

Informative annex - Destinations of profits and tax related consequences - Sociedades Anónimas

Destination option	Tax effect	Scope	Deadline	Comments
1. Distribution	Yes.	<p>Shareholders must pay the Tax on Dividends and Profits ("IDU") according to whether they are:</p> <ul style="list-style-type: none"> › residents in Paraguay: 8% › non-residents: 15%. 	<ul style="list-style-type: none"> › Triggering of the IDU: Dividends are deemed to be made available to the shareholders when the shareholders' meeting resolves their distribution, regardless of the timing of payment. › IDU withholding from the date on which the decision was adopted until the last day of the month.. › Payment of the IDU by the Company: on the 13th day of the month following the month in which the withholdings were made. 	
2. Capitalization	No, unless the process is not completed within the 12-month period from the shareholders' meeting.	In the event the capitalization formalization process is not completed within the 12-month term, the profits that were to be capitalized shall be deemed distributed for purposes of the ID as of the business day immediately following the expiration of such term.	The capitalization process, up to the payment of shares, must be concluded within 12 months following the ordinary shareholders' meeting that resolves to capitalize the profits. Otherwise, the Company will be required to apply the IDU withholding on the next business day following the expiration of the 12-month period.	<p>The shareholders may decide:</p> <ul style="list-style-type: none"> › To increase the corporate capital of the Company by an extraordinary shareholders' meeting, which implies its formalization by a public deed and its registration in the public registries and the Corporate Surveillance Entity, subject to notarial fees, which are calculated based on the capital and will be borne by the Company. › To issue and subscribe the pending shares or the shares issued as a consequence of the capital increase through an ordinary shareholders' meeting, and formalize it by public deed, if required by the bylaws. › To pay-in the subscribed shares that are pending payment or that have been issued and subscribed as a consequence of the increase. <p>If you choose this alternative, we will send you the quotation adjusted to the Company's case.</p>
3. Remission to the retained earnings account	Yes.	<p>Destination not included in the tax regulations. There is a risk that tax authority requires the payment of the IDU depending on whether they are:</p> <ul style="list-style-type: none"> › residents in Paraguay: 8% › non-residents: 15%. 	To avoid any contingency, we recommend allocating the profits to the special reserves account, as set forth in the table below. Otherwise, if it is decided to allocate them to the retained earnings account, the company must withhold the IDU and make the corresponding payment in accordance with the rules applicable to distributions.	<ul style="list-style-type: none"> › The tax authority could understand that the allocation of the profits to a destination not contemplated by law represents a provision of the dividends in favor of the shareholders. › If it is decided not to withhold the IDU, the tax should be considered, along with the possibility of paying a penalty for late payment and late interest from the date the tax payment obligation was incurred, if the tax authority confirms the payment obligation.
4. Remission to the Special Reserves Account	No.	The allocation of profits to special reserves does not trigger the obligation to pay the IDU until the Company decides to distribute the reserves.	No time limit applies to the retention of profits in special reserves. Should the reserve subsequently be distributed to the shareholder, such distribution shall qualify as a profit distribution and be subject to the rules outlined above for distributions.	<ul style="list-style-type: none"> › Special reserves can be allocated to other purposes in the future. For example, they can be capitalized or distributed. If they are capitalized, they will not be subject to the payment of IDU, but if they are distributed, they will. › To proceed with the distribution of the Special Reserves Account, the release of the reserves must first be approved by the ordinary shareholders' meeting. › It is suggested that the bylaws allow for the constitution of Special Reserves; if not, it is advisable to modify them.