



Ishida & Associates
Abogados & Consultores Asociados

Caaguazú 1.759 c/ Avda., Médicos del Chaco. Tel. (021) 550.177- e-mail. Ishida.miguel@ishidalaws.com
www.ishidalaws.com Asunción - Paraguay

Law No. 6480/2020 – Simplified Shareholding Company (hereinafter called “EAS”)

Law No. 6480/2020 created this new type of company and established an excellent tool for the development of investments in Paraguay.

The following are some features and innovative aspects of this type of company:

They can be incorporated by one or more individuals or legal persons. It is the first corporate legal entity which is possible to incorporate with a single shareholder.

They can be incorporated by contract or unilateral act that consists in:

- a) Public deed or;
- b) Private document with signature certification by a notary public or by the registry official of the office in which the registration is made. In the event that assets that must be transferred through a public deed are contributed as social capital in the incorporation act, this formality must be complied in order for the EAS to be incorporated and registered.

The application for registration must be submitted solely and exclusively through the Unified System for Opening and Closing of Companies (*Sistema Unificado de Apertura y Cierre de Empresas* or “SUACE”).

The articles of incorporation of the EAS approved in the manner provided by this Law, as well as the amendments to said articles and their liquidation must be registered at the Ministry of Finance and, once their registration has been formalized, it will be communicated to the Office of Public Records.

The registration application form and the sample of the articles of incorporation to be used for the incorporation of the EAS, will be available in due course in the SUACE website.

The EAS acquire their legal existences once registered in the Ministry of Finance and not in the Public Records, therefore, the EAS will be able to start operations much faster than other types of companies.

An EAS with a single shareholder cannot incorporate or be shareholder in another EAS with a single shareholder. They will always be of commercial nature and will be governed by the tax rules applicable to the nature of their activities. The liability of the shareholders of the EAS will be limited to the amount of their contributions to the company.

The social capital will be divided into shares that must be registered, transferable or not, ordinary or preferred or with special voting rights. The subscription and payment of social capital may be carried out under conditions, proportions and terms different from those provided in the regulations of the Civil Code for corporations, but in no case shall the term for the payment of shares exceed two years.

Regarding the governing bodies of the EAS, the Law provides a wide freedom in their determination, basically recognizing two mandatory bodies: The meeting of shareholders of the EAS (with equal powers to those of the Ordinary and Extraordinary Shareholders' Meetings of Joint-Stock Companies) and the legal representative. The legal representation of the EAS may be in charge of one or more individuals, designated in the articles of incorporation. There is no obligation to have an administrative body (similar to a Board of Directors) nor an inspection body (such as the Trustee or the Supervisory Board).

The meetings of the EAS' shareholders must be convened in writing to the shareholders' addresses, 5 business days before the meeting date, therefore, there is no obligation to publish the summon in newspapers of mass circulation. The meetings of the shareholders of the EAS and the administrative body (if it exists) can be held remotely and recorded in meeting minutes with the signature of a single shareholder.

The liability of administrators and legal representatives is regulated by the rules that govern administrators of Joint-Stock Companies in the Civil Code. The EAS must keep the following corporate and accounting records:

- a) Book of minutes of the governing body;
- b) Shares registration book;
- c) Book of minutes of the administrative body;
- d) Accounting book; and
- e) Inventory book.

Also, they must submit their financial statements in accordance with current regulations.

Financial institutions must provide mechanisms that enable the EAS to open an account within a maximum term to be established by regulation.

In all matters not provided in this Law, the rules of the Civil Code that govern Joint-Stock Companies, with its amendments and regulations, will be applied in a supplementary manner.

The regulation of this Law is still pending; therefore, we still must wait to start using this excellent tool.

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