



FERRERE

Investing in **PARAGUAY** 2026

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INVESTING IN PARAGUAY

This document has been prepared to present a global vision of Paraguayan law covering the aspects that most frequently interest foreign investors. It is not intended to be an in-depth analysis of the laws, decrees or regulations discussed and, therefore, does not constitute a sufficient basis for investment decision-making.

1. Corporate matters

Most business entities operating in Paraguay are organized as:

- Branches of foreign companies;
- Corporations (“SA”); or
- Limited liability companies (“SRL”).

The incorporation of any of the above entities must be instrumented in a public deed certified by a Public Notary and recorded with the relevant registration offices. These entities acquire legal personality upon filing with the Public Registry of Commerce and the Registry of Legal Entities and Associations.

Corporations and limited liability companies must have at least two shareholders, who may be either individuals or legal entities.

Except for banking, insurance, stock exchange and foreign exchange activities, which can only be carried out by an SA, from a commercial standpoint there is no difference as to the acts that can be performed by either type of company.

1.1 Branches of foreign companies

A foreign parent company can conduct business in Paraguay without creating a new legal entity, appointing directors or holding annual meetings. On the other hand, liability for a branch’s acts extends to the parent company.

To establish a branch, the parent company must file documents that must be certified by a Notary Public and legalized by the relevant Paraguayan Consulate or apostilled.

1.2 S.A. Corporations (Sociedad Anónima or “SA”)

SAs require holding annual shareholders meetings and maintaining corporate books. On the other hand, SAs offer greater facilities for share transfers than SRLs.

1.3 Capital and types of shares

The share capital of SAs must be represented by registered shares. Stock certificates must be numbered and signed by one or more directors and are issued when fully paid.

The bylaws can create different classes of shares with different rights.

1.4 Board of Directors

The administration of SAs is exercised by one or more directors appointed by the ordinary annual shareholders meeting. The number of directors and their term of office are set in the bylaws. The directors may or may not be shareholders. They can be re-elected and their appointment is revocable. Directors can be Paraguayan or foreigners with legal residence in the country.

1.5 Supervision of administration

The SA must have one or more regular and alternate corporate controllers appointed by the ordinary shareholders meeting, in charge of supervising its administration. Corporate controllers may be Paraguayan or foreigners with legal residence in the country. They serve up to a maximum of three business years.

1.6 Shareholders Meetings

REGULAR SHAREHOLDERS MEETINGS

Regular shareholders meetings must be convened by the directors or the corporate controller each year within four months following end of the fiscal year, to discuss and resolve on the annual report by the directors, balance sheet and profit and loss statement, distribution of dividends, corporate controllers report and any other measures related to company management within their competence under the law and the bylaws, or submitted to their decision by the board and the corporate controllers.

The meeting is also competent to resolve on the following issues:

- a.** Election of directors and corporate controllers and determination of their remuneration;
- b.** Responsibility of directors and corporate controllers and their removal; and,
- c.** Issuance of shares.

EXTRAORDINARY SHAREHOLDERS MEETINGS

Extraordinary meetings may be convened by the directors or the corporate controller at any time, or at the request of shareholders representing 5% of the share capital (unless the bylaws provide otherwise), to take up the following:

- a.** Amendment of bylaws;
- b.** Increase or reduction of capital;
- c.** Redemption, reimbursement or amortization of shares;
- d.** Merger, transformation or dissolution of the company and any matter related to liquidation and liquidators;
- e.** Issuance of debentures or exchange of same for shares; and,
- f.** Issuance of participation bonds.

1.7 Restrictions on foreign ownership and control

Law 2,532/05 establishes that legal entities composed mainly by foreigners from any of the countries bordering Paraguay may not be owners, condominium owners or usufructuaries of rural properties located in the border security zone comprising the 50-kilometer strip adjacent to the country's land and river borders.

1.8 Limited Liability Companies (SRL)

An SRL must have a minimum of 2 and a maximum of 25 partners. Administration of SRLs is simpler than for SAs, since it does not require a board of directors, corporate books or annual partners meetings. SRL representation is exercised by management appointed by the members in the bylaws. SRLs require amendment of the bylaws for the transfer of units.

1.9 Capital Stock

SRLs' ownership is represented by registered units with a minimum value of PYG 1,000 (USD 0.16)¹ each, as indicated in the operating agreement.

Monetary contributions must be at least 50% paid-in upon incorporation and be completed within 2 years. Assets in kind must be fully paid-in at the time of incorporation.

¹ 1 USD = PYG 6,400 as of April 2026.

There is no minimum capital requirement. Nevertheless, capital must be sufficient to fulfill the purposes of the SRL, except for companies engaged in certain activities, such as export or import, which must have minimum capital of PYG 10,000,000 (USD 1,563).

1.10 Transfer of units

If an SRL has more than 5 members, transfer of membership units to third parties must be approved by members representing at least three-fourths of the capital. If an SRL has 5 members or less, approval must be unanimous. There is no limitation on transfer of units among members.

1.11 Management

The management and representation of an SRL may be delegated to one or more managers, who may or may not be members of the SRL, and who shall have the same rights and obligations as the directors of corporations. There are no time limits for their mandates.

2. Tax Matters

The Paraguayan tax regime comprises the following taxes:

INCOME TAX	Corporate Income Tax (“IRE”) – 10%
	Nonresident Income Tax (“INR”) – 15%
	Income Tax on Dividends and Profits (“IDU”) – 15% / 8%
	Personal Income Tax (“IRP”) – 8% to 10%
CONSUMER TAXES	Value Added Tax (“VAT”) - 10% and 5%
	Excise Tax (“ISC”) – 0% to 50%
TAX ON CAPITAL	Real Estate Tax – 0.5% - 1%

2.1 Corporate Income Tax (“IRE”) – 10%

The IRE rate is 10% and is levied on income from activities conducted, assets located and economic rights used in Paraguay, regardless of the nationality, domicile or residence of the parties involved in the transactions or where they take place.

For IRE purposes, some income from activities conducted abroad may also be considered Paraguay source income. To avoid double taxation, taxes paid abroad can be offset against the IRE tax owed in Paraguay.

2.1.1 Tax Base

The IRE tax base is the net income obtained in the fiscal year, which coincides with the calendar year (January 1 to December 31). Net income is determined by deducting expenses necessary to maintain the source of the income from gross income. For expenses to be considered deductible they must meet certain legal requirements.

IRE allows application of a presumptive regime for certain activities conducted in the country (such as forestation) and for certain international operations partially executed in Paraguay (such as freight and container leasing). In this regard, the presumed net income is 30% of the sales value on which the IRE rate is applied, resulting in an effective rate of 3%. Once this regime has been chosen, it cannot be changed for five years.

2.2 Fiscal losses

Any losses at fiscal year-end can be deducted in the following five consecutive fiscal years, up to a maximum of 20% of net income for each year.

The General Division of Internal Taxes (“GGII”) may require payment of withholdings or advance payments of IRE during the fiscal year. However, such advances cannot exceed the average tax payable in the last three fiscal years.

2.3 Special rules for valuating transactions

Since fiscal year 2021, IRE taxpayers are obligated to apply special rules regulating transactions between related or linked companies.

Breach of the rules allows the GGII to review and determine income and deductions taking the values that would have been used by independent parties in comparable transactions.

Tax rules establish six methods to value transactions between related parties:

- a.** Comparable uncontrolled price method;
- b.** Resale price method;
- c.** Cost plus method;
- d.** Profit split method;

- e. Residual profit split method; and
- f. Transactional net margin method.

IRE taxpayers whose gross income in the immediately previous fiscal year exceeded PYG 10,000,000,000 (approximately USD 1,562,500²) are obligated to submit technical studies to GGII demonstrating that their transactions with related parties in Paraguay and other countries were conducted in line with prices or consideration between independent parties in comparable transactions.

2.4 Simplified Regime for Small and Medium Enterprises

Depending on the taxpayers' turnover, they may opt for these regimes. On the one hand, if the taxpayer's billings do not exceed PYG 80,000,000 (USD 12,500), the amounts to be paid vary from PYG 20,000 (USD 3.13) to PYG 80,000 (USD 12.50) per month. Nevertheless, if gross income for the fiscal year does not exceed PYG 2,000,000,000 (USD 312,500), they can compute IRE by applying the rate of 10% on the lesser of (i) 30% of gross annual billings and (ii) income and expenses directly related to the taxable activity.

2.5 Income Distribution Tax (“IDU”)

IDU taxes profits, dividends and yields made available to owners, partners, consortiums or shareholders by sole proprietorships, corporations, limited liability companies, transparent legal structures, limited and other partnerships, and consortiums organized to execute public works.

IDU rates are: **(i)** 8% when the shareholder receiving the profits resides in Paraguay; and **(ii)** 15% when the shareholder is not resident in Paraguay.

The IDU tax base is the full amount paid or made available to the taxpayer, with the exception of profits allocated to legal reserves, optional reserves or capitalization.

2.6 Personal Income Tax (“IRP”)

IRP is levied on the income of individuals and undivided inheritances from:

- a. Income or capital gains, excluding those subject to IDU; and
- b. Income from the provision of independent personal services and services under employment

² 1 USD = PYG 6,400 as of April 2026.

relationships.

Taxpayers must compute IRP separately for each of the income categories, and expenses and earnings from one category cannot be attributed to the other.

IRP rates vary according to the type of income and are as follows:

- i. 8% on income and capital gains; and
- ii. progressive rates of 8% to 10% on income from rendering of services; these rates vary depending on the taxpayer's computed net income for the tax year.

2.7 Income from provision of personal services

Income from provision of personal services comprises income obtained by Paraguay tax residents from the rendering of personal services or performance of work in an employment relationship, in both the public and private sectors

IRP is calculated by taking the total amount of income received from taxable activities (gross income) and subtracting duly documented expenses or deductions allowed by law. The result obtained is the net income on which the tax rate is applied.

2.8 Income and capital gains

Income and capital gains include income not subject to IDU, interest paid to individuals, income generated by transport legal entities, royalties and gains from the sale or disposal of movable or immovable property. The 8% tax rate is applied on values specifically established in the rules by type of profit.

2.9 Nonresident Income Tax (“INR”)

INR is levied on Paraguayan source income of nonresident individuals or legal entities deriving from activities contemplated in IRE and IRP rules.

The INR taxable base is determined on a non-rebuttable presumptive basis, at percentages ranging from 30% to 100% of the gross amount paid to entities or individuals domiciled abroad. The INR rate is 15% on net income determined on a presumptive basis. Consequently, effective INR rates vary from 4.5% to 15% of the amount paid.

The INR payment obligation arises upon availability of funds, remittance abroad or payment, whichever comes first.

2.10 Value Added Tax (“VAT”)

2.10.1 VAT is levied on:

- a. Alienation of goods;
- b. Provision of services; and
- c. Importation of goods to Paraguay.

In the VAT assessment, the total amount invoiced by the taxpayer (tax debit) minus the VAT included on purchases in the same month (tax credit) must be taken into account.

The tax credit to be deducted must derive from goods or services directly or indirectly used in the operations subject to the tax. When the tax credit is higher than the tax debit, the excess may be used as such in the following tax computations, without generating the right to a refund.

2.10.2 VAT rates are:

- a. 5% for the lease of real estate intended exclusively for housing, including the use and the usufruct of such assets;
- b. 5% for the sale of real property;
- c. 5% for disposal and import of the following family basket products: rice, noodles, vegetable oil, yerba mate, milk, eggs, flour and iodized salt;
- d. 5% for the disposal and import of certain agricultural, horticultural and fruit products;
- e. 5% for the disposal, transfer, and importation of certain livestock products;
- f. 5% for the disposal and import of products registered as medicines for human use with the Ministry of Public Health and Social Welfare;
- g. 10% for all other cases.

Tax law establishes exemptions from VAT on some transactions such as the export of goods in general, provided the pertinent documentation is retained and they are accounted for.

The GGII refunds the VAT credit on purchases of goods and services related to the export of goods. Refund does not apply in the case of exports of products in natural state or deriving from the first industrialization process, such as flours, raw or degummed oils, expellers, pellets and the like.

VAT refunds may also be claimed by taxpayers who carry out export freight operations, provided they have issued a waybill or bill of lading.

2.11 Excise Tax (“ISC”)

ISC taxes the importation and first sale of certain products manufactured in Paraguay, considered luxury items, or dangerous or harmful to health. Therefore, local manufacturers and importers of these goods are ISC taxpayers.

ISC rates range from 0% to 50%, and the tax base is the factory sales value or the customs value of imports. In the case of fuels, the taxable base is the average retail price for each type of fuel. The tax is assessed monthly, except for fuel, which is assessed on a weekly basis.

2.12 Real Estate Tax

This tax is levied on the ownership of real estate located in Paraguay. The tax is administered and collected by the municipalities. The taxable amount is the value of the property established annually by the National Cadastral Service. The tax rate is 1%, which is reduced to 0.5% for rural properties with an area devoted to agriculture and livestock raising of less than 5 hectares. In addition, there are some rules applicable to large properties and large estates.

3. Investment Incentives

Paraguay has a solid legal framework supporting and promoting foreign investments.

3.1 Investment Law

Law No. 117/91 on investments guarantees a free exchange regime without restrictions for the entry and exit of capital, as well as for the remittance abroad of dividends, interest, commissions, royalties on technology transfers or other items, which, however, are subject to the taxes applicable by law in Paraguay. Paraguay allows the free contracting of investment insurance in the country or abroad and the establishment of joint ventures.

3.2 Tax incentive regime for domestic and foreign capital investment

The purpose of this regime established under Law No. 7548/2025 is to promote local and foreign investments by granting special tax benefits. To obtain these benefits, the foreign investor must submit an investment project to the Ministry of Industry and Commerce. An analysis of the project is conducted by a commission composed of representatives of regulatory agencies in the pertinent area of the investment.

The tax incentives granted are as follows:

- i. Total exemption from customs duties on imports of capital goods, raw materials and inputs applied directly to the industrial, farm or services production cycle;
- ii. Exemption from VAT on alienation of capital goods produced by local manufacturers for direct use in production or farm cycles;
- iii. Exemption from VAT on imports of capital goods for direct application in industrial or farm cycles.
- iv. Exemption from VAT on first sale and on transfer of ownership between beneficiaries of the Tax Incentives Law with respect to capital goods imported or acquired from local manufacturers;
- v. Exemption from INR on interest, commissions and surcharges remitted abroad to banking, financial or other credit institutions in the international market, pertaining to loans granted to the beneficiary for project financing, provided the total investment amount exceeds USD 13 million;
- vi. Exemption from IDU on dividends, profits and yields generated by the approved investment project, when the latter exceeds USD 13 million. In the case of nonresident investors, the exemption will be applicable only when the investment does not come from a low or no tax territory and provided the tax on profits is not recognized as a tax credit in the investor's country of residence;
- vii. Exemption from customs duties and VAT on imports of capital goods to be used in investment projects in tourism, provided the investment exceeds USD 20 million; and
- viii. Establishment of a security trust on capital goods covered by tax benefits, to facilitate investment project financing.

The benefits established in the Tax Incentives Law are valid for 10 (ten) years, extendable pursuant to the conditions established by regulations.

3.3 Free Trade Zone Regime

Law No. 523/95 establishes the regime for free trade zones, which constitute a duly delimited area within customs territory, where commercial, industrial and services activities are permitted free of customs duties and taxes established for the rest of the country.

The main objectives of free trade zones in Paraguay are to develop business centers, prevent smuggling and piracy, and increase the competitiveness of exports.

To obtain a free zone concession, an application must be submitted to a council comprising members of the Ministries of Finance, Industry and Commerce, and Public Works. Once the application is approved, a contract is signed with the Executive Branch to establish the terms and conditions of the concession.

3.4 Maquila Regime

Law No. 7547/2025 establishes the maquila regime, allowing companies incorporated abroad to contract the services of companies domiciled in Paraguay to totally or partially perform industrial or service processes.

The target of export maquiladora companies is the international market. However, they can allocate a small portion of their production to the local market, without forfeiting the tax exemptions they enjoy. Maquiladora companies can operate in any of the forms established by Paraguayan law. There is no limitation on capital participation. It can be 100% national, foreign or joint venture.

The maquila contract and the activities carried out in its performance are exempt from all other national taxes, except for rights pertaining to the services rendered.

This exemption covers:

- i. The import and re-export of goods under the maquila contract.
- ii. The export of goods transformed, manufactured, repaired and assembled under the contract.
- iii. IRE at the rate of 10% on the income obtained by the company under the rules of the maquila and sub-maquila regime. However, IRE taxes the sale of goods and services in the domestic market.
- iv. IDU is equivalent to 8% or 15% depending on the country of residence of the partners and shareholders.

In return, a single tax of 1% must be paid on the value added in national territory or on the value of the invoice issued by order and on behalf of the parent company, whichever is greater.

The benefits have a maximum duration of 20 years, extendable for a like period.

3.5 National Product and Employment Regime

This regime, established in Law No. 4558/11, provides a mechanism to support domestic industrial production by granting a certification of use of national labor and products, which grants a 20% preference margin in public tenders.

3.6 National Automotive Policy

National Automotive Policy is regulated by Law No. 4838/12, which seeks to promote domestic and foreign capital investment by granting tax benefits for the manufacture and/or assembly of motorized and non-motorized vehicles, auto parts and replacement parts in general.

The benefits are a 0% tariff on the importation of capital goods, raw materials, components, kits, parts, pieces and spare parts, and manufacturing supplies required for manufacturing motorized and non-motorized vehicles, auto parts and replacements in general.

It also grants an advantage in computing VAT, reducing the taxable base to 20% of the amount of the customs value, that is, the CIF value of the goods.

3.7 Investment guarantees, promotion of employment and economic and social development

The purpose of Law No. 5542/15 is to promote and protect capital investment in the creation of industries and other productive activities in Paraguay.

To enjoy the incentives of this law, beneficiaries must submit the investment project for study by an Investment Council. Once this Council approves the granting of benefits to the project, a contract is signed with the State.

Among the regime's benefits, it is possible to agree on IRE tax rate invariability for a period of ten years as from startup of the relevant company, which corresponds to the start of operations under the investment project. The term of tax rate invariability may be extended to fifteen years, if the investment project exceeds the amount of USD 50,000,000 and is less than USD 100,000,000. If the investment project amount is equal to or greater than USD 100,000,000 and its purpose is the development of industrial projects, tax rate invariability may be extended for up to twenty years.

In addition, nonresident shareholders may benefit from a reduction in the IDU tax rate by one percentage point for every 100 direct jobs created. IDU can be reduced up to a maximum of 7.5% for nonresident shareholders by application of this benefit. Shareholders who are Paraguay tax residents are exempt from IDU under this additional benefit.

The Investment Guarantee Law also establishes an additional shield for beneficiaries in that investments made under this law may not be subject to expropriation of any kind.

It is important to note that to date no contracts have been entered into between the State and investors benefited by the incentives under the Investment Guarantee Law. However, the Executive

Branch has indicated its predisposition to grant the benefits of this law to projects complying with the conditions of its application, as analyzed above.

3.8 Special Regime for Importation of Raw Materials

The main objective of this regime, established by Decree No. 11,771/00, is to promote investment and stimulate existing industrial companies, by means of tariff exemptions, improving the competitiveness of industries as a source of employment and value added.

The tax benefit is a zero percent (0%) tariff on each import of raw materials.

To benefit from this regime, companies must submit an application including an Annual Production Program showing the raw materials to be imported during the year and indicating the final products resulting from these imports. Additionally, companies must report bimonthly on the quantities produced during the two-month period. To date, all these procedures are carried out electronically.

Note that the regime established in Decree 11.771/00 is being extended annually, and the last decree in this sense extended it until December 2022. According to unofficial information, it is planned that this regime will be extended consecutively, at least until 2026.

3.9 Assembly Regime

Law No. 7546/2025 establishes the national policy for production and assembly of electrical, electronic, electromechanical and digital equipment. This law entered into force on September 9, 2025.

The benefits and exemptions granted by the Assembly Law are:

- i.** Exemption from customs tax on imports of capital goods included in the investment project and directly applicable in the industrial production cycle, except for the fees for services effectively provided, equivalent to an ad valorem rate of 0.5%.
- ii.** Exemption from customs tax on materials intended for production and assembly of electrical, electronic, electromechanical and digital equipment, except for fees for services effectively performed, equivalent to an ad valorem rate of 0.5%.
- iii.** Effective VAT rate of 1.5% applicable to imports of materials intended for the production and assembly of electrical, electronic, electromechanical and digital equipment. This effective rate results from the reduction of the taxable base for application of the tax to 15% of the customs value of the goods, on which the VAT rate of 10% is applied.
- iv.** Effective VAT rate of 1.5% applicable to the acquisition of materials for production and assembly of electrical, electronic, electromechanical and digital equipment. This effective

rate results from the reduction of the taxable base equivalent to 15% of the value of the goods, on which 10% VAT is applied.

- v. Effective VAT rate of 4.5% applicable to the marketing of goods produced and assembled under the regime. This effective rate results from taking 45% of the value of the goods as the tax base, on which 10% VAT is applied.

Capital goods and materials benefiting from the above tax benefits must be used exclusively for production and assembly of electrical, electronic, electromechanical and digital equipment. The law prohibits personal use or consumption by the beneficiaries, their partners, directors, employees or third parties, as well as their commercialization outside the investment project.

The beneficiary may transfer the imported materials to a new investment project provided it is under its ownership and has been approved in a bi-ministerial resolution.

The regime established in the Assembly Law is not cumulative with other regimes granting exemptions or special deductions, except for exemptions under the Capital Investment Incentives Regime established in Law No. 7548/25.

To benefit from the regime, an investment project must be presented and approved in a bi-ministerial resolution issued jointly by the Ministry of Industry and Commerce and the Ministry of Economy and Finance. The duration of the approved regime is twenty years, extendable for a like period.

3.10 Combination of regimes

If the investment complies with the requirements set out above, it is possible to apply for the joint application of the benefits established in the regulatory provisions.

4. Capital Markets

To keep pace with the growth of the capital market various regulations have been implemented to provide an adequate legal framework for development and strengthening of activity.

4.1 Securities Market

Law 7.572/2025 on the Securities Market ("Securities Market Law") regulates the public offering of securities and their issuers. It also establishes the regulatory framework for public offerings of

securities, equity investment funds, stock exchanges, brokerage firms, risk raters, and diverse investment services and activities.

Supervision of the securities market rests with to the Central Bank of Paraguay (“BCP”), exercised through the Superintendency of Securities (“SIV”).

Resolution No. 30/2021 and its amendments (“Securities Market Regulations”) regulate the provisions of the Securities Market Law.

Paraguay has only one stock exchange, *Bolsa de Valores y Productos de Asunción S.A.* (“BVA”), which operates as the organized market for the intermediation of securities, and a securities depository, *Caja de Valores del Paraguay S.A.* (“CAVAPY”), which acts as a depository, in charge of the registration, custody, clearing and settlement of transactions.

The competent authority on securities market matters is the SIV, which has sanctioning and corrective powers.

4.2 Public Offering of Securities

A public offering of securities is an offer made to more than one person, to the general public or specific groups, either by any means of communication or through personal offers, to carry out any type of legal act with such securities.

All public offerings of securities must be authorized by SIV. Legal entities incorporated abroad that make public offerings of securities in Paraguay are subject to the provisions of the Securities Market Law.

Public offerings may only be made when the securities and their issuer have been duly registered with the securities market registry of the SIV.

Securities transactions or negotiations may be carried out in primary or secondary markets. The primary market is where the issuer itself or an intermediary agent of the issuer directly raises financial resources for the securities placed for the first time. The secondary market is where transactions are carried out after the first placement.

To bring the market in line with global technology trends, the Securities Market Law extends the “securities” category to include assets represented by distributed ledger technologies (DLT/Blockchain). The regulations also cover collective investment project agreements, eliminating the regulatory void regarding new crowdfunding models.

4.3 Equity Investment Funds

Equity investment funds are regulated by the Securities Market Law. The funds are made up of monetary resources from individuals or legal entities called members or investors. Single-purpose corporations manage the funds. Such corporations are called *Administradora de Fondos Patrimoniales de Inversión* (AFPISA) and must be registered with the SIV.

Equity investment funds are classified according to the targets of their offerings, either as publicly offered funds or privately offered funds.

Publicly-offered funds include the following:

- i. Mutual funds:** These funds have redeemable participation shares and are not listed on the stock exchange. They are created for investment in securities authorized by the SIV and indicated in the Securities Market Law and the internal regulations of each fund. The shares are represented according to the mechanisms indicated in the internal regulations of each fund. The shares can be acquired through an agent, either an AFPISA or an authorized brokerage house. These funds must only be registered with the SIV.
- ii. Investment funds:** These funds have non-redeemable participation shares and are listed on the stock exchange. They are created with more defined objectives than mutual funds, to invest in specific sectors or assets, and with defined maturities. The shares are dematerialized and represented by book entries managed by CAVAPY. They can be purchased through a brokerage house in both the primary and secondary markets. These funds must be registered with the SIV and CAVAPY.

Privately offered funds do not require prior filing with SIV. These vehicles are designed for institutional and qualified investors who, given to their profile and experience, have the capacity to assume higher risk levels. Privately offered funds are:

- i.** Private equity funds.
- ii.** Venture capital funds
- iii.** Other classified as private offers according to their characteristics and associated risks, in accordance with regulations issued for this purpose.

4.4 Securitization

Unlike previous legislation, which limited securitization to the acquisition of credit portfolios and the issuance of debt securities, the Securities Market Law expands its scope. It is defined as a process of mobilization of present or future assets capable of generating cash flows, called underlying assets.

A central aspect of this reform is the constitution of an autonomous asset pool, whose exclusive source of payment lies in the cash flows generated by these assets. The law also introduces a key operating distinction:

- i. Securitization for public offering: subject to the requirements of registration with the SIV.
- ii. Securitization for private offerings: exempt from prior registration and aimed exclusively at qualified, accredited or institutional investors.

4.5 Cross-quote

The Securities Market Law allows cross-listing, i.e., companies incorporated abroad can make a public offering in Paraguay of securities already listed in foreign markets, without the need to establish themselves locally, as long as they comply with the registration and information requirements set by SIV. SIV may require additional transparency measures and risk warnings in order to protect investors and preserve market integrity.

4.6 Foreign issuers

The Securities Market Law also allows companies incorporated abroad and registered in markets regulated by recognized authorities to issue securities in Paraguay without the need to incorporate in the country. These issuances are subject to compliance with legal, financial and contractual information requirements, as well as their registration with the Public Registry of the Securities and Products Market. This framework facilitates access by international issuers to the Paraguayan market and contributes to its integration with global capital markets.

5. Antitrust

Paraguayan Competition Law No. 4956 ("Competition Law") was enacted in 2013 and its regulation, through Regulatory Decree No. 1490, in 2014 (the "Decree," and together with the Competition Law, the "Paraguayan Competition Regulations"). The Paraguayan Competition Regulations introduce, for

the first time, (a) a merger control mechanism in Paraguay, and (b) a series of anticompetitive conducts it considers prohibited, whether individual or concerted.

The government body in charge of enforcing Paraguayan Competition Regulations in Paraguay is the National Competition Commission (Comisión Nacional de la Competencia or "CONACOM").

The Paraguayan Competition Regulations apply to all acts carried out by national or foreign individuals or legal entities having an impact in Paraguay.

5.1 Concentration Control

Paraguayan Competition Law establishes that a concentration occurs when, as a result of a given transaction, there is a change in control of a previously independent economic agent. In this context, the obligation to submit a merger control notification is triggered in Paraguay if, as a result of the concentration, any of the following thresholds are reached:

- a. An economic agent achieves a market share equal to or greater than 45% of the relevant market because of the transaction; or
- b. The aggregate turnover in Paraguay of the companies involved in the transaction reaches or exceeds the value equivalent to 100,000 minimum wages, i.e., PYG 2,899,048.³

It is sufficient for one of the thresholds to be reached to trigger the obligation to notify, since the thresholds are not cumulative.

5.2 Anticompetitive conduct

The Paraguayan Competition Regulations establish, in general terms, that all practices, activities or individual or concerted recommendations that have the purpose of restricting, limiting, hindering, distorting or preventing existing or future competition in a relevant market are prohibited.

Therefore, the Paraguayan Competition Law prohibits collusive practices, understood as agreements, decisions or concerted or knowingly parallel practices, regardless of whether they are written or verbal, formal or informal, whose purpose is to produce or which may produce the effect of preventing, restricting or distorting competition in all or part of the market, as well as the abuse of a dominant position by one or more companies, unless there are efficiency gains that compensate for possible market restrictions or anti-competitive effects.

³ This corresponds to the minimum wage for the period from July 2025 to July 2026. Please note that the minimum wage is updated annually, every July.

5.3 Sanctions

Failure to comply with the provisions of the Paraguayan Competition Regulations may give rise to sanctions imposed by CONACOM, namely:

- a. formal warnings;
- b. unwinding of the transaction; or
- c. fines:
 - i. up to 150% of the profit obtained as a result of sanctioned conduct, or
 - ii. up to 20% of the gross income obtained corresponding to the 12 months prior to the sanctioned conduct.

Likewise, CONACOM may impose sanctions for breach of the duty of cooperation, which may also be applied to managers, directors or representatives of a legal entity subject to a request for information, to the extent that they have been involved in such noncompliance. The fines in this case range from 10 to 300 minimum daily wages, that is, between PYG 1,115,020 and PYG 33,450,600, depending on the seriousness of the infraction.⁴

6. Labor Legislation

6.1 Minimum wage requirements

The minimum wage for the private sector is set by the Executive Branch and is adjusted annually in accordance with the inflation recorded. Currently, the minimum monthly wage is approximately USD 453⁵.

6.2 Exceptions to application of the Labor Code

The current Labor Code is not applicable to directors, managers, administrators and other company executives, provided the company can verify the representation they exercise in the company, the significance of their remuneration, the nature of their work, their technical capacity and, especially, their independence in performance of their jobs that does not imply subordination.

⁴ The minimum daily wage for the period July 2025 to July 2026 is PYG 111,502. Please note that the minimum wage is updated annually, every July.

⁵ USD 1 = PGY 6,400 as of April 2026.

6.3 Working hours

The ordinary workday is 8 hours, with a maximum of 48 hours per week for daytime work, and 7 hours per day or 42 hours per week for night work. Mixed workdays include periods of time in both daytime and night shifts. They have a maximum duration of 7.5 hours a day and 45 hours a week. Hours worked at night are paid with a 30% surcharge. Overtime is paid with a surcharge of 50% when it corresponds to working days and 100% when it corresponds to holidays and breaks.

6.4 Vacation

Every worker is entitled to a period of paid vacation after each year of continuous work in the service of the same employer, with minimum duration as follows:

- a.** For workers with up to five years of seniority, 12 calendar working days;
- b.** For workers with more than five years of seniority and up to 10 years of seniority, 18 calendar working days;
- c.** For workers with more than 10 years of seniority, 30 calendar working days.

Vacation is not cumulative. However, at the worker's request, it can be carried over for two years provided this is not detrimental to company interests.

6.5 Statutory bonus

The Labor Code establishes a complementary annual remuneration or "aguinaldo", equivalent to one-twelfth of the remuneration accrued by the worker during the calendar year for all items (salary, overtime, commissions, other income), which must be paid before December 31, or upon termination of employment if this occurs before that date.

6.6 Termination of employment

Termination of the employment relationship may be at the initiative of the worker or the employer, indistinctly, and either of the parties may terminate with or without cause, in accordance with the provisions of the Labor Code.

Upon termination of the employment relationship, the employer must pay the pertinent salary up to the last day effectively worked, along with the proportional amount of the statutory bonus, and the remuneration corresponding to vacation days generated and not taken.

In addition, in the event of unjustified dismissal, the employer must pay compensation equivalent to fifteen (15) days' salary for each year of service or fraction over six months, as well as a sum that varies according to the worker's seniority, equivalent to from thirty (30) to ninety (90) days' salary as notice, if notice was not been given prior to dismissal. The worker will also be entitled to receive a proportional amount corresponding to the vacation days not yet generated, in relation to the days actually worked.

6.7 Special Employment Stability

The law establishes that workers reaching 10 years of service with the same employer acquire employment stability, so their contract may only be terminated in the following cases: (i) dismissal for just cause duly accredited at court; (ii) retirement; or (iii) termination of contract by mutual agreement. In addition, maternity, acting as negotiator of internal labor rules and collective bargaining agreements, and holding trade union leadership positions provide job stability, in accordance with the provisions of the law.

6.8 Foreign Personnel

Foreign citizens will be able to work in Paraguay once they have obtained their Residence card. This document is issued only after the applicant has submitted, among other requirements, a police record certificate issued by INTERPOL, documents from the country of origin and local documents.

6.9 Unions

Workers in the public and private sectors have the right to strike, in accordance with the provisions of the National Constitution. Trade union activity is also protected, ensuring the right of workers to organize in trade unions, as well as protection of trade union leaders against dismissal for exercising trade union activities.

6.10 Family Allowance

The Labor Code establishes that every worker is entitled to receive a family allowance equivalent to 5% of the minimum wage (approximately USD 23) for each child born in or out of wedlock or adopted, up to 17 years of age. This right is extinguished when the salary received by the worker exceeds 200% of the legal minimum wage.

6.11 Social security contributions

In Paraguay it is mandatory to contribute to the Social Security Institute (*Instituto de Previsión Social* or “IPS”) in the following proportion:

- a. **To be paid by the employee:** 9.00% of salary received
- b. **To be paid by the employer:** 16.50% of salary paid

6.11.1 IPS Benefits

Social Security covers risks of non-occupational illness, maternity, work accidents and occupational illnesses, disability, old age and death of salaried workers in Paraguay.

The employer has the obligation to notify IPS of the incorporation of a new employee, as well as at the end of their contract.

6.11.2 Retirement

In Paraguay, a worker can retire with:

- a. 60 years of age + 25 years of contribution. Retiree receives 100% of retirement benefit.
- b. 55 years of age + 30 years of contribution. Retiree receives 80% of retirement benefit + an increase of 4 percentage points for each year of age, until reaching 59 years of age.
- c. 65 years of age + 15 years of contribution. Retiree receives 60% of the retirement benefit. Retirement amount will be proportional to the number of years of contributions actually made.

7. Migration matters

Foreigners who wish to reside and work in Paraguay must obtain residence from the National Migration Office (*Dirección Nacional de Migraciones* or “DNM”), whose category will depend on the activities that the foreigner intends to carry out and their duration. For those planning to establish themselves to carry out a lawful activity for a prolonged or indefinite period, applying for temporary residence is recommended.

Temporary residents have the possibility of obtaining a Paraguayan identity card. Once temporary residence and the Paraguayan ID card have been obtained, these individuals can be appointed as managers in limited liability companies and directors in corporations.

Upon applying for temporary residence, the DNM grants the interested party precarious residence status, valid for 90 non-renewable days, which allows the interested party to stay, leave and re-enter

the country, in addition to working and studying legally in Paraguay. With this provisional document, the interested party can register with the Social Security Institute (“IPS”) and subsequently, once the identity card has been obtained, he or she can register with the GGII.

To start the temporary residency process, the interested party must be present in Asunción for two non-consecutive working days, leaving a minimum interval of 72 hours between each visit. For example, if the first appearance takes place on a Monday, the next one will be on Friday, to request the required local documentation. Once processed, temporary residence is issued within three to four months, with a validity of two years. Once the temporary residence expires, it can be renewed for a like period or changed to the category of permanent resident.

There is no specific minimum stay in the country to maintain temporary resident status, provided the individual is not absent for more than one year unjustifiably. In the case of permanent residents, the absence period cannot exceed two years.

8. Intellectual Property

Paraguay has a solid legal framework for protection of intellectual property rights, an aspect that is especially relevant for companies entering the market with brands, technology, know-how, creative content or innovative products. Protection is regulated by specific laws and international treaties to which Paraguay is a party.

Trademarks are protected by their registration with the National Intellectual Property Office (*Dirección Nacional de Propiedad Intelectual* or “DINAPI”). Registration grants the exclusive right of use with respect to the products or services requested and prevention of unauthorized use by third parties. The system provides for opposition, cancellation and defense mechanisms. In this context, it is advisable to implement trademark surveillance, in order to detect potentially conflicting third-party applications and exercise the pertinent rights in a timely manner.

Patents and utility models protect inventions that meet the legal requirements of novelty, inventiveness, and industrial application. It is important to note that Paraguay is not a member of the Patent Cooperation Treaty (“PCT”), therefore, protection must be processed through the available national mechanisms. Patents granted in Paraguay may be for both products and processes, depending on the nature of the invention and compliance with legal requirements. Industrial designs are also registrable.

Copyright protects literary, artistic and scientific works, including software. Protection is born upon creation of the work, although registration is recommended for evidentiary purposes. In addition, trade secrets and confidential information are protected by law, provided that reasonable steps are taken to preserve their confidentiality.

Intellectual property rights may be licensed, assigned or otherwise transferred, and such acts may be registered with the competent authority. Violation can result in administrative, civil and criminal prosecution. Adequate structuring and protection of intangible assets is a key element for foreign investors seeking to operate in Paraguay.

9. Regulatory matters

Certain industries in Paraguay are subject to prior authorization, mandatory registration and ongoing regulatory oversight. This is particularly relevant for companies operating in the pharmaceutical, food, animal health and plant health sectors.

In the pharmaceutical sector, commercialization of medications and related products requires prior health registration with the competent authority, as well as compliance with applicable regulations on manufacturing, importation, distribution, labeling and promotion. Depending on the activity performed in the country, Good Manufacturing Practices (“GMP”) and other technical requirements may apply.

The food industry is also subject to registration and sanitary authorization requirements. Companies must comply with regulations on labeling, advertising claims, traceability and health controls. Local importers and manufacturers must ensure that products meet safety and quality standards before marketing.

In the field of animal health, veterinary and biological products and certain inputs require registration and prior authorization. Regulatory compliance may include submission of technical documentation, quality controls, and specific import requirements.

Similarly, products related to plant health and agrochemicals are subject to registration, technical evaluation and authorization procedures. This includes agrochemicals, fertilizers, and other regulated inputs, which may require local representation and compliance with phytosanitary standards.

Adequate regulatory planning and early analysis of approval deadlines are essential for investors seeking to enter these sectors, given that market access is usually conditional on obtaining the pertinent authorizations.

10. Data processing

Paraguay has recently enacted Law No. 7593 on the Protection of Personal Data, which modernizes the national regulatory framework and brings it into line with widely recognized international standards. The law incorporates principles and obligations relevant to companies that process personal data, including duties of transparency, existence of a legitimate basis for processing, rights of data subjects, and security measures.

Although Law No. 7593 has already been enacted, it is currently in the *vacatio legis* period. Its provisions will come into full force from November 2027, giving companies a transition period to assess their compliance situation and implement the necessary policies and procedures.

Once in force, the law will have broad application on the processing of personal data in business and employment settings, including customer bases, marketing activities, human resource records, and use of service providers. It will be especially relevant to consider international data transfers, outsourcing schemes (including cloud services) and adoption of appropriate technical and organizational measures. Given the upcoming entry into force, early compliance planning is recommended, particularly for foreign investors, regulated industries, and companies with digital operations or cross-border data flows.

11. Law Applicable to International Contracts

In January 2015, Law 5393/2015 was enacted, regulating the choice of law applicable in international contracts when each of the parties acts in the exercise of their business or profession. The choice of law clause is considered autonomous and separable from the main contract, so the nullity of the latter does not affect the validity of the former.

This legislation provides that the law chosen by the parties to an international contract shall govern all aspects of the contract between the parties, in particular:

- a.** its interpretation;
- b.** the rights and obligations arising from the contract;
- c.** the performance of the contract and the consequences of its breach, including the assessment of damages;
- d.** the different ways of extinguishing obligations, the statutory limitation period and expiration;
- e.** the validity and consequences of nullity of the contract;

- f. the burden of proof in legal presumptions; and
- g. pre-contractual obligations.

Law 5393/2015 also allows the parties to choose more than one law applicable to the contract (dépeçage).

Finally, the provisions do not apply to consumer, employment, franchise, representation, agency and distribution contracts. Likewise, Law 5393/2015 does not apply for determining the law applicable to: a) the capacity of natural persons; (b) arbitration agreements and choice of court agreements; (c) corporations or other associations and trusts; (e) insolvency proceedings; and f) the question of whether a representative can bind the person on behalf of whom s/he intends to act vis-à-vis third parties.

12. Dispute Resolution – Arbitration

Paraguay has a legal framework favorable to arbitration. It is recognized in the National Constitution itself and, in addition, Paraguay has a recent arbitration law based on the Model Law on International Commercial Arbitration of the United Nations Commission on International Trade Law.

Under the applicable legislation, all disputes subject to settlement and having a proprietary content may be submitted to arbitration. In addition, bodies and entities of the Paraguayan State, corporations in which the State is a shareholder, municipalities and binational entities are expressly authorized to submit their disputes to arbitration.

Moreover, Paraguay has ratified the main international conventions on international arbitration, such as the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, the Inter-American Convention on International Commercial Arbitration (Panama, 1975), and the Convention Establishing the International Centre for Settlement of Investment Disputes (ICSID).

Regarding arbitral awards, the arbitration law provides that the only remedy available against awards is the action to annul on strictly formal grounds, ruling out appeals on the merits.

Paraguay has two arbitration institutions, *Centro de Arbitraje y Mediación Paraguay (CAMP)*, dependent on the National Chamber of Commerce and Services of Paraguay, and *Centro Latinoamericano de Arbitraje y Mediación (LATCAM)*. Both institutions have Arbitration Rules similar to the UNCITRAL rules, with CAMP having renewed its rules in November 2021.

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