

CONVENTION FOR THE AVOIDANCE OF DOUBLE TAXATION WITH RESPECT TO TAXES ON INCOME , AND
THE PREVENTION OF FISCAL EVASION AND FIGHT ON MATTERS

CUSTOMS BETWEEN THE GOVERNMENT OF THE FEDERAL REPUBLIC OF BRAZIL AND

GOVERNMENT OF THE REPUBLIC OF PARAGUAY

The Government of the Federative Republic of Brazil and the Government of the Republic of Paraguay (hereinafter " Contracting States ") , aiming to establish closer relations through its stimulus to investment , and enhance bilateral trade flows and cooperation ; establish joint oversight mechanisms to prevent and combat smuggling, embezzlement and falsification of fumageiros products; regulate the operation and location of deposits Franks, agreed as follows:

Object of the Convention

Establish a system to avoid double taxation with respect to taxes on income and to prevent and combat tax evasion ; grant each other the customs procedure Deposit Franco and efforts to prevent and suppress smuggling , embezzlement and falsification of fumageiros products , hereinafter called " Tax - Customs Convention . "

Title I

Provisions for the Avoidance of Double Taxation with respect to Taxes on Income and Prevention and
Combat tax evasion

Chapter I

Scope of the Convention

Article 1 Persons Covered

The provisions of this Title shall apply to persons who are residents of one or both states

Contracting .

Article 2 Taxes Covered

. 1 The existing taxes to which the provisions of this title shall apply :

a) in the case of Brazil :

- The federal income tax (hereinafter referred to as "Brazilian tax ") ;

b) in the case of Paraguay :

- Tax on Income from Commercial, Industrial Activities or services , the tax on

Income from Agricultural Activities , to the Additional Income Tax on Dividends , " Royalties " and

Interest remitted abroad and Tribute Unico (hereinafter Styled " Paraguayan impuesto) .

2 . The provisions of this Title apply also to any identical taxes or substantially similar nature to those referred to in paragraph 1 of this Article which are imposed after the date of signature of this Convention , either in addition to or in lieu of taxes already mentioned. The competent authorities of the Contracting States shall notify the modifications

occurring in their respective taxation laws . Chapter II

SETTINGS

Article 3 General Definitions

. 1 For the purposes of this Title , unless the context otherwise requires :

a) the term " Brazil " means the Federative Republic of Brazil ;

b) the term "Paraguay " means the Republic of Paraguay ;

c) the term "national" means :

I - any natural person holding the nationality of a Contracting State ;

II - any legal person constituted in accordance with current legislation in a State

contractor;

d) the terms "a Contracting State " and "the other Contracting State " mean Brazil and

Paraguay, according to the context;

e) the term " person" includes natural persons and legal persons;

f) the term " entity " means any company , a partnership or any entity

considered corporate for tax purposes ;

g) the terms "enterprise of a Contracting State " and " enterprise of the other Contracting State "

mean respectively an enterprise carried on by a resident of a Contracting State and an enterprise carried on by a resident of the other Contracting State ;

h) the term " international traffic " means any transport by a ship or

aircraft or land transport vehicle operated by a person whose effective management is based in a Contracting State , except when such vessel or aircraft is operated solely between places in the other Contracting State ;

i) the term " tax" means , according to the context, the Brazilian tax or the Paraguayan tax.

However, for the purposes of Article 26, the term " taxes " was also relates to other taxes in force at the time of signature of this Convention and which are established in the future ;

j) the term " competent authority " means :

I - in Brazil : the Minister of Finance, the Secretary of Federal Revenue or their authorized representatives;

II - Paraguay : the Minister of Finance, the Secretary of State taxation or their authorized representatives .

2 . Regarding the application of this Title , in a given time by a Contracting State , any term or expression which are not defined therein shall , unless the context otherwise requires, have the meaning which it has under at that time under the law of that State concerning the taxes to which this title applies , the prevailing interpretation resulting from this tax legislation , the definition of related tax effects , on which under other laws of that State .

Article 4 Fiscal Domicile

1 . For purposes of this title, the term "resident of a Contracting State " means any person who , under the laws of that State , is liable to tax by reason of his domicile , his residence, his thurst for administrative, its place of incorporation or any other criterion of a similar nature , and includes both this state and any of its political subdivisions .

2 . Where, under the provisions of paragraph 1 , a natural person is a resident of both

Contracting States, then his status shall be determined as follows :

a) will be regarded as resident only of the State in which it has a permanent home ; if he has a permanent home in both Contracting States shall be deemed to reside in the State with which are closer his personal and economic relations (center of vital interests) ;

b) if the State in which that person has his center of vital interests can not be determined , or if she does not have a permanent home in either State, he shall be deemed

resident only of the State in which he has an habitual abode ;

c) if that person has an habitual abode in both States or if not usually stay in any of them , shall be a resident only of the State of which he is a national; d) if that person is a national of both States or of neither of them is not national, the competent authorities of the Contracting States shall settle the question by mutual agreement.

3 . When , under the provisions of paragraph 1 a person who is not a natural person ,

is a resident of both Contracting States , shall be a resident only of the State in which is situated at its place of effective management.

Article 5 Permanent Establishment

1 . For the purposes of this Title , the term " permanent establishment" means a facility fixed by means of which a legal person exercising all or part of their activities .

. 2 The term " permanent establishment " includes especially :

a) seat of administration;

b) branch; c) office ; d) a factory;

e) Workshop ;

f) mine , oil well or gas well, quarry or other place of exploration or exploitation of natural resources .

3 . The term " permanent establishment " also includes construction site , construction , installation or assembly , that lasts for more than six months .

For purposes of calculating the time limits referred to in this paragraph , the activities performed by a person associated with another in the sense of Article 9 (Associated Corporations) , will be aggregated to the period during which they carry out the activities pean person legal which is associated if the activities of both entities are related to each other .

4 . Notwithstanding the preceding provisions of this Article , it is considered that the expression

" Permanent establishment" shall not apply to:

a) the facilities used solely for storage, display or delivery of goods or merchandise belonging to the entity;

b) stock of goods or merchandise belonging to the corporation solely for storage, display or delivery;

c) stock of goods or merchandise belonging to the corporation only to be processed by another ;

d) installation solely for the purpose of purchasing goods or merchandise or of collecting information for legal entities ;

e) fixed place of business solely for exercise , for corporate , any other activity of a preparatory or auxiliary character .

5. Notwithstanding the provisions of paragraphs 1 and 2 of this Article, where a person - other than an independent agent to which paragraph 6 applies - is acting on behalf of a legal entity and has, and habitually exercises, in a Contracting State an authority to conclude contracts on behalf of a legal entity, shall be deemed that such entity has a permanent establishment in that State in activities which that person undertakes for corporations, unless such activities are limited to those mentioned in paragraph 4 which, if exercised through a fixed place of business, would not make up this installation as a fixed establishment standing under that paragraph.

6. NOT consider that legal person of a Contracting State has a permanent establishment in the other Contracting State merely because it carries on business through a broker, general commission agent or any other agent that enjoys "status" independent, since that such persons are acting in the ordinary course of their business.

7. Whether a legal person domiciled in a Contracting State controls or is controlled by another resident of the other Contracting State, or develop business activities in another State, or through a permanent establishment or otherwise, is not, by itself sufficient to make any of these corporations a permanent establishment of the other.

Chapter III

Taxation of Income

Article 6 Real Estate Income

1. Income derived by a resident of a Contracting State from immovable property (including income from agriculture or forestry) situated in the other Contracting State may be taxed in that other State.

2. For the purposes of this Title, the term "immovable property" shall have the meaning which it has under the law of the Contracting State in which the property is situated. Such term shall in any case include property accessory to immovable property, livestock and equipment used in agriculture and forestry, rights to which the provisions of general law apply

concerning ownership of roots or immovable property, usufruct of immovable property and rights to variable or fixed payments as consideration for the granting of exploration and exploitation of mineral deposits, sources and other natural resources. Vessels, ships, aircraft and land transport vehicles are not considered real property.

3. The provisions of paragraph 1 shall apply to income derived from the direct use, letting or renting, as well as any other form of immovable property.

4. The provisions of paragraphs 1 and 3 shall also apply to income from immovable property of an enterprise.

Article 7 Profit Legal Entities

1 . Profits of an entity of a Contracting State shall be taxable only in that State unless the entity develops or has developed its business in the other Contracting State through a permanent establishment situated therein . If the legal entity to develop its activity thereby their profits may be taxed in the other State but only so much that is attributable to that permanent establishment .

2 . Except where the provisions of paragraph 3, where an entity of a Contracting State to develop its business in the other Contracting State through a permanent establishment situated therein , will be awarded in each Contracting State to that permanent establishment the profits which would obtain if it had been a separate and distinct legal entities , which develop the same or similar activities under the same or similar conditions and dealing wholly independently with the legal entity that is a permanent establishment .

3 . For determining the profits of a permanent establishment shall be allowed as deductions expenses actually performed that have been made towards achieving the purposes of the permanent establishment , including expenses and general administrative expenses realized.

4 . No profits shall be attributed to a permanent establishment by the simple fact that purchases goods or merchandise for the legal person .

5 . Where profits include income dealt with separately in other Articles of this Convention, the provisions of these Articles shall not be affected by the provisions of this Article .

Article 8 Roads , River , Lake , Sea and Air

1 . Profits from the exploitation of land transport vehicles , vessels , ships or aircraft in international traffic shall be taxable only in the Contracting State in which is situated the seat of effective management of the corporation . However, if the seat is not located in either Contracting State , such income will be taxable only in the Contracting State of which the person is a legal resident.

2 . Such earnings include income from the use , maintenance or rental of containers (trailers , barges and related equipment for the transport of containers , inclusive) used for international transport of goods or merchandise , if such income is

accessory to profits referred to in the preceding paragraph .

3 . If the place of effective management of a legal person of sea, river or lake transportation is aboard a ship or vessel, shall be deemed that such office is situated in the Contracting State in which the home harbor of such ship or vessel , or if no such home harbor, in the Contracting State in which resides the person operating the ship or vessel.

4 . The provisions of paragraph 1 shall also apply to profits from the participation in a "pool " in a consortium , in a joint operation in an international agency or association of exploration , but only to the extent that such profits are attributable to such participation .

Article 9 Associated Corporations

Will be considered legal person associated when :

a) a legal person of a Contracting State participates directly or indirectly in the management , control or capital of an entity of the other Contracting State , or

b) the same persons participate directly or indirectly in the management , control or capital of an entity of a Contracting State or a legal person of the other Contracting State . In both cases , when the two legal entities in their commercial or financial relations , are bound by accepted or imposed conditions which differ from those which would be made between

independent legal entities , the profits without those conditions , have accrued to one of the companies, but were not under such conditions may be included in the profits

that legal and taxed accordingly person .

Article 10 Dividends

1 . Dividends paid by a corporation resident in a Contracting State to a resident of the other Contracting State may be taxed in that other State .

2 . However , such dividends may also be taxed in the Contracting State in which the resident legal person who pays them and according to the laws of that State , but if the beneficial owner of the dividends is a resident of the other Contracting State , the tax not well established

may exceed ten percent of the gross amount of the dividends .

3 . This paragraph shall not affect the taxation of the corporation with reference to the profits out of which the dividends are paid .

4 . The term " dividends" as used in this Article means income from shares, shares or rights to enjoyment , corporate mining shares , founders' shares or other rights participating in profits , with the exception of credit , as well as the income from other equity investments subject to the same taxation treatment as income from shares by the laws of the State in which the legal entity that distributes is resident.

5 . The provisions of paragraphs 1 and 2 shall not apply if the beneficial owner of the dividends , being a resident of a Contracting State , develop in the other Contracting State of which he is a resident corporation that pays dividends , business activity through a property permanently situated therein and the holding of the dividends is effectively connected with such permanent establishment . In this case , the provisions shall apply Article 7 .

6 . Where a legal person resident of a Contracting State derives profits or income from the other Contracting State , that other State may not impose any tax on the dividends paid by the corporation,

except insofar as such dividends are paid to a resident of that other State or to the extent that the participation of generating dividends are paid is effectively connected with a permanent establishment situated in that other State, nor withhold any tax in respect of taxation of undistributed profits of the company, even if the dividends paid or not profits

distributed consist wholly or partly of profits or income arising in such other State .

7 . Where a resident of a Contracting State has a permanent establishment in the other Contracting State, that permanent establishment may be subject to a separate tax that affects the profits of the permanent establishment according to the laws of that State . However , this separate tax the profits tax may not exceed the

limit set out in paragraph 2 of this Article .

8 . The provisions of this Article shall not apply if the main purpose or one of the main purposes of any person concerned with the creation or assignment of shares or other rights in respect of which the dividends are paid is to take advantage of this Article by such creation or attribution . Article 11 Interest

1 . Interest arising in a Contracting State and paid to a resident of the other State

Contractor may be taxed in that other State .

2 . Such interest may also be taxed in the Contracting State in which it arises and according to the laws of that State , but if the beneficial owner of the interest is a resident of the other Contracting State , the tax so charged shall not exceed fifteen per cent of gross amount of the interest.

. 3 Notwithstanding the provisions of paragraphs 1 and 2 :

a) interest arising in a Contracting State and paid to the Government of the other Contracting State, a political subdivision thereof or any agency (financial institutions , inclusive) wholly owned by that government or political subdivision , shall be exempt from tax in the first State contractor, unless they apply to "b " ;

b) interest on the public debt , bonds or debentures issued by the Government of a State

Contractor, by a political subdivision or any agency (financial institutions , including) wholly owned by that Government or political subdivision are taxable only in that State .

4 . The term " interest" as used in this Article means income from debt claims of every kind, whether or not secured by mortgage or clauses participation in profits

debtor , and in particular , income from Government securities, bonds or debentures , as well as any other income tax laws of that State arising assimilate to income from money lent .

5 . The provisions of paragraphs 1 and 2 shall not apply if the beneficial owner of the interest,

resident of a Contracting State , develop in the other Contracting State in which the interest arises , an active business through a permanent establishment situated therein and the claim giving rise to the interest is effectively connected with such permanent establishment . In this case, apply the provisions of Article 7 .

6 . Limitation of tax rate established in paragraph 2 does not apply to interest arising in a Contracting State and paid to a permanent establishment of a legal person on the other Contracting State situated in a Contracting State not .

7 . Interest shall be deemed to arise in a Contracting State when the payer is a resident of that State . However , the person paying the interest, whether or not a resident of a Contracting State , has in a Contracting State a permanent establishment in connection with which the obligation was incurred giving rise to the payment of interest and borne by such permanent establishment, then such interest , such interest will be deemed to arise in the Contracting State in which the permanent establishment is situated.

8 . Where by reason of a special relationship between the payer and the beneficial owner of the interest, or between them and third parties , the amount of interest paid , considering the credit for which are due, exceed the agreed would enter the payer and the beneficial in the absence of such

relationship, the provisions of this Article shall apply only to the last-mentioned amount . In this case, the excess part of the payments shall remain taxable according to the laws of each Contracting State , taking into account the other provisions of this Title .

9 . The provisions of this Article shall not apply if the main purpose or one of the main purposes of any person concerned with the creation or assignment of credit in relation to which the interest rates are paid for the taking advantage of this Article by such creation or attribution .

Article 12 Royalties

1 . 's " Image " arising in a Contracting State and paid to a resident of the other State

Contractor may be taxed in that other State .

2 . Yet these " royalties " may also be taxed in the Contracting State in which it arises and according to the laws of that State , but if the beneficial owner of " royalties " is a resident of the other Contracting State , the tax so charged may not exceed fifteen percent of the gross amount of " royalties " .

3 . The term " royalties " as used in this Article means payments of any kind received by the use or right to use, news , copyright of literary, artistic or scientific works (cinematograph films, films or tapes for of television programs or

Broadcasting inclusive) , patents , trademarks of industry or commerce, design or model, plan , secret formula or process , as well as by the use or concession of use of equipment

industrial , commercial or scientific information and experiences concerning industrial, commercial or scientific sector.

4 . The provisions of paragraphs 1 and 2 shall not apply if the beneficial owner of " royalties " resident of a Contracting State , develop in the other Contracting State in which the " image " , an active business through a permanent establishment situated therein ,

and well right of the generator or " image " is effectively connected with such establishment

permanent. In this case , we apply the provisions of Article 7 .

5 . 's " Royalties " are deemed to arise in a Contracting State when the payer is a resident of that State . However , the person paying the " royalties " , resident or not of a Contracting State , has in a Contracting State a permanent establishment in connection with which the obligation was incurred to pay " royalties " , and borne by such permanent establishment

payment of " royalties " shall be deemed to arise in the Contracting State in which the

permanent establishment is situated .

6 . Where, by reason of a special relationship between the payer and the recipient of " royalties " , or between them and third parties , the amount of " royalties " , having regard to the use, right or information for which they are paid, exceeds the that would be agreed between the payer and the recipient in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount . In this case, the excess part of the payments shall remain taxable according to laws of each Contracting State , taking into account the other provisions of this Title .

7 . The provisions of this Article shall not apply if the main purpose or one of the main purposes of any person concerned with the creation or assignment of rights in relation to which " royalties " are paid for the taking advantage of this Article by such creation or attribution .

Article 13 Capital Gains

1 . Gains derived by a resident of a Contracting State from the alienation of immovable property , as referred to in Article 6 , in the other Contracting State may be taxed in that other State .

2 . Gains from the alienation of movable property forming part of the business property of a permanent establishment which an entity of a Contracting State has in the other Contracting State , including such gains from the alienation of such a permanent establishment (alone or with the whole person legal) may be taxed in that other State . However,

gains from the alienation of land transport vehicles , ships, vessels or aircraft operated in international traffic or movable property allocated to the operation of such vehicles

ground transportation , ships, vessels or aircraft shall be taxable only in the State

Contractor that is located the seat of effective management of the corporation .

3 . Gains from the alienation of any other property or rights other than those mentioned in paragraphs 1 and 2 may be taxed in both Contracting States. Article 14 Independent Service Professionals

1 . Income derived by a resident of a Contracting State from the provision of professional services or other activities of an independent character are taxable only in that State unless such remuneration is paid by a resident of the other Contracting State or is borne

to a permanent establishment situated therein . In this case , the income may be taxed in that other State .

2 . The term " professional services " includes, especially , independent activities of scientific, technical , literary, artistic , educational or teaching activities as well as independent

doctors, lawyers , engineers , architects , dentists and accountants .

Article 15 Professional Services Dependents

1 . Except where the provisions of Articles 16 , 18 , 19 and 20 , salaries , wages and other similar remuneration derived by a resident of a Contracting State in consideration of receiving only taxed employment in that State unless the employment is exercised the other Contracting State . If the employment is so exercised , such remuneration may be taxed in that other State .

. 2 Notwithstanding the provisions of paragraph 1 , remuneration derived by a resident of a Contracting State in respect of an employment exercised in the other Contracting State may be taxed only in the first -mentioned State if :

a) the recipient is present in the other State for a period or periods not exceeding in the aggregate 183 days in any twelve month period commencing or ending in the fiscal year

considered ; and

b) the remuneration is paid by an employer or on behalf of an employer who is not a resident of the other State ; and

c) the remuneration is not borne by a permanent establishment which the employer has in the other State .

3 . Notwithstanding the preceding provisions of this Article , remuneration derived in respect of an employment exercised aboard a ship , a vessel or an aircraft operated in

international traffic may be taxed in the Contracting State in which is situated the seat of effective management of the corporation .

Article 16 Remuneration of Directors or Officers

Remuneration, " jetons " attendance and other similar remuneration received by a resident of a Contracting State in his capacity as a member of the board or a board of directors or of a legal person resident of the other Contracting State may be taxed tax in that other State .

Article 17 Artists and Sportsmen

1 . Notwithstanding the provisions of articles 14 and 15, income derived by a resident of a

Contracting State from his personal activities exercised in the other Contracting State as

of spectacle professional artist , as an actor of theater, film , radio or television or a musician, or as a sportsman , may be taxed in that other State .

2 . Notwithstanding the provisions of Articles 7 , 14 and 15 , where the income of personal activities exercised by an entertainer or a sportsman in his capacity as such accrues not to own professional entertainer or sportsman himself but to another person, such income may

be taxed in the Contracting State in which the activities are carried on the show or sportsman .

3 . The provisions of paragraphs 1 and 2 do not apply to income from activities performed in a Contracting State by entertainers or sportspersons if the visit to that State is funded mostly by public funds of the other Contracting State or one of its subdivisions policies or any entity controlled by the government . In such cases the

earnings are taxed only in the State of which the entertainer or professional sportsperson is a resident .

Article 18 Pensions and Annuities

1 . Except where the provisions of paragraph 2 of Article 19 , pensions and other similar remuneration , as well as annuities paid to a resident of a Contracting State in consideration of past employment may be taxed in that State .

2 . However , such pensions, annuities and other similar remuneration may also be taxed in the other Contracting State if the relevant payment is made by a resident

that other State or by a permanent establishment situated therein .

3 . Notwithstanding the provisions of paragraphs 1 and 2, guesthouses and other payments made under an official program that integrates the Social Security system of a Contracting State or a political subdivision thereof , are taxable only in that State .

. 4 In this Article :

a) the term "pensions " means periodic payments made after retirement due to previous employment or compensation for damages suffered as a result of such employment ; b) the term "annuity " means a stated sum payable periodically at stated times during life or title or by specified or ascertainable period of time, under an obligation to make the payments in return for adequate and full consideration in money assessable or cash (other than services rendered) .

Article 19 public functions

1 . Remuneration, other than a pension , paid by a Contracting State or one of its policies to a physical or natural person for services rendered to that State or that political subdivision shall be taxable only in that State subdivisions .

However , such remuneration shall be taxable only in the other Contracting State if the services are rendered in that other State and if the physical or natural person is a resident of that other Contracting State who :

a) - is a national of that State ; or

b) - has not taken a resident of that State solely for the purpose of rendering the services .

2 . Pensions paid by a Contracting State or a political subdivision thereof , either directly or through funds created by , a natural person beneficiary ,

in respect of services rendered to that Contracting State or that political subdivision , shall be taxable only in that State .

However , such pension shall be taxable only in the other Contracting State if the natural person is a resident and national of that other Contracting State .

Apply the provisions of Articles 15 , 16 and 18 to the remuneration and pensions in respect of services rendered in connection with a business carried on by a Contracting State or a political subdivision thereof .

Article 20 Teachers and Researchers

A natural person who is or was immediately before visiting a Contracting State a resident of the other Contracting State and who , at the invitation of the Government of the first -mentioned State or of a university or college, school period , museum or other cultural institution that first -mentioned State or under an official program of cultural exchange , remain in this state for a period not exceeding two years , with the sole purpose of teaching, giving lectures or carrying out research at such institutions will be exempt from tax in that State on his remuneration for such activity, provided that the payment of such remuneration is derived by him from outside that State .

Article 21 Students and Interns

1 . Payments which a student or business apprentice who is or was immediately before visiting a Contracting State a resident of the other Contracting State and who is in the first state only for the sole purpose of pursuing his studies or period formation , get to make ends meet with his maintenance , education or training shall not be taxed in that State , provided that such payments arise from sources outside that State .

2 . In respect of grants , scholarships and remuneration from employment not covered by paragraph 1 , a student or intern mentioned in paragraph 1 , during the period of these studies or that formation , will , in addition, the right to benefit the same exemptions , rebates or reductions , in relation to taxes , granted to residents of the state you are visiting.

Article 22 Other Income

The income of a resident of a Contracting State from the other Contracting State and not treated in previous articles of this Title may be taxed in that other State . Chapter IV

Methods for elimination of double taxation

Article 23 Method of Credit

1 . Where a resident of a Contracting State derives income which , in accordance with the provisions of this Title , may be taxed in the other Contracting State , the first-mentioned State shall deduct the tax on the income of that resident an amount equal to the tax imposed on the income tax paid in the other State .

However, this deduction may not exceed that part of income tax as computed before the deduction, corresponding to income in that other State obtained the Contracting State of which the beneficiário is resident .

2 . For the purposes of paragraph 1 of this Article , and subject to the conditions and restrictions , sectorial, even established under Brazilian law specifies , as well as limits on the credit of the tax paid abroad, Brazil shall allow the deduction any tax that is payable in relation to earnings and dividends paid by a resident or permanent establishment in Paraguay to the resident in Brazil and Paraguay could be taxed under this Title and the general provisions of the Paraguayan law legal person entity when such incomes are temporarily exempt from tax because of special legal provisions to encourage the necessary development of the Paraguayan economy investments . Chapter V

Special Provisions

Article 24 Non-discrimination

1 . Nationals of a Contracting State shall not be subjected in the other Contracting State to any taxation or any , other or more burdensome requirement than those which are or may be subject nationals of that other State who are in the same situation .

2 . Taxation of a permanent establishment which an entity of a State

Contractor has in the other Contracting State shall not be less favorably levied in that other State than the legal persons of that other State carrying on the same activities . This provision shall not be construed as obliging a Contracting State to grant

to residents of the other Contracting State any personal allowances , reliefs and reductions for taxation purposes on account of civil status or family responsibilities which it grants to its own residents .

3 . Corporations of a Contracting State whose capital is wholly or partially , directly or

indirectly owned or controlled by one or more residents of the other Contracting State shall not be subjected in the first-mentioned State to any taxation or any requirement connected with it different or more onerous than those which are or may be subjected to other similar entities the first state whose capital belongs or is wholly or partially , directly or indirectly , owned or controlled by one or more residents of a third State .

4 . The provisions of this Article shall apply only to the taxes referred to in Article 2

this Title .

5 . Established Nothing in this Article shall be construed to prevent a State

Contractors impose a tax as described in paragraph 6 of Article 10 .

Article 25 Mutual Agreement Procedure

1 . When a resident of a Contracting State considers that the actions taken by any of the Contracting States to involve the resident taxation not in accordance with the provisions of this title , may, notwithstanding the remedies provided by the domestic law of those States, present his case to consideration of the competent authority of the Contracting State where reside .

2 . A competent authority , if the objection will be justified and if she herself is unable to give a satisfactory solution, shall endeavor to settle the question by mutual agreement with the competent authority of the other Contracting State , in order to avoid taxation

not in accordance with this Title .

3 . Competent authorities of the Contracting States will strive , by mutual agreement , to resolve any difficulties or to clarify doubts arising as to the interpretation or application of this Title .

4 . The competent authorities of the Contracting States may communicate with each other directly for the purpose of reaching an agreement in the sense of the preceding paragraphs.

Article 26 Exchange of Information and Mutual Assistance

1 . The competent authorities of the Contracting States shall exchange the necessary information to implement the provisions of this Title , or the internal law of the Contracting States concerning taxes included in Article 2 of this Convention insofar as the taxation thereunder is not contrary to this , as well as to apply the legislation of other taxes set by the Contracting States. The exchange of information is not restricted by the provisions of Article 1 (Covered Persons) . The information received by a Contracting State shall be treated as secret in the same manner as information obtained under the domestic laws of that State , and will be disclosed only to persons or authorities (including organs and administrative or judicial courts) charged with the administration and collection of taxes covered by this title , the declaratory or executive procedures for such taxes ,

the decision regarding the release of funds , the collection of such taxes , or relating to tax offenses or offenses . Such persons or use the information thereby obtained only for the purposes specified authorities .

. 2 The provisions of paragraph 1 shall not be interpreted to impose on a Contracting State the obligation :

a) taking variance with the laws and administrative measures and administrative practice or the the other Contracting State ;

b) provide information that can not be obtained under the laws or in the context of their normal administrative practice or of the other Contracting State ;

c) to supply information which would disclose secrets or commercial , industrial or professional secrets or information processes which would be contrary to public policy .

3 . Notwithstanding the provisions of paragraph 2 of this Article , the competent authority of the requested Contracting State shall , subject to constitutional and statutory limitations and reciprocal treatment , obtain and provide information which possess the financial institutions , nominees or persons acting as representatives , agents or trustees . With relation to the shares or participations in joint stock companies , the competent authority shall obtain and provide information including on bearer shares . If information is requested by a State

Contractor under this Article , the other Contracting State will obtain this information in the same manner and to the same extent as if the tax of the first -mentioned State were the tax

and such other State as if being required by that other State notwithstanding not have

another State , at any time , need such information for its own tax purposes . If specifically requested by the competent authority of a Contracting State, the competent authority of the other Contracting State

shall provide information under this Article in the form of depositions of witnesses and authenticated copies of unedited original documents (including

books , reports , statements , accounting records and notes) to the same extent that such depositions and documents can be obtained on the terms established by the laws and administrative practices of that other State .

. 4 Regardless of prior application, the competent authority of each Contracting State shall provide annually the information available to the competent authority of the other Contracting State :

a) in respect of profits earned in its territory by legal entities or establishments

standing of that other Contracting State to the State in which the headquarters is domiciled or the linked entity;

b) in respect of profits declared by companies domiciled in the first State regarding

the operations developed in another State bound by legal entities or permanent establishments ;

c) for any other type of information exchange to reach agreement .

5 . The competent authority of the requested Contracting State may allow representatives of the applicant to have access to the first -mentioned State for the purpose of witnessing , as observers , Contracting State to the questioning of persons and examination of books and records that are performed by State.

6 . Notwithstanding the provisions of paragraph 5 of this Article , in the case of paragraph 2 of Article 23 the competent authority of the requested Contracting State authorized representatives of the Contracting State requesting to have access to the first -mentioned State for the purpose of witnessing , as observers , the questioning of persons and examination of books and records that are performed by the requested State .

7 . The competent authority of the requested State may, with the consent of persons under supervision actions , authorize representatives of the Contracting State requesting to have access to the requested State for the purpose of inquiring individuals and examine books and records.

8 . Notwithstanding the provisions of paragraph 7 of this Article , in the case of paragraph 2 of Article 23 to

competent authority of the requested Contracting State shall, waived consent and subject to enforcement actions , the representatives of the Contracting State requesting to have access to the requested State for the purpose of inquiring individuals and examine books and records jointly with representatives of the latter State .

9 . Contracting States shall consult to determine the houses and oversight procedures for simultaneous tax . It is understood by simultaneous oversight , for purposes of this title , an agreement between the two Contracting States to monitor simultaneously , each in its

territory , the tax situation of a person or persons having common or related interests in order to trocarerm relevant information they obtain .

10 . The Governments of the Contracting States undertake , as it becomes available specific protocols , to provide one another with any necessary technical cooperation for the constant improvement of the tax administration .

11 . The expenses arising from the provisions of this Article shall be borne by the State

Contractor required. Regardless , spending the participation of experts , witnesses , interpreters and translators will be paid by the requesting Contracting State , with prior agreement of the amount .

Article 27 Members of Diplomatic Missions and Consular Offices

The provisions of this Title shall not affect the fiscal privileges that benefit members of diplomatic missions or consular offices , is under the general rules of international law or under the provisions of special agreements .

Title II

The provisions on Swiss deposits

Article 28

The Contracting States undertake , conversely , to grant the customs regime

Deposit Franco in their respective territories .

Article 29

1 . Deposit Franco is the customs procedure for the receipt, storage , distribution and dispatch of goods coming from or originating in the territories of the Contracting States or aimed at them , originate in or come from third countries , which , for customs purposes , will be considered in suspensive procedure of taxes.

2 . The subject goods and the operations carried out under the regime of Franco deposit will be exempt from paying taxes , except charges per services . The exemption provided in this paragraph shall apply , including the Additional Shipping for Renewal of Merchant Marine , with express remission of tax credits , or not made in respect of that contribution .

Article 30

The customs regime of Franco deposit can be operated in any room , own or not , customs secondary zone or customs primary area of any port or airport in the territory of the Contracting States . The granting of the scheme and its operation in a particular enclosure shall be by act of the competent customs authority of the grantor State and notified to the State granted through diplomatic channels .

Article 31

1 . Shall be admitted into the customs regime of Franco deposit the export goods and imported goods that are destined for domestic supply and commercialization , as well as raw materials and other inputs for industrialization , processing or employment in agricultural activities and livestock in the recipient State of that customs procedure .

2 . In the case of goods which are not intended for industrialization , processing or employment in agricultural and livestock activities , the grantor of the State customs regime

Deposit Franco, in agreement with the Grantee State and after bilateral consultations prior to

shall not exceed a period of thirty days , establish restrictions regarding certain goods for admission into the customs and / or the granting of customs transit regime.

3 . Shall not be admitted into the customs regime of Franco deposit , or will be the object of granting the customs transit , counterfeit goods , considered such by internal law or Community law in force in the territory of the Contracting States .

4 . Shall not be admitted also in the customs regime of Franco deposit , or will be the object of granting of customs transit :

a) explosives and flammable ;

b) goods in positions classified 22:03 to 22:08 and in Chapters 24 and 93 of the Combined Nomenclature

Common MERCOSUR ;

c) goods whose importation is prohibited or suspended in the importing State ;

d) goods which , at the request of the customs authorities of the importing State , should not be subject to granting of such schemes ;

e) the charges with false declaration of contents;

f) the goods prejudicial to order and public health or morality .

5 . For purposes of this Article and its subparagraphs, the customs authorities of the grantor shall submit their loads , subject to import or export , to the physical examination for evidence of content

declared , according to criteria of selectivity and risk analysis . In case of false declaration of

content or inadmissibility referred to in customs procedures , the goods will be compulsorily reembarcadas the country of origin .

6 . Importers , exporters, transporters, transport agents and agents of multimodal transport is not considered suitable , in accordance with procedure

regular administration by the customs authority of any Contracting State may not use the customs regimes of Franco and deposit the transit dealt with this Convention .

Article 32

Contracting Governments of stays for half of its port, airport or other competent authorities may keep within the precincts where the customs regime of Franco deposit , one or more delegates will be operated , which will represent the owners of the goods received and stored there in their relations with the customs authorities of the State granting the scheme , with the administration of the port or airport with the trustees , with the carriers and the trade in general , for the subdivision , repackaging , boarding, sale or expedition for the internal market and third parties countries , the goods from customs deposit Scheme Franco.

Article 33

1 . The carriage of goods under the Franco regime Deposit will be held by the customs transit .

2 . For purposes of the concession regine customs transit and to protect the fiscal interests , goods imported or exported by any Contracting State , may be

analyzed for value declaration by the customs authority of the customs regime granting this Stay .

Article 34

The oversight and control of the goods subject to the special deposit Franco and customs transit shall be borne by the customs authorities of the State ; Contracting . Article 35

Responsibility for the suspended taxes on the goods subject to the customs regime of Franco deposit is attributed to the trustees , and if customs transit , hauliers , in accordance with Community and national laws of the Contracting States . Article 36

The Governments of the Contracting States shall regulate the use of the customs procedure of customs transit deposit Franco and through their territories , in order to be tax sheltered the necessary precautions and observing the legal provisions regulating the trade with the outside . Similarly , regulate the operative and port facilities , including in relation to deposits referred to in Article 37 Francs .

Article 37

Deposits Francs reciprocamente granted by the Contracting States in the ports of Santos and Paranaguá in Brazil , Paraguay and Concepción , shall be governed by the provisions of this Convention .

Title III

The provisions on the Prevention and Punishment Contraband , embezzlement and falsifying

Tobacco -Derived Products

Article 38

Customs authorities and those considered as competent by the Contracting States undertake joint enforcement actions and exchange of information aimed at the prevention, investigation and repression of smuggling, desc - arriaho and counterfeiting of cigarettes and other tobacco derivatives , materials and supplies used for its manufacturing , in line with Article

11 of the Agreement for Cooperation and Mutual Assistance between Customs Administrations of the MERCOSUR on the Prevention and Combating Illicit Customs , approved by Decision No 1 /97

Common Market Council .

Article 39

Upon the request of either Contracting State , the authorities of the requesting State will be authorized to conduct enforcement actions considered necessary for the prevention, investigation and repression of illicit mentioned in the previous article and investigate possible repercussions of these illicit activities in the economy and the inflow of taxes either Contracting State .

Article 40

Enforcement actions provided for in Articles 38 and 39 will be held in conjunction with the competent authorities of the State and in accordance with the procedures established by this and its legislation .

Article 41

The Requested State shall provide the tax authorities of the requesting State of all guarantees for the full realization of their work, including , if necessary , the assistance of the police force in order to provide the greatest possible security authorities of both states .

Title IV

Final Provisions

Article 42 Entry into Force

1 . The present Convention shall be ratified and the instruments of ratification shall be exchanged at Brasilia as soon as possible.

. 2 This Convention shall enter into force from the exchange of instruments of ratification and its provisions shall apply :

a) in respect of taxes withheld at source, to income paid , remitted or credited on or after the first day of January of the calendar year next following that in which the

Convention enters into force;

b) with respect to other types of income tax that treats this

Convention , the income arising in the tax year beginning on or after the first day of January of the calendar year next following that in which the Convention enters into force;

c) in respect of other taxes referred to in item " i " of paragraph 1 of Article 3 and

paragraph 1 of Article 26 of this Convention to taxable events occurring on or after the first day of January of the calendar year next following that in which the Convention enters into force; c

d) with respect to Articles 28-41 , at the date of exchange of instruments of ratification .

Article 43 Denunciation

Any Contracting State may denounce this Convention after the fifth calendar year after the date of its entry into force by written complaint giving to the other Contracting State through the diplomatic channels notice , provided such notice is given not later on the thirtieth day of June in any calendar year . In this case , the Convention shall no longer apply :

a) in respect of taxes withheld at source, to income paid or credited remitted on or after the first day of January of the calendar year next following that in which the notice of termination is given ;

b) with respect to other types of taxes on income covered by this Convention , the income arising in the tax year beginning on or after the first day of January of the calendar year next following that in which the notice of termination is given;

c) in respect of other taxes referred to in item " i " of paragraph I of Article 3 and paragraph 1 of Article 26 of this Convention , to taxable events occurring on or after the first day of January of the calendar year immediately following that in which the notice of termination is given ; and

d) with respect to Articles 28-41 , one year after the notice of termination is given . In witness whereof the undersigned, duly authorized , have signed this Convention

Tax - Customs .

Made in Brasilia , the twentieth day of September , 2000 , in duplicate in the English and Spanish languages , both texts being equally authentic .

THE GOVERNMENT OF THE REPUBLIC OF BRAZIL Federative :

Luiz Felipe Lamprey

Minister of State of Foreign Affairs

THE GOVERNMENT OF THE REPUBLIC OF PARAGUAY :

Juan Esteban Aguirre Martinez Chancellor

PROTOCOL

At the time of signature of this Convention Tax - Customs , the undersigned, thereunto duly authorized , have agreed upon the following provisions which constitute an integral part of the Convention .

1 . Referring to Article 2 , paragraph 1, "a"

The taxes covered in Article 2 , paragraph 1, "a" ranges from Social Contribution

the Net Profits (CSL) , created by Law No. 7,689 , of December 15, 1988 .

2 . Referring to Article 10 , paragraphs 2 and 6, Article 11, paragraph 2 , and Article 12 , paragraph

2 .

The benefits of this established in Article 10 , paragraphs 2 and 6, Article 11, paragraph 2 , and Article 12, paragraph 2 , does not apply if the holder of the said items of income is resident of a Contracting State which is not the or taxed at a maximum rate of taxation on incomes of less than twenty percent under its domestic law .

3 . Referring to Article 11 , paragraph 3 ; letter "a " , and 4

The provisions of paragraph 3 , " a" , , Article 11 applies only to the interest received by a

institution (including financial arrangements) wholly owned by the Government of a Contracting State or a political subdivision thereof in consequence of the exercise of functions of a public nature

and when that institution is the beneficial owner of the interest.

For the purposes of paragraph 4 of Article 11 , the interest paid as " return on equity "

according to Brazilian tax shall also be considered interest .

4 . Referring to Article 12, paragraph 3

The provisions of paragraph 3 of Article 12 shall apply to income derived from the provision of services and technical assistance

5 . Referring to Article 23 , paragraph 2

The deduction referred to in paragraph 2 of Article 23 shall be permitted only in Brazil where the earnings for which the profits or dividends are paid come directly from manufacturing activities (except manufacture of cigarettes and liquor in general, including concentrates) for agriculture, forestry and fishing provided that such activities occur in Paraguay and fitting the specific provisions of Brazilian law . Also excepted deduction will be above the stumps

corresponding to the sectors already receiving tax benefits in Brazil . The provisions of paragraph 2 of Article 23 shall apply only in the first ten years from the date on which the provisions of this Convention apply .

6 . Referring to Article 12 and Article 24

a) The provisions of Brazilian law that does not allow " royalties " mentioned in paragraph 3 of Article 12 , paid by a permanent establishment situated in Brazil to a resident of Paraguay developing business activities in Brazil through that establishment

permanent , are deductible when determining the taxable income of that permanent establishment shall not be considered discriminatory under Article 24 of this Convention .

b) The provisions of Brazilian law that does not allow " royaldes " mentioned in paragraph 3 of Article 12 , urn paid by resident legal person in Brazil to a resident of Paraguay that has at least fifty percent of the capital with voting rights that legal entity

and derive from contracts signed , annotated on the " National Institute of Industrial Property - INPI " and recorded the " Central Bank of Brazil " before January 1, 1992 are deductible in determining the taxable income of a resident entity in Brazil are not regarded as discriminatory under Article 24 of this Convention .

7 . Referring to article 26 paragraph 1 and Article 3 , paragraph 1, letter " i "

In Brazil , the term " tax " refers only to tax the powers of the " Union Federal " .

8 . Referring to Article 26 , paragraph 8

To jointly will be waived if the representatives of the State are not appointed within two (2) working days from the date of authorization of oversight by the competent authority .

In witness whereof the undersigned, being duly authorized thereto , have signed this

Protocol .

Done at Brasilia on 20 days in September 2000, in duplicate , in the English and Spanish languages , both texts being equally authentic .

THE GOVERNMENT OF THE REPUBLIC OF BRAZIL Federative :

Luiz Felipe Lamprey

Minister of State of Foreign Affairs

THE GOVERNMENT OF THE REPUBLIC OF PARAGUAY :

Juan Esteban Aguirre Martinez Chancellor