

## **Investment under Law 60/90**

Within the framework of the investment promotion regimes in force in Paraguay, in addition to the maquila, there is another transcendental instrument, Law 60/90 "That establishes the Regime of Fiscal Incentives for Capital Investment of National and Foreign Origin." The objectives of the legislation include: increasing the production of goods and services, generating new sources of employment, promoting exports and the substitution of imports, and incorporating new technologies that increase productivity. The benefits granted by the regime are twofold. The first affects the import and local purchase of capital goods. Imports are fully exempt from customs duties and VAT, provided that there is no domestic production of the similar goods to be imported. Likewise, local purchases of capital goods produced in the country are exempt from VAT. The other set of benefits is associated with remittances, payments abroad, dividends and profits as long as the amount of the investment exceeds USD 13 million. Remittances and payments abroad in the form of interest, commissions and capital are exempt from all taxes, as well as taxes that affect dividends and profits from approved projects, for a period of up to 10 years.

Investments under this regime were USD 321 mn in 2023 and USD 191 mn upto July this year. Between 2020 and 2024, the investments under Law 60/90 registered an average increase of 40%, with 2023 being the period with the highest investments for a total of USD 321 million. 98% of these investments are concentrated in the secondary sector, with the most significant sectors being plastics and their manufactures, as well as pharmaceutical products. Since 2022, a total of 280 companies have been granted the right to invest under Law 60/90. As for

projected job creation, as of July 2024, 3,472 jobs were created, 83% of which were concentrated in the food and beverage, plastics, chemicals and pharmaceutical sectors. A glass factory leads the ranking of planned investments with US\$ 40 million both under the Maquila Regime and under Law 60/90. It should be noted that companies can simultaneously benefit from both investment promotion instruments, since they can be combined with each other. Furthermore, the Maquila Regime aims to promote exports by suspending taxes on the import of raw materials and inputs. On the other hand, Law 60/90 seeks to promote local industry and its benefits are directed towards capital goods.

Under this system employment of 2345 persons was generated in the food and beverages sector and 285 persons in the plastics sector.

Both tax incentive regimes for capital investment have a board that approves investment projects. For the Maquila, the National Council of the Maquila Industry is composed of the Central Bank of Paraguay (BCP), the Ministry of Foreign Affairs (MRE), the Ministry of Industry and Commerce (MIC) and the Ministry of Economy and Finance (MEF). While the Investment Council of Law 60/90 has the same composition, the MRE is replaced by the Ministry of Agriculture and Livestock (MAG). This difference is due to the relevance of the agro-industrial sector in the investments made under this system. With the recent acquisition of Investment Grade position Paraguay is a more reliable and attractive destination for investors. Both the Maquila Regime and Law 60/90 are instruments that have allowed the arrival of foreign capital, however, the challenges remain significant including adapting to new global demands.

