

# Tax New

January 2026

## Key Regulatory Developments and Tax Criteria

### Executive Summary

By means of Law No. 7609/2025, dated December 31, 2025, the General State Budget for fiscal year 2026 was approved, establishing the budgetary limits for credits arising from undue or excess payments, as well as for interest and surcharges.

By means of General Resolution DNIT No. 43/2026, dated January 30, 2026, the rotation regime applicable to External Tax Auditors ("AEI") was amended, setting a maximum limit of three consecutive fiscal years for issuing reports with respect to the same taxpayer.

By means of Binding Ruling No. 788, issued in December 2025, the tax authority ruled on the tax credit treatment in the event of a partial spin-off.

By means of Binding Ruling No. 785, issued in December 2025, the tax authority addressed the deductibility of life insurance contracted abroad.

### Law No. 7609/2025 - The General National Budget for fiscal year 2026 is approved.

On December 31, 2025, the Executive Branch enacted

Law No. 7609, approving the General National Budget ("PGN") for fiscal year 2026. The budget amounts to G. 149.6 trillion (equivalent to approximately USD 18.995 billion), representing an increase of 12.3% over the budget for fiscal year 2025. The macroeconomic projections on which the PGN is based estimate a 3.8% growth in Gross Domestic Product (GDP) and 3.5% inflation for 2026.

The PGN complies with the fiscal deficit ceiling of 1.5% of GDP, as established by the Fiscal Responsibility Law (Law No. 5098/2013). This fiscal discipline framework is relevant for taxpayers, as it defines the limits within which the State can assume spending and investment commitments.

In terms of taxation, the PGN Law contains provisions that directly impact taxpayers, particularly with regard to **budgetary limits for the crediting of amounts** for undue or excess payments, VAT refunds to non-profit entities ("ESFL"), and interest and surcharges arising from tax credit recovery processes. These budgetary limits represent the maximum amounts that the National Tax Revenue Directorate (DNIT) can credit during the fiscal year for the items indicated.



This is a budgetary measure that has been implemented every year since Law No. 5061/2013, which provided for it in Article 7, and Decree No. 850/2013. The overall limits represent the maximum total amount that the DNIT can credit for each item throughout the fiscal year, while the individual limits per taxpayer prevent a single taxpayer from monopolizing a disproportionate percentage of the available credits. This means that no taxpayer can represent a percentage of credits greater than that established, thus preventing one taxpayer from excluding the others.

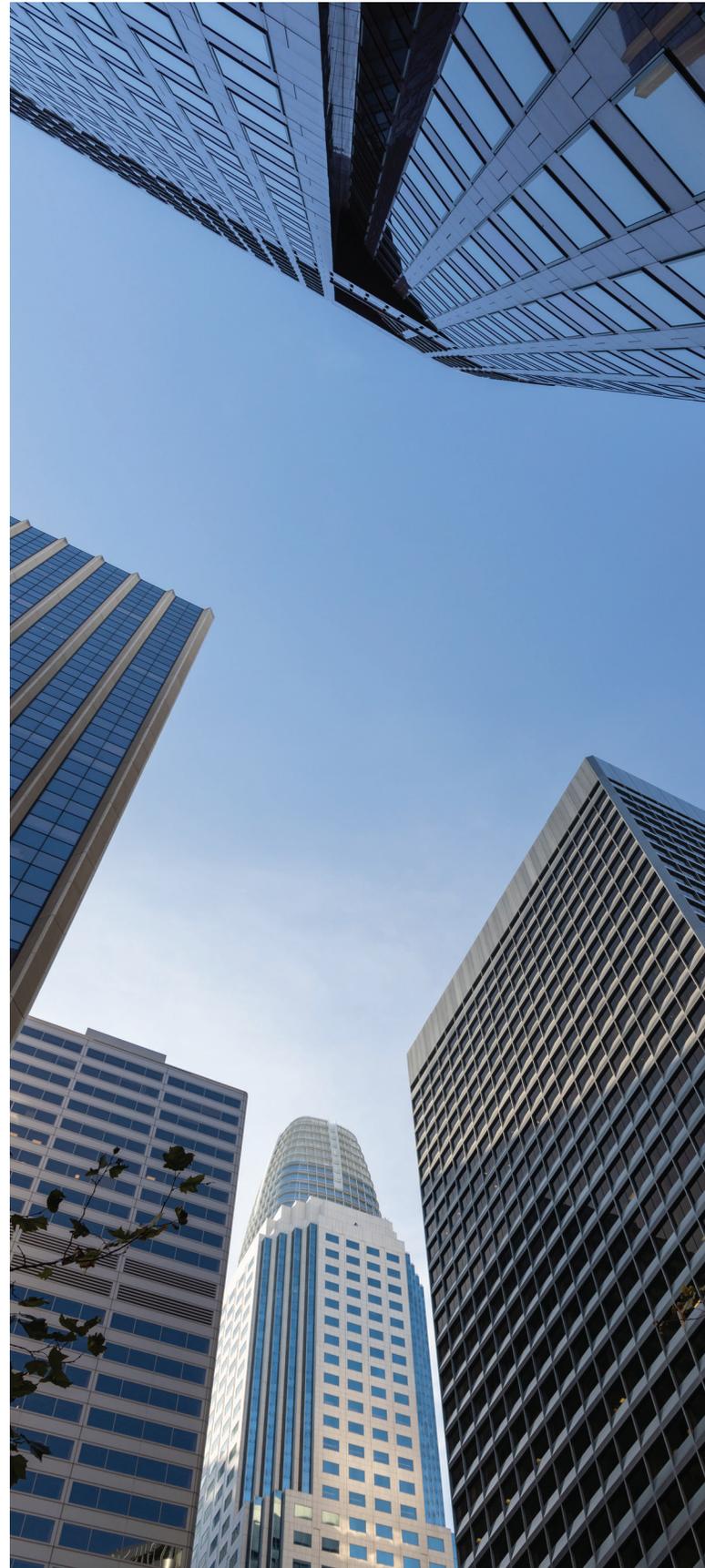
If the total budget limits are reached during the fiscal year, the amounts pending credit are deferred to the following fiscal year without generating legal accessories. The area responsible for making the credits must correlatively record the resolutions that provide for them, for inclusion in the PGN for the following fiscal year.

In addition, the budget law contains other provisions of general interest, such as budget allocations by state institution, projected revenues, planned investments, and sources of financing. The complete document can be consulted on the website of the Ministry of Economy and Finance ([www.mef.gov.py](http://www.mef.gov.py)).

### **DNIT General Resolution No. 43/2026 - The rotation system for External Tax Auditors is modified.**

Through General Resolution No. 43/2026, dated January 30, 2026, the DNIT amended Article 12 of General Resolution No. 30/2019 —updated by RG DNIT No. 15/2024— which regulates Article 33 of Law No. 2421/2004 "On Administrative Reorganization and Fiscal Adjustment," referring to the Registry of External Tax Auditors ("AEI").

The amendment establishes a **mandatory rotation rule for the signing auditor**. Under the new wording, the auditor signing the External Tax Audit Report may not sign such a report for the same taxpayer for more than three (3) consecutive fiscal years. In order to sign opinions for the same taxpayer again, at least two (2) fiscal years must have elapsed since the last opinion was signed.





The taxpayer remains free to hire the AEI of their choice, provided that it is duly authorized by the Tax Administration. The restriction applies specifically to the signing auditor, not to the audit firm or company, which allows the contractual relationship with the firm to remain in force as long as a different signatory is appointed.

**The established rotation will be calculated starting in fiscal year 2026**, in accordance with the provisions of Article 2 of the resolution. This means that fiscal years prior to 2026 are not counted for the purposes of calculating the three consecutive years allowed.

This measure is in line with international auditing principles that promote auditor independence and periodic rotation as a mechanism to prevent conflicts of interest and strengthen the objectivity of opinions. For taxpayers subject to the external tax audit requirement—based on their annual turnover—it is advisable to plan in advance for the transition of the signing auditor in order to avoid inconveniences when filing the audited financial statements.

The resolution was signed by the National Director of Tax Revenue, Óscar Alcides Orué Ortíz, following a favorable opinion from the General Directorate of Legal Advice (Opinion DGAJ-CSJ-DTJ No. 15 of January 30,

2026).

### **Binding Consultation No. 788 - Treatment of tax credits in the event of a partial spin-off.**

The DNIT issued its response to a binding consultation made in the context of a corporate reorganization process. A company mainly engaged in livestock farming submitted a binding consultation to the DNIT to confirm whether, in the event of a partial spin-off, the accumulated tax credits could be transferred to the resulting companies in proportion to the assigned equity. Specifically, the Tax Administration was asked to rule on the possibility of transferring these credits up to the limit of the spun-off assets, allowing for their total or partial reorganization in the new entity.

The authority's conclusion was clear: in spin-off processes, VAT tax credits may be transferred to the successor companies in proportion to the net assets actually transferred with respect to the total net assets of the predecessor company. It was also established that the transferable amount may not exceed the value of the spun-off assets, which acts as a maximum limit. Thus, it is expressly recognized that spin-offs—as a form of corporate reorganization—enable the proportional transfer of tax credits.

To reach this conclusion, the Administration started from the recognition that spin-offs constitute a form of corporate reorganization, along with mergers and corporate transformations. Based on this understanding, it recalled that the VAT regime provides that, when transfers of assets occur as a result of a reorganization, the tax credit of the predecessor may be transferred to the successor in proportion to the net assets transferred. In turn, such transfers are exempt from tax, which reinforces the tax neutrality of the reorganization process.

**Binding Consultation No. 785 - Deductibility of life insurance taken out abroad.**

Through a binding consultation process, a taxpayer subject to personal services income tax filed a binding consultation with the DNIT to clarify whether premiums paid for life insurance taken out abroad could be considered a deductible expense for tax purposes. The appellant argued that this expense should be allowed as deductible, on the understanding that it was related to the health concepts covered by the regulations.

The Administration concluded that expenses for life insurance taken out abroad are not deductible for IRP-SP purposes. This criterion is based on the fact that current regulations expressly limit the deductibility of expenses incurred outside the country to those exclusively related to education and health, categories that do not include life insurance.

To support this position, the authority recalled that the tax law allows the deduction of certain personal expenses, even when incurred abroad, provided that they are directly related to the taxable activity and correspond exclusively to education or health. The regulations also specify what is meant by these concepts, listing payments for professional fees, supplies, medicines, and other expenses directly related to these purposes.

In this context, the DNIT analyzed the legal nature of life insurance and emphasized that its main purpose is to

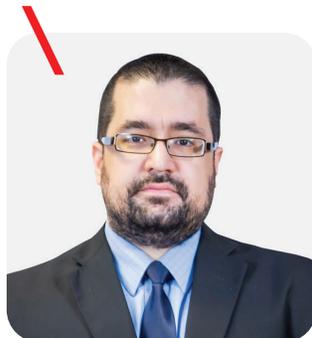
cover risks associated with the death or survival of the insured, which differentiates it from health insurance. As it is not expressly provided for within the deductible concepts and cannot be assimilated to the health expenses defined by the regulations, the expenditure does not meet the requirements for deduction.



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