

paraguay



VOUGA & OLMEDO | ABOGADOS

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Established in 1976. Since then, VOUGA & OLMEDO has ranked among the most prestigious and largest law firms in Paraguay. always seeking creative solutions to the competitive challenges facing modern business today while not affecting our ability to provide a full service, high quality legal practice. Most of our practice involves counseling foreign investors conducting business transactions in Paraguay. The firm regularly advises and represents top multinational entities as well as large national corporations in a variety of legal issues. VOUGA & OLMEDO's attorneys' high degree of specialization in different areas of the law enables it to meet the most complex legal needs of its clients with efficiency and professionalism. The firm is committed to providing the most productive and cost-effective legal service as well as maintaining long-term relationships with its clients.

The firm offers a wide range of services for international clients doing business in Paraguay. Over the years the firm has represented some of the world's largest corporations and institutions entering the local market. Corporate transactions for multinational entities have implied representing buyers and sellers in mergers and acquisitions, advising foreign clients in setting up their businesses in the form of branches, subsidiaries, licensing and joint ventures, as well as reorganizations and setting-up of strategic alliances. The firm handles all aspects of the client's projects, from coordination of feasibility studies, to contacts with Paraguayan government entities to the actual start-up of the project. Our business lawyers draft, negotiate and execute commercial agreements locally and internationally. VOUGA & OLMEDO plays a relevant role in many important transactions involving international and national entities.

VOUGA & OLMEDO's attorneys have often participated and contributed to the drafting and implementation of privatization, capital markets, insurance, hydrocarbons, gas, telecommunications and administrative legislation, among others.

VOUGA & OLMEDO's multidisciplinary approach to all legal matters provides the expertise of tax attorneys, environmental law attorneys, labor and employment law attorneys, litigators and intellectual property agents and attorneys in all business matters. The firm is organized into practice groups of attorneys specialized in diverse areas of the field guaranteeing excellence in lawyering skills.

Besides offering quality service, VOUGA & OLMEDO is responsive to each client's request as to when and how the service should be rendered. Our attorneys work closely with clients to understand the clients' needs in order to better achieve objectives while remaining cost-effective. The multi-lingual team of attorneys is able to provide legal services in Spanish, English, German, French and Portuguese.

The firm's infrastructure is also among the largest in the country. It serves as home office to its attorneys, paralegals and administrative personnel. VOUGA & OLMEDO is committed to using the latest technology, thus enabling its staff to practice the law in accordance to international standards. Our modern

communications' technology allows our lawyers to easily communicate and respond to client's needs and requests in real time. The offices are equipped with modern computer systems, which expedite administrative and bureaucratic services such as: case progress, fee status, billing and accounting records in general.

VOUGA & OLMEDO's team is composed of 6 partners, 28 associates, trainees, paralegals and administrative personnel. The firm is known for its active recruitment of talented lawyers who have received foreign exposure and hold degrees from top Anglo-American and European universities. At present, the firm employs a relevant number of the lawyers in the country who hold post-graduate degrees from foreign universities. These lawyers have all received the highest merits and ranks within their law school graduating classes. In addition, VOUGA & OLMEDO encourages its members to continue their legal education and enables their attendance to international conferences and meetings of leading bar associations.

paraguay | corporate law

Regulations and Rules

In addition to the basic norms provided for in the National Constitution, in Paraguay corporations are regulated by the Civil Code, and Law 1034/83 "Del Comerciante", and by Law 388/94 "Sociedades Anonimas"

Types of Companies

The most commonly used types of corporate business entities are the Public Companies, also known as Public Corporations or Stockholding Companies, locally referred to as Sociedades Anónimas (S.A.), and the Limited Liability Companies (Ltd.) locally referred to as Sociedades de Responsabilidad Limitada (S.R.L.).

Sociedad Anónima (S.A.) is a type of corporate business entity in which the quota of capital contribution by its owners is represented by shares. The liability of its owners is limited to their contribution to the share capital. The "articles of incorporation" of a Sociedad Anónima, must be in the form of a notarized public deed, and must specify basic details about the corporation, such as its name, the names of its stockholders, the business purposes, the amount of subscribed corporate capital, the names of its managers, etc.

Sociedades de Responsabilidad Limitada (S.R.L.) [Limited Liability Companies (Ltd.)] is a type of corporate business entity in which the contribution to the share capital by its owners is documented in the "articles of incorporation". Just like in Sociedades Anónimas [Public Corporations], the "articles of association" of Sociedades de Responsabilidad Limitada (S.R.L.) [Limited Liability Companies], must specify basic details about the corporation, such as its name, the names of its shareholders, the business purposes, the amount of subscribed corporate capital, the names of its managers, etc. and must be in the form of a notarized public deed. The liability of owners is limited to their contribution to the share capital (quotas). The number of owners for this type of company is limited to 25. The liability of Shareholders in the Company (in each essential) type.

In Sociedades Anónimas [Public Corporations] as well as in Sociedades de Responsabilidad Limitada (S.R.L.) [Limited Liability Companies], the liability of owners is limited to the amount of their stock or contribution to capital (quotas).

Share Capital

Paraguayan law does not require a minimum amount of capital or a minimum percentage of paid in capital for the incorporation of a S.A [Public Corporation] or a Sociedad de Responsabilidad Limitada (S.R.L.) [Limited Liability Companies], nor does it establish a maximum limit for the amount of capital. There are no restrictions on the percentage of ownership of share capital by foreigners.

Classes of Shares (Registered, Bearer, Preferred, Ordinary)

Only in the Sociedades Anónimas [Public Corporations] is the contribution to the share capital by its owners represented by shares. Shares can be issued as registered nominative or bearer shares, except for companies with specific business purposes (e.g., Financial Entities). Each share has the right to one vote (ordinary shares), except when company bylaws stipulate that a specific class of shares has voting rights of more than one vote for each share (preferred shares).

There are no restrictions regarding a foreign company being a shareholder of a Sociedad Anónima incorporated in Paraguay.

Corporate Governance: Classes

SHAREHOLDERS' MEETING

The Shareholders' Meeting is the main decision-making body in the Sociedad Anónima. A meeting must be held at least once a year. The topics discussed at this meeting, called an ordinary meeting, include the board of director's annual report, financial statements, distribution of profits, appointment of directors, etc.

Extraordinary meetings may also be convened, with the purpose of considering any matter not included within the scope of ordinary meetings. They are

convened, for example, to modify bylaws, increase or decrease capital, changing the company's official signatures, changing the corporate purpose or for the merger or liquidation of the company.

ASSIGNMENT OF INTERESTS [Transfer of shares or quotas]

One of the main differences between a Sociedad Anónima and a Sociedad de Responsabilidad Limitada is the flexibility regarding the transfer of shares or quotas. The Sociedades Anónimas have few restrictions on the transfer of shares, except for the due reservation of shareholders' preferential rights. However, in a Sociedad de Responsabilidad Limitada when the company has more than five partners, quotas cannot be assigned to third parties without the approval of a majority of three-quarters of the capital ownership. When there are less than five owners, the transfer of quotas to third parties requires the owners' unanimous approval. The Civil Code stipulates that the assignment of quotas is unrestricted between partners, unless the articles of association state otherwise.

Decision-Making Bodies

DIRECTORS

One or more directors, appointed by the ordinary shareholders' meeting, are in charge of the management of a Sociedad Anónima. The directors may, but need not be, shareholders. There are no legal restrictions in regard to the nationality of the directors but a majority of them must reside in Paraguay.

The extent of the authority of the Directors is established in the articles of association. Directors are appointed for a one year term unless otherwise provided in the articles of association. According to civil and criminal law, Directors are liable in the event of breach of the articles of association and decisions of the board of directors.

No specific procedures are provided by law for the determination of directors' remuneration, nor is there any minimum or maximum limit to such remuneration.

ANNUAL ACCOUNTS- Financial and operating results: Duties and Liabilities

The necessary documents are the board of director's annual report, the report of the Internal Audit Officer, the balance sheet and the statement of profits and losses. The balance sheet must be delivered to the Tax Authority within three months after the close of the fiscal year, that is to say before 31st March. There is no need to publish the balance sheet in Legal Gazettes except for banks or finance companies.

SYNDIC [Internal Audit Officer]

In accordance with the Paraguayan Civil Code, the internal audit function in a corporation (syndic, statutory auditors) may be fulfilled by one person or a group, as provided in the articles of association. The syndic must audit the policies and management of the company as well as the financial statements. His annual report is presented to the shareholders' ordinary meeting.

SOCIEDADES DE RESPONSABILIDAD LIMITADA (S.R.L.) [Limited Liability Companies (Ltd.)]

Decision-Making Bodies

One or more managers assumes the direction, management and representation of the company. In the case of the so-called "member management" the managers are all partners owning a share in the company. There is also an alternative management structure [awkwardly called "manager management"] where managers may be designated, who are not necessarily partners.

SUPERVISORY BODY [Internal Supervisory Body]

A Sociedad de Responsabilidad Limitada can also create an internal supervisory body, formed by one or more "syndics" (corporate audit officers). However, appointment of syndics is not required as in the case of Sociedades Anónimas.

RESOLUTIONS [Deliberations, Meetings and Decisions]

In a Sociedad de Responsabilidad Limitada, resolutions are passed with the favorable votes of a majority of the share capital, except for changes in the corporate purpose, or in the event of merger or transformation, in which case the resolution must be adopted by unanimous vote. There is no need to convene Annual meetings.

OTHER BUSINESS ENTITIES [Companies and Partnerships]

Although used with much less frequency, the Paraguayan law provides for other types of business entities, namely:

- Sociedad Colectiva [General Partnership]: formed by two or more partners, who are subject to vicarious liability [secondary liability] as well as unlimited, joint and several liability for partnership obligations.
- Sociedad en Comandita Simple [Commandite; Limited Partnership]: formed by general partners who are jointly and severally, liable, without limitation, for partnership obligations, and limited partners who are liable only up to the amount of capital they have contributed.
- Sociedad en Comandita por Acciones [Joint Stock Company; Stock Association]: Also formed by general partners and limited partners, with the capital contributed by limited partners being represented by shares of stock.

QUOTED COMPANIES

Quoted Companies are incorporated as "Sociedades Anónimas" [Public Corporations] with special authorization granted by the "Comisión Nacional de Valores" [Stock Exchange Commission]. The shares must be registered and their transfer must be notified to the "Comisión Nacional de Valores". A minimum capital amount applies. Subscribed capital has to be paid in within a period of three years.

There are temporary tax exemptions available to encourage the incorporation of this kind of company.

paraguay | tax law

CORPORATE TAX

General notes

A new tax law has been recently enacted (Law 2421/ 04). The following information does not incorporate the changes made by this law, since the implementing regulations have not yet been issued for most of the taxes and will be in force only in 2006.

There are four main tax categories of in Paraguay: income tax, capital taxes, consumer taxes and the so-called "other taxes".

The only tax on taxpayer income is Income Tax, which defines three categories of income: i) Income from commercial, industrial activities and from services; ii) Income from agricultural activities and iii) Tributo Único [Sole Tax] for taxpayers whose annual income does not exceed the approximate equivalent of 15,000 U.S. Dollars. The new tax law created a new tax category which is Personal Income Tax, but as we mentioned before, the implementing regulations for this tax have not been issued yet and will be in force only in 2006.

Capital taxes include: real estate tax, additional tax for empty lots and an additional tax for large properties and large estates.

Consumer taxes are the: i) Value Added Tax and ii) the Selective Consumer Tax, which taxes the consumption of luxury goods, such as cigarettes and alcoholic beverages.

Finally, among the "other taxes" category, only some activities are taxable, corresponding to financial intermediation activities within the referred to Acts and Documents Tax.

Another category of tax created by the new tax law, is the Fiscal Patent for Vehicles.

Taxes on Corporate Income. Corporate Residence. Branch Income.

Income that originates from commercial, industrial activities, the rendering of non-personal services and income from agricultural activities is taxable income.

The tax is levied on income from a Paraguayan source, which comes from development activities, from property located in or from rights financially used in the Republic, independent of the nationality, domicile or residence of those participating in the transactions, and the place where the contracts are entered into.

The general tax rate is 30% applied to net income. The net income from the fiscal year is obtained after subtracting deductible expenses from and adding non-deductible expenses to the gross income.

Individuals domiciled or legal entities formed abroad with or without a branch, agency or establishment located in the country pay a 35% tax. 30% of this percentage corresponds to the taxable net income for the fiscal year and 5% to profits actually sent abroad.

Income allocated to the installation, increase, or renovation of fixed assets directly affecting the procurement of industrialized products, as well as income allocated to cover the cost of implementing forestation and reforestation in the rural sector, will be taxed at a rate of 10% and if applicable, shall not be subject to the 5% withholding on profits credited to the home office domiciled abroad.

Income Determination. Deductions.

Net income is determined by subtracting expenses from the taxable gross income that are i) necessary to obtain and maintain the production source and ii) as long as they represent a real expenditure and are properly documented.

Among others, the following are allowed as deductible expenses: a) expenses and business obligations that are attributable to activities, assets and rights

pertaining to the production of income; b) general expenses of the business; c) personal remunerations for services rendered; d) organization, formation or preoperative expenses, etc.

On the other hand, the following are non-deductible expenses: a) interest under the heading of capital, loans, or any other investment from the owner, partner, or shareholder of the company; b) penalties from tax offenses; c) profits from the fiscal year allocated to capital or reserves; etc.

Foreign individuals or legal entities that carry out taxable activities in the country will determine the territorial percentage of their net income from a Paraguayan source according to the type of activity carried out:

- 10% on the amount of premiums and other income from insurance and reinsurance operations.
- 10% on gross income from the realization of travel tickets and radiograms operations, telephone calls and other similar services rendered from the country to abroad.
- 15% of the gross income from international news agencies.
- 40% on the gross income of production companies, distributors of cinematographic or television films, of magnetic tapes or any other type of similar projection, transmission, or broadcasting image and sound medium.
- 10% on the gross income from international shipping operations.
- 15% of the gross income from the transfer of container use.
- 100% of the income from other activities, when they are from branches, agencies, or establishments located in the country. The percentage is 50% for any remaining situations.

The system establishes the following objective exemptions:

- a) Dividends and profits obtained as shareholder or partner of entities.
- b) Interest from public debt securities issued by the State or by Municipalities.
- c) Exemptions from Law N° 60/90.
- d) Interest on savings deposits such as on demand deposits, fixed-term deposits, certificates of deposit or any other modality used to establish it.

The following entities are exempt:

- Religious entities and donations allocated to religious services.
- Social assistance, charity, scientific teaching, literary and union entities, associations, federations, foundations, political parties, etc. as long as they do not pursue for-profit objectives and that the profits or dividends are not distributed directly or indirectly among their associates.

Tax Incentives (Including Special Tax Regimes)

Law 60/90 grants fiscal benefits to national or foreign natural or juridical persons, as long as they carry out their activities in accordance with the economic and social policy of the government.

In order to have a right to the benefits granted by the law, a legal opinion [legal report, judgment] from the Investment Council, an advisory agency of the Ministry of Industry and Commerce and of the Ministry of Finance in charge of analyzing and evaluating the proposed projects, is required.

The respective request [petition, appeal] must contain data and information concerning the solicitor's name, domicile and legal status; target activity; labor force to be employed; domestic and imported raw material and inputs required to carry out the investment; investment amount and financial resources.

An investment project for an amount in excess of five million American dollars (USD 5,000,000), should be presented by technical advisors [technicians, specialists, experts] and/or local consultants [consultancy, advisory group or company] enrolled [registered] in the respective registries.

The following are among the exemptions granted by Law 60/90:

- a) fiscal and municipal taxes paid on the creation, incorporation and registration of corporations [companies] and other business entities;
- b) taxes on dividends and profits generated by investment projects, for ten years, if the investment project is for an amount in excess of five million American dollars (USD 5,000,000);
- c) customs duties.

Leasing

The same tax exemption regime applies to capital goods under lease, as well as to those under a regime of temporary admission.

Maquila

The Maquila is an industrial process operating under a "Temporary Admission Customs Regime", which allows the temporary entry of goods, products and services into the country to be assembled, repaired, improved and manufactured or be used in manufacturing processes, for subsequent export after incorporation of value added or national components.

Operating such an industrial development tool in Paraguay may entail certain benefits, such as:

- a) the country's strategic geographic location, which grants easy access to MERCOSUR;
- b) the low tax burden;
- c) the inexpensive labor costs;

Paraguayan legislation imposes no restrictions on the type of products or services comprising the Maquiladora Industry, which among other possible undertakings may be activity-oriented towards:

- a) the digital processing of data
- b) mining, agriculture and/or cattle raising
- c) forestry

Other Taxes: VAT – Transfer tax – Capital tax – Stamp Duty – Property Tax – Other taxes.

VALUE ADDED TAX

Value Added Tax recognizes three tax-generating events:

- The transfer of assets.
- The rendering of professional services, excluding those of a personal nature that are rendered in a dependent relationship (e.g. as salaried employee or worker).
- The importing of goods.

As set forth in the section dealing with Income Tax, our tax system adopts the criteria of "Paraguayan source" in order to determine the "added value" which is the object of the tax.

The Value Added Tax rate is 10%.

The taxable base, in transactions giving rise to a payment obligation, is the net price booked with respect to the delivery of goods or the rendering of a service.

Where a transaction is for personal use or consumption, or in the case of an adjudication, a transaction which is free of charge or a transaction without a determined price, the taxable base is the current selling price in the local market.

For those services in which tariffs are applied, such tariffs will be considered as the minimum price for purposes of this tax.

When goods are definitively imported into the country, the taxable amount will be the customs value expressed in foreign currency as determined by the customs assessment service, to which customs taxes will be added.

The following exemptions are available with respect to Value Added Tax:

The transfer of: Agricultural products in their natural state; foreign currency, shares, real estate, lottery and gambling tickets; fuels derived from petroleum; credit assignments.

The rendering of the following services: Interest from public and private securities; real estate leasing; financial brokerage activity stipulated in the Ley de Bancos [Banking Law]; loans to or deposits in finance companies; loans granted by cooperatives, the Crédito Agrícola de Habilitación [Agricultural Qualification Loan], Sistema de Ahorro y Préstamo para la Vivienda [Home

Savings and Loan System], the Banco Nacional de Fomento [National Development Bank] and the Fondo Ganadero [Cattle-raising Fund]; and the services rendered by permanent or contracted employees of embassies, consulates and international entities accredited before the national government.

The importing of: Crude oil, goods whose transfer is exempt from the payment of Value Added Tax, goods considered as luggage, goods introduced by members of the diplomatic and consular corps, and by members of international entities; chattels protected by Law 60/90 regarding "Investment Development".

Exports are exempt from taxes and this exemption includes goods and the international shipping service for transporting goods abroad.

REAL ESTATE TAX

Individuals, legal entities and entities in general are real estate taxpayers due to their urban and rural real estate located within the national territory.

The real estate tax rate is 1% of its assessed value. Rural real estate less than 5 hectares is taxed at a rate of 0.50% of its assessed value.

ACTS AND DOCUMENTS TAX

This tax is levied over obligations, acts, and contracts expressed in a written document. There are only few cases in which this tax is due, and they are all linked to financial intermediation.

TRANSFER OF FUNDS WITHIN PARAGUAY

Any operation that implies a transfer of funds within Paraguay is taxed at a rate of 0,15% on the amount of the transfer.

TRANSFER OF FUNDS OR CURRENCY ABROAD

Any operation that implies the transfer of funds or currency abroad is taxed at a rate of 0,2 % on the amount of the transfer.

Tax Administration. Returns. Payment of tax.

Income Tax is settled annually. Payment of income tax is verified within the first 4 months after the end of the fiscal year. During the course of the fiscal year income tax advance payments must be made corresponding to the amount that must be paid at the end of this period.

Value Added Tax is settled monthly and is determined by the difference between the "tax debit" and the "tax credit".

The tax debit is the sum of accrued taxes from taxed operations during the month minus returns, bonuses and discounts.

The tax credit is the sum of the tax included in local sales receipts made during the month plus the taxes paid during the month from importing goods.

When the tax credit is greater than the tax debit, the difference can be utilized as a tax credit for subsequent settlements.

paraguay | foreign investment**Registration with Government**

Foreign companies that wish to invest in Paraguay can do so by forming a new company -subsidiary- or by opening a branch. Incorporation of the new company requires the adoption of one of the forms of company provided for by Paraguayan legislation.

The types of corporate business entities that are most often used are the Public Companies, also known as Public Corporations or Stockholding Companies, locally referred to as Sociedades Anónimas (S.A.), and the Limited Liability Companies (Ltd.) locally referred to as Sociedades de Responsabilidad Limitada (S.R.L.).

Branch Opening Requirements

The following documents are required:

- copy of the bylaws, and of any subsequent modifications, registered in its country's respective registry;
- power of attorney executed by the foreign company before a notary public authorizing a local agent to register the agency or branch in Paraguay;
- power of attorney executed by the foreign company before a notary public in favor of an agent acting as manager or representative of a branch or agency in Paraguay;
- the foreign company board of directors' minute by which the registration of a branch in Paraguay, the assignment of capital and the designation of an agent in this country was resolved, officially registered by a notary public.

Registration procedures for a branch of a Foreign Company in Paraguay can be completed in 30 days, as long as no objections are made with respect to any of the required documents.

The Head Office is liable for unfulfilled obligations of a branch in Paraguay.

The legal agent of a foreign company in Paraguay is empowered to represent it in any legal proceeding and deal with all of the company's business.

Transfer of Dividends, Interest and Royalties Abroad. Repatriation of Capital.

Paraguay has a free exchange regime, with no restrictions to the inflow and outflow of capital whether for remittance abroad of dividends, interest, commissions, royalties for the transfer of technology or royalties concerning other rights.

Foreign Personnel

Foreign persons hired on a fixed term contract require a temporary residence permit while foreign personnel hired on an indefinite term contract needs permanent residence permit.

The requisites for both permits are similar, and among others are: Birth Certificate, Matrimony Certificate or Divorce Sentence, Certificate of good conduct issued by the pertinent authority, passport with the pertinent visa, HIV test, INTERPOL report, employment contract, or enough proof of economic solvency.

paraguay | **labor law**

General Overview

The "Labor Code" was enacted by Law 213/93, subsequently amended by Law 496/95 currently in force, in order to regulate the broad spectrum of issues concerning employment conditions governing the labor relationship between employer and employee by which the latter agrees to supply services or to perform work for the former for wages.

The rights that have been granted to employees by the Labor Code are not subject to waiver, transaction, or limitation and any agreement consenting to the contrary is deemed to be null and void.

Employment Contracts

CLASSES

Individual employment contracts stipulating a higher remuneration than the minimum wage established by law must be evidenced in writing. Paraguayan legislation allows execution of verbal contracts provided that the fixed compensation does not exceed the minimum wage.

In addition to the so-called individual employment contract, the Labor Code regulates certain types of contracts known as special employment contracts or special employment agreements such as: (i) an apprenticeship agreement; (ii) employment of women and children; (iii) work performed at home, housework, agricultural work, employment in automotive ground transportation companies.

Employment Contracts for Directors

Paraguayan legislation on labor relations and employment have expressly excluded Directors, Managers, Administrators and other company executives

from the provisions established in the Labor Code, on account of the magnitude of their earnings, sort of work, technical competence and recognition of their self-asserting capacity due to the position they hold being the company representatives.

COST OF DISMISSAL AND WRONGFUL DISMISSAL

A contract of employment may be terminated by virtue of : (i) mutual agreement (employer/employee); (ii) dismissal; (iii) retirement; (iv) death or physical or mental disability of employer (incapacitation); (v) force majeure or act of god; (vi) expiration of the term for which the employee was hired or completion of work performed; (vii) bankruptcy of the employer or the judicial liquidation of the company; (viii) total closure of the company or definite reduction of working activity; (ix) justified release; (x) resolution of contract decreed by a competent authority.

In case of wrongful dismissal (with out a legal cause) the employee is entitled to:

- Indemnification for unjustified dismissal: 15 days of wages (his monthly salary divided by 30 and then multiplied by 15) for every year or fraction of six months of service.
- Indemnification for lack of notice of the dismissal: 30 days of wages for 1 year of service. 45 days of wages for more than 1 year to 5 years of service. 60 days of wages for more than 5 years to 10 years of service. 90 days of wages for more than 10 years of service.
- Yearly Paid Vacations: 12 days for up to 5 years of service. 18 days for more than 5 years to 10 years of service. 30 days for more than 10 years of service.
- Proportional Paid Vacations: if the dismissal occurs before a year of service is completed.
- Year-end bonus: 30 days of wages for a year of service.
- Proportional year-end bonus: if the dismissal occurs before a year of service is completed, the year-end bonus is calculated by adding all the salaries of the employee in that year and dividing that sum by 12.

In case of dismissal the employee is entitled to:

- Yearly Paid Vacations: 12 days for up to 5 years of service. 18 days for more than 5 years to 10 years of service. 30 days for more than 10 years of service.
- Year-end bonus: 30 days of wages for a year of service.
- Proportional year-end bonus: if the dismissal occurs before a year of service is completed, the year-end bonus is calculated by adding all the salaries of the employee in that year and dividing that sum by 12.

Employees with 9 years and 6 months or more of service, benefit from special legal treatment for dismissal and cannot be wrongfully dismissed.

Wages and Other Types of Compensation

The wage can be freely stipulated by agreement between employers and employees, provided it is not less than the stipulated legal minimum wage prescribed by the "Consejo Nacional de Salarios Mínimos" [National Council of Minimum Wages].

Wages may be paid: (i) based on the period of time spent at work (one month, two weeks, one week, one day or by the hour); (ii) based on the individual task performed (piece rate, minimum level of production, or by the piece) or, (iii) based on commissions.

The minimum salary in 2005 is the approximate equivalent of US\$ 150.

A normal work shift cannot exceed 8 hours/day or 48 hours/week, when the work is performed during the day and 7 hours/day or 42 hours/week when the work is performed during the evening. The mixed work shift (that includes time periods from the daytime and nighttime work shift) cannot last more than 7.5 hours/day or 45 hours/week.

Hours worked over and above the normal work shift (nighttime, daytime, and/or mixed) are paid as overtime hours. The overtime hours cannot exceed 3 hours/day, and total working time (regular and overtime) a total of 57 hours/week.

There are positions that are excluded from the maximum work schedule, such as managers, administrators, watchmen, guards, commission agents, those who perform housework, agricultural workers, etc.

On the other hand, there are jobs that cannot exceed 6 daily hours, or 36 weekly hours because the worker's health or life is at risk.

Minors 18 years of age cannot exercise any activity during evening hours or in unsafe or unhealthy places. They also cannot work overtime hours, except in the case of agricultural workers where this is exceptionally permitted.

Cost of Overtime Hours

- Daytime extra hour: 50% of the normal hourly wage
- Nighttime hour: 30% of the wage agreed to for an ordinary shift
- Nighttime extra hour: 100% of the nighttime hourly wage
- Normal hours on holidays: 100% of normal business day wages
- Overtime for a daytime shift on holidays: 150% of the normal daytime hourly wage
- Extra nighttime hour on holidays: 200 % of the nighttime hourly wage and/or 260% of the normal daytime hourly wage

Vacation and Other Leaves

All employees have the right to a paid vacation period after each year of continuous employment working for the same employer, for a duration of 12-30 consecutive business days depending on the employee's length of employment.

LEAVE

Employers are obligated to grant paid leave and/or permission to employees for marriage (3 days); birth of a child (2 days) and for the death of the spouse, child, parent, grandparent or brother (4 days).

MATERNITY LEAVE

All pregnant employees have the right to stop working, during 6 weeks prior to and 6 weeks after delivery. During her maternity leave absence and during any period between the presumed and actual delivery date, the employee must receive medical assistance and benefits charged to the Social Security System.

It is illegal to discharge an employee, and any notice and/or discharge decided by the employer will be null and void, as from the moment that the employer receives the notice of the employee's pregnancy and during the entire period that the employee is on maternity leave.

Bonuses

In addition to regular wages, the employer must pay no later than on December 31 of each year an amount equal to a twelfth part of the remuneration from all sources earned by the employee during the year. This bonus may not be seized or attached and forms part of the preferential rights of employees.

Family Allotment

All employees that do not earn more than 200% of the established minimum wage have the right to receive an allotment equivalent to 5% (five percent) of the minimum wage for each child under 17 years of age, born in wedlock, out of wedlock or adopted. The employer must pay this amount in full at the same time as the salary or wages.

Social Security

The government, with State funding and contributions by employers and workers, has established an obligatory Social Security system of guarantee against risks of a general nature and more particularly those related to the workplace.

The legal dispositions that regulate the Régimen de Seguro Social Obligatorio [Mandatory Social Security System] (Decree Law N° 1860/50, updated by Laws

Numbered 1085/65, 427/73 and 98/92) provide that this system shall cover all risks of salaried employees in the Republic of non-occupational diseases, maternity, work accidents and occupational diseases, disability, aging and death.

Any employer with one or more employees must register at the Instituto Previsión Social [Social Provision Institute] (I.P.S. by its Spanish acronym) employer registry at the beginning of operations and pay the obligatory social security contributions monthly. The employer must also report when employees begin the work for which they were hired, when they leave the company and any change in the company or business name, domicile, type of activity and/or cessation of company activity.

Throughout the term of the contract, the employer must pay to the Instituto Previsión Social the equivalent of 16% of the employee's salary and 9,5% deducted from the employee's salary, for a total monthly payment equal to 25.5% of the salary.

Once the company is registered at the Social Provision Institute (I.P.S.), it must also be registered at the Ministry of Justice and Labor (Labor Directorate-Statistics Department). The registration must be done within a maximum term of 60 days from the beginning of establishing its work relationships. The noncompliance of the registration after the established term is subject to the application of fines that can range from 10-30 times the minimum legal wage.

Unions

Law N° 213/93 recognizes that workers and employees of both sexes and of any nationality have the right without the need of prior authorization of freely establishing organizations that have as an objective the study, defense, encouragement and protection of occupational interests, as well as the social, financial, cultural and moral improvement of its associates.

In every company with 20 or more workers there is an obligation to enter into a collective contract. If there is a union in such company, the general clauses must be negotiated with the union.

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Types of Ownership

Real estate ownership can be classified in single ownership and joint ownership. In the first case the property belongs to one person only; in the second case two or more persons hold joint and indivisible rights to a property. There is also another category which is horizontal property. That refers to ownership of apartments, where a proprietor owns his apartment and also an undetermined part of the common area of the building.

Land Register

Real estate is registered in the Real Estate Registry (Dirección General de los Registros Públicos). Real estate is individualized by a registry number and the District where is located. There is also another identification number that is called "cuenta corriente catastral". A parcel can only have one registry number but two or more "cuentas corrientes catastrales". These numbers are very important to individualize land ownership.

The reliance on the Registry is positive for urban real estate, but negative for rural real estate. A title check is therefore necessary in the latter cases.

Transfer Formalities

Transfer and mortgage of real estate must be documented in a public deed, signed before a notary and registered in the Real Estate Registry, in order to be enforceable against third parties.

An agreement to transfer of property can also be drafted and signed in a private document but it will only have effect between the parties and their heirs. The private document can be registered provisionally in the above mentioned Registry.

Restriction on Acquisitions

A joint property owner has preemptive rights to buy the parts of the other owners. There are no restrictions on acquisitions by foreigners. Special legal protection for parties.

Sale of real estate, like any legal act, can be annulled by the court if there are sufficient causes such as material mistake (mistake which is essential to the legal act), fraud or trick to induce another party to enter into a contract, or the use of force or coercion against the consent of another party.

Furthermore, the seller can obtain from the court the annulment of the contract or a fair increase of the price, if the buyer exploits the necessity or inexperience of the seller, by paying a price excessively inferior to the real price. The buyer can also obtain from the court the annulment of the contract or a fair reduction of the price for hidden defects of the property.

Leases

Lease agreements for real property are regulated by the civil code, regardless of the residential or commercial use of the property.

The maximum term for a lease contract is 5 years, except where the lease is for the purpose of allowing the tenant to build on the property, in which case the term could be extended up to 20 years. The term could also be extended up to 20 years in case of rural properties to be used for plantations.

There are no limits for rent increases or preemptive rights for tenants unless so stipulated in the contract.

Zoning, Building Permits, etc.

According to municipal rules and regulations, any construction and building requires floor plans approved by the City hall. Commercial premises also require special permits issued by the City hall. In addition to this, industrial premises and rural properties to be developed require an environmental impact study approved.