**Personal Income Tax in Paraguay**

**Personal Income Tax**

The Personal Income Tax was created by Law 2421/04. The mentioned tax got in force from August 1st., 2012.

**Taxable income**

It taxes personal income obtained from professional activities performed by individuals in Paraguay. The tax will apply to capital gains and work gains.

**Work gain taxation**

Applies on dependent or independent earned incomes (wages, salaries, etc.).

Tax rate: 10% and 8% which depends on the amount of the annual incomes.

- Annual Incomes equal or higher than 120 minimum salaries = 10%
- Annual Incomes lower than 120 minimum salaries = 8%

Applied on gross income less some permitted deductions.

(*)The minimum monthly salary is PYG 2,041,123 = US$ 370 approximately

**Capital gain taxation**

Applies on of the income derived from capital investment: dividends, profits and any other result that can be obtained as a shareholder or partner from companies addresses in Paraguay (on the 50%).

“capital gains” for occasional sale of real states, rights transference and the sale of titles, shares and capital quotes (100%).

Tax rate applied on gains income: 10%.

**Tax payers**

Will be taxpayers at an effective tax rate of 10%:

- Individuals with residence in Paraguay (excepted who obtain income lower that 120 salaries in the year).
- Foreigners non resident in the country for services rendered in Paraguay (as withholding tax).
Recent legislative updates
Paraguay – Implementation of the Personal Income Tax withholding System (WHT PIT)

The Tax Authority has issued main modifications to collecting of Personal Income Tax. According to the Resolution N°119/17, local private and public companies, cooperatives, associations and foundations established in Paraguay will be withholding agents of personal income tax, from September 1st, 2017.

These agents must withhold and remit monthly he personal income tax (PIT) to the Paraguayan Tax Authority when make a payment to a taxpayer.

The withholding must be done in the following situations:

- if the monthly nominal wage paid to the employees is greater than or equals to Gs. 10.000.000 (local currency), approximately US$ 1.800 (One thousand and eight hundred, United State Dollars);

- fee of the professional advisors or independent personal services paid in a regular basis (monthly, quarterly, six-monthly or annually);

- fees paid to companies without commercial purposes (Partnerships entities);

- and dividends paid to local shareholders or partners.

In this context, the tax rate applicable to each situations is:

a) 0,5% on nominal wage and other benefits paid to employees as extraordinary hours, bonus, etc., excluding the personal social contribution.

b) 1% on professional fees or independent personal services.

c) 1% on fees paid to companies without commercial purposes.

d) 2% on the 50% of the amount of dividends paid to local shareholders or partners.

However, this regulation establishes that the agents shall no have to withhold on the following situations: retirements and pensions; compensation; maternity bonus; occasional professional fees; among others.
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