

Informative annex - Destinations of profits and tax related consequences - S.R.L.

Destination option	Tax effect	Scope	Deadline	Comments
1. Distribution	Yes.	<p>Quotaholders 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: profits are considered to be made available within the period set forth in the bylaws. If no such term is established therein, the distribution is presumed to take place in the fourth month following the close of the fiscal year. › IDU withholding until the last day of the month in which the triggering event occurred. › Payment of the IDU by the Company: on the 13th day of the month following the month in which the withholdings were made. 	<ul style="list-style-type: none"> › The law presumes that in the case of SRL, profits are distributed during the month of April if the Company's bylaws do not specify a specific term for this purpose. To avoid triggering this legal presumption, it is necessary to draft a minute dated in April and have it notarized by a public notary, stating that the profits were allocated to capitalization or to the special reserves account. › It is recommended that the bylaws include a deadline for the distribution of profits if, due to operational reasons, it is not feasible to determine the destination of the profits by the month of April.
2. Capitalization	No, unless the process is not concluded within 12-month period of the quotaholders' meeting.	If the capitalization formalization process is not completed within 12-month period, the profits that should have been capitalized will be considered distributed for the purposes of the IDU as of the business day following the expiration of such period.	The capitalization process, up to the registration of the public deed amending the bylaws with the Public Registries, must be concluded within 12 months after the meeting that approves the capitalization of profits. Otherwise, the Company will be obligated to withhold the IDU on the next business day following the expiration of the 12-month period.	<ul style="list-style-type: none"> › The quotaholders may decide to: (i) pay-in the excess capital within the authorized capital (if any); or (ii) increase the capital, subscribe and pay-in the new capital. › The minute providing for the capital increase must be notarized by a notary public, registered with the public registries and the controlling authority, and is subjected to notary fees, which are calculated based on the capital and shall be borne by the Company. › In you choose this alternative, we will send you the quotation adjusted to the case of the Company.
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 non-tax regulated destination represents a provision of the dividends in favor of the quotaholders. › 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. › Note that the minutes recording the decision to allocate the profits to the retained earnings accounts must be notarized before a notary public. Notary fees will be paid by the company.
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 quotaholder, 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. › Please note that the minutes reflecting the decision to allocate the profits to the special reserves account and the decision to release the special reserves must be formalized in a public deed before a notary. Notarial fees will be borne by the client. › It is suggested that the bylaws allow for the constitution of special reserves; if not, it is advisable to amend them.