, number 7, of Law N° 6380/2019)", box 263.”</p>	
29	<p>Does your jurisdiction make secondary adjustments?</p>	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p>	<p>Book V "Provisions of General Application Scope of Application" of Law 125/1991</p>
	<p>The tax administration, by virtue of its legal powers, can make secondary adjustments in accordance with the competence granted by Articles 212 and 225 of Law No. 125/1991 in the inspection controls carried out.</p>		
<p>Attribution of Profits to Permanent Establishments</p>			
30	<p>[NEW] Does your jurisdiction follow the Authorised OECD Approaches for the attribution of profits to PEs (AOA)?</p>	<p><input checked="" type="checkbox"/> Yes</p> <p><i>In how many tax treaties?</i></p> <p>In 5 out of 5 tax treaties in force.</p> <p><i>If yes, how do you implement it in cases, where the old tax treaties do not contain the new version of Article 7 (OECD MTC 2010 and later)</i></p> <p>N/A</p>	
		<p><input type="checkbox"/> No</p>	
31	<p>[NEW] Does your jurisdiction follow also another approach?</p>	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p>	

Other Relevant Information

32	Other legislative aspects or administrative procedures regarding transfer pricing	N/A	
33	Other relevant information (e.g. <i>whether your jurisdiction is preparing new transfer pricing regulations, or other relevant aspects not addressed in this questionnaire</i>)	N/A	