

Paraguay Tax System 2026

A practical guide for investors

The main taxes on business profits, distributions, cross-border payments, consumption and personal income, with an overview of investment incentives and Maquila.

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Paraguay's tax framework is principally governed by Law 6,380/2019. This guide sets out the main taxes separately, followed by the rules relevant to international transactions and approved investment projects. [1]

Taxes at a glance

Tax	Rate	Main application
Business Income Tax IRE	10%	Taxable business profits
Dividends and Profits Tax IDU	8% / 15%	Distributions to residents / non-residents
Non-Resident Income Tax INR	15% of the statutory base	Specified Paraguayan-source income of non-residents
Value Added Tax IVA	10% / 5%	Taxable goods, services and imports
Personal Income Tax IRP	8%–10%	Personal services; capital income generally at 8%
Selective Consumption Tax ISC	Variable	Specified products
Maquila single tax	1%	Approved Maquila activities and statutory base

Rates are subject to exemptions, source rules, taxable-base adjustments and any applicable treaty. Maquila is a special regime, not a general corporate tax rate.

The scope of territorial taxation

Paraguayan-source income is the starting point, but the source rules extend to specified foreign income. For IRE, these include certain foreign investments and activities carried out abroad. Incorporation in Paraguay does not create a blanket exemption for overseas income; Article 6 and any foreign-tax relief must be considered. [1]

1 Business Income Tax (IRE)

The **Impuesto a la Renta Empresarial (IRE)** is Paraguay's principal corporate income tax.

Standard rate: 10%.

It generally applies to Paraguayan-source income derived from commercial, industrial, agricultural and service activities.

The General IRE regime is the normal framework for companies and substantial business operations. Smaller taxpayers may qualify for simplified regimes, although these are normally of limited relevance to foreign investors.

Main points

- Tax rate: **10%**
- Based broadly on taxable business profit
- Applies principally to Paraguayan-source income
- Ordinary deductible business expenses can reduce the taxable base, subject to statutory conditions
- Separate rules apply to depreciation, provisions, related-party transactions and documentation

IRE General is ordinarily the starting point for a conventional Paraguayan subsidiary. [1,2]

2 Tax on Dividends and Profits (IDU)

Corporate profits can face a second layer of taxation when they are distributed.

The **Impuesto a los Dividendos y a las Utilidades (IDU)** applies to dividends and other qualifying distributions.

Rates

- **8%** when the beneficiary is resident in Paraguay
- **15%** when the beneficiary is non-resident

Illustration of a full distribution

Step	Amount
Taxable profit before IRE	100.00
IRE at 10%	(10.00)
Profit available for distribution	90.00
IDU at 15% for a non-resident	(13.50)
Net amount received by shareholder	76.50

Combined Paraguayan tax: 23.5% of the original profit. Assumes all post-tax profit is distributed, no adjustments, no special exemption and no treaty relief. Tax in the shareholder's home country is excluded.

Retaining profits does not by itself trigger IDU. A resolution making profits available to shareholders can trigger the tax before cash is paid; deemed distributions and formal capitalisation rules also require attention. [1]

Tax treaties may reduce the tax applicable to distributions in qualifying cases.

3 Non-Resident Income Tax (INR)

The **Impuesto a la Renta de No Residentes (INR)** applies to certain Paraguayan-source income obtained by non-resident individuals or entities.

Statutory rate: 15%.

The effective tax is not necessarily 15% of the gross payment because Paraguayan law establishes different **presumed taxable bases** depending on the type of income.

This affects payments such as:

interest; commissions; technical or professional services; royalties; certain financial charges; international transport income; other income obtained by non-residents.

Accordingly, the effective withholding rate can differ materially depending on the transaction.

Cross-border service, financing and licensing agreements should therefore be reviewed individually.

4 Value Added Tax (VAT)

Paraguay applies VAT to sales of goods, services and imports.

Rates

- **10%:** general rate
- **5%:** reduced rate for specified transactions

VAT paid on business inputs can generally be credited against VAT charged on taxable sales, subject to the normal requirements.

Imports

Imported goods can be subject to:

- customs duties;
- import VAT;
- ISC where applicable.

Investment incentive regimes may eliminate or reduce some of these costs for approved projects.

Exports

Exports of goods are exempt from VAT. Export-service treatment depends on the statutory source rules and cannot be assumed from the customer's foreign residence.

Qualifying exporters may recover input VAT under the statutory refund procedure.

Eligibility, supporting invoices and restrictions, including those affecting certain agricultural exports, must be checked. [1,3]

5 Personal Income Tax (IRP)

The **Impuesto a la Renta Personal (IRP)** applies to Paraguayan-source income obtained by individuals.

Two broad categories are especially relevant.

Personal services

Income from personal services is subject to progressive rates of:

- **8%**
- **9%**
- **10%**

These are marginal rates applied to successive bands of net taxable income: 8% up to PYG 50 million, 9% on the next PYG 100 million and 10% above PYG 150 million. Personal-services gross income must exceed PYG 80 million for the annual payment obligation to arise, subject to the applicable rules. [1,4]

Capital income and gains

Certain capital income and gains are generally taxed at **8%**.

IRP must be distinguished from IDU. Dividends subject to IDU are not simply treated as ordinary personal-service income.

6 Selective Consumption Tax (ISC)

The **Impuesto Selectivo al Consumo (ISC)** is an excise-type tax applying to specified products.

It is particularly relevant to sectors involving:

- tobacco;
- alcoholic beverages;
- certain non-alcoholic beverages;
- fuels;
- selected goods listed in the applicable schedules;
- other products listed by law.

Rates vary considerably according to the product.

ISC is generally of limited relevance to ordinary service companies but can be material for importers, manufacturers and distributors in affected sectors.

7 Transfer pricing

Paraguay has formal transfer-pricing rules for relevant transactions between related parties.

The rules are based on the **arm's-length principle**.

They are particularly relevant to:

management fees; technical services; royalties; intra-group financing; related-party imports and exports; transactions with low-tax jurisdictions.

The obligation to prepare a technical transfer-pricing study depends on statutory thresholds, transaction types and the applicable regulations. [1]

Even where the formal documentation threshold is not reached, related-party pricing must remain defensible.

8 Investment incentives

Paraguay's investment incentive regime is governed by **Law 7,548/2025** and **Decree 5,432/2026**. Relief is project-specific and subject to eligibility and approval. [5]

Approved projects may benefit from exemptions affecting:

- customs duties on qualifying capital goods;
- VAT on qualifying imports;
- VAT on certain domestic purchases;
- financing costs in qualifying large projects;
- IDU for certain major investments.

Investments of at least **USD 13 million** may qualify for additional benefits, including relief relating to international financing and, in qualifying cases, a ten-year IDU exemption.

The USD 13 million threshold does not make every benefit automatic. Qualifying lenders, project income and approval conditions matter. VAT relief is restricted for service activities; qualifying large tourism and entertainment projects have a separate USD 20 million threshold. [5]

9 Maquila regime

The **Maquila regime**, governed by Law 7,547/2025, covers approved export-oriented manufacturing and services programmes. [6]

Approved Maquila operations are generally subject to a **single 1% tax** calculated on Paraguayan value added or export invoice value, whichever is higher.

The regime can also provide:

- suspension of customs duties;
- exemptions from ordinary corporate taxation on qualifying activities;
- favourable treatment of imported inputs;
- VAT recovery mechanisms.

The statutory exemptions include IRE, IDU and INR for income arising from an approved programme. Domestic sales and activities outside that programme require separate treatment; the 1% rate cannot be applied to the whole business without checking scope. [6]

10 Double-tax treaties

An applicable double-tax treaty can modify the domestic treatment of cross-border income.

Double-tax treaties may affect:

dividends; interest; royalties; permanent establishments; business profits; foreign tax credits.

The **Spain–Paraguay Double Tax Treaty** entered into force on 14 October 2024. Its provisions take effect according to the dates specified in Article 27. [7]

Treaty eligibility must be analysed case by case, taking into account residence, beneficial ownership and anti-abuse rules.

11 Electronic invoicing and compliance

Paraguay is progressively digitalising tax administration.

Electronic invoicing operates through **SIFEN**, including the e-Kuatia platforms.

Businesses should expect increasing reconciliation between:

invoices issued; purchases; VAT returns; income-tax returns; customs data; taxpayer registrations.

The invoicing platform and mandatory implementation date depend on the taxpayer's category and DNIT rules. Registration, returns, supporting records and withholding obligations remain applicable. [8]

12 Practical summary for investors

Framework	Tax approach	Condition
Ordinary business	IRE, IDU, VAT and INR as applicable	Apply each tax to the relevant income or transaction
Investment incentives	Targeted exemptions under Law 7,548/2025	Approved project and benefit-specific requirements
Maquila	1% single tax and statutory exemptions	Approved programme; separate treatment outside its scope

Identify the income source and taxpayer first. Then determine the tax base, rate, withholding obligations and any approved exemption or treaty relief. Payroll contributions, municipal charges and customs duties may create additional costs outside the taxes summarised here.

Sources

1. [DNIT – Law 6,380/2019, including Articles 6, 21, 43–44, 69, 75 and VAT provisions](#)
2. [DNIT – Business Income Tax](#)
3. [DNIT – Value Added Tax](#)
4. [DNIT – Personal Income Tax](#)
5. [MIC – Law 7,548/2025 and Decree 5,432/2026](#)
6. [Congress of Paraguay – Maquila Law 7,547/2025, Articles 37–38](#)
7. [BOE – Spain–Paraguay Double Tax Treaty](#)
8. [DNIT – Electronic invoicing and SIFEN](#)

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