

TRANSLATION FROM SPANISH

REPUBLIC OF PARAGUAY

LEGISLATIVE POWER

Law No.536  
PROMOTION OF FORESTATION AND REFORESTATION

Decree No.9425  
Which regulates Law No.536/95 for the "Promotion of Forestation and Reforestation"

LAW N° 536 OF PROMOTION OF THE FORESTATION AND REFORESTATION AND DECREE N° 9.495 BY  
WHICH THE LAW IS REGULATED (\*)

PROMOTION OF FORESTATION AND REFORESTATION

THE CONGRESS OF THE PARAGUAYAN NATION  
PASSES WITH THE FORCE OF LAW

CHAPTER I

GENERAL PROVISIONS

Article 1. The Government shall promote forestation and reforestation activities in forestation priority lands, on the basis of a Forestry Management Plan and with the incentives established by this law.

Article 2. For the purposes of this law the following definitions apply:

- (a) Forestation priority lands: Lands whose productive capacity is considered preferably forestal, based on the results of specialized technical studies.
- (b) Forestation: The act of establishing forests, with native and exotic species, in lands which lack said forests or where they are insufficient.
- (c) Reforestation: The act of colonizing with arboreal species by means of planting, managed regeneration, or seeding, a land which had previously been a forest and had been subjected to extractive exploitation.
- (d) Management Plan: A plan that regulates the use and sustainable exploitation of renewable natural resources in a predetermined land, with the purpose of obtaining from them the maximum benefit, at the same time assuring the conservation, improvement and growth of said resources.

Article 3. The forests located on Forestation Priority Lands, that are under management plans approved by the National Forestry Service and are affected by the provisions of this Law, are not subject to Agrarian Reform nor to expropriation, unless deemed to be of public interest for infrastructure works for the benefit of the nation, such as roads, bridges, dams, and others.

Article 4. The owners of real estate who are interested in benefiting from the incentives set forth in this Law must present a Forestation and Reforestation Plan to the National Forestry Service, with an indication of the main objective of the investment to be made and requesting the presence of a forestry engineer or a specialized agronomical engineer, in order that said interested parties may receive technical guidance on the field, and that their respective forestation and reforestation proposals may be approved, after their lands have been classified as Forestation Priority Lands.

Article 5. The National Forestry Service may suggest changes in the plan submitted to its consideration. Once said changes have been accepted by the interested party, they must be approved within 60 (sixty) days of their presentation. If approval is not given, the proposal may be considered as approved, and a Certificate of Approval will be issued, in order that the interested party may benefit from the incentives established in Article 3 of this Law.

Article 6. Within the term of 1 (one) year after the date of the issuance of the Certificate of Approval, the owner must initiate the acts leading to forestation or reforestation. For this purpose, and if the owner does not possess his own forest nursery, he may make purchases from the forest nurseries that the National Forestry Service will make available in each one of the departments of the country, or from third parties that are duly registered with the entity to which this Law applies.

The National Forestry Service may authorize, upon express request by the interested party and in cases where it is justified, the disincumbrance of property in the forestation or reforestation plan.

In this case, the interested party must return to the national treasury all sums that he abstained from paying by virtue of the tax exemptions and bonuses stipulated by the present Law or other legal provisions.

Said sums are to be adjusted in accordance with the variations of the Consumer Price Index (CPI), as determined by the Central Bank of Paraguay, taking into account the date on which the exempted taxes would have been paid and the date on which the payment is actually made.

## CHAPTER II

### INCENTIVES FOR FORESTRY ACTIVITIES

Article 7. As of the date of this Law, the Government shall grant, for every piece of land forested or reforested, a one-time-only bonus of 75% (seventy-five per cent) of the direct costs of planting incurred by physical or juridical persons of any nature, and which have affected rural lands that are deemed Forestation Priority Lands.

Likewise, 75% (seventy-five per cent) of direct costs will be returned as a bonus, when said costs have been paid for maintenance of the forested or reforested lands, during the first 3 (three) years, provided that said maintenance has been carried out in accordance with the approved Forestry Management Plan.

Article 8. For the purpose of effecting payment of the bonuses mentioned in the previous article, the National Forestry Service will establish, in the month of March of every year, the value by hectare of the direct costs of planting and management, for the yearly season, according to the various zones, soil categories, native or exotic species, and other elements inherent in said costs.

Said values shall be adjusted in accordance with the variation undergone by the Consumer Price Index (CPI), as determined by the Central Bank of Paraguay, between the date on which the prices were established and the month preceding the month in which payment of the bonuses is to be effected.

If the National Forestry Service should fail to set the prices within the term mentioned above, for the purposes of said calculation and payment of bonuses, the values contained in the latest table of costs will be used, which will be readjusted, in this case and for these purposes, in the same manner indicated in the previous paragraph.

Article 9. The bonuses mentioned in Article 7 of this Law shall be paid each time the beneficiaries give proof of new forestation or reforestation of land, or of the management interventions indicated in the Forestry Management Plan, by means of a certificate issued by the National Forestry Service, and after a report by the commissioned official

has been presented, and upon request by the owner.

The forestation or reforestation certificates will be issued beginning 12 (twelve) months after planting and once it has been verified that the survival rate of the plants is at least 80% (eighty per cent) per hectare.

Article 10. The total amounts of the annual bonuses shall be included in the Nation's Annual Budget, in accordance to the costs per hectare established in Article 8 of this Law and to the areas of forestation and reforestation set forth in the management plans.

The Ministry of Finance will pay for the certificates of forestation and reforestation in a term not longer than 30 (thirty) days after their presentation. The delay in payment, will produce, in favor of the person responsible for the forestation or reforestation, an interest equivalent to the current market interest rate for bank discounts of commercial documents, plus 20% (twenty per cent).

Article 11. The National Development Bank shall grant the beneficiaries of this Law, preferential credits at long terms and low interest; to obtain the loans, the interested party must present a certificate of approval of the plan and an application for said credit.

Article 12. The owners of lands may, with authorization of the National Forestry Service, import breeding materials, which after sanitation by the appropriate authorities, shall receive customs clearance that shall be immediate, preferential and free of duties.

### CHAPTER III

#### RULES AND REGULATIONS REGARDING TAXATION

Article 13. The lands of rural estates deemed forestry priority lands and the forests that are planted in them, subject to the provisions of this Law, are governed by taxation rules and regulations established in this Law; said rules and regulations stipulate that said lands are exempt from any other fiscal tax, be it municipal or departmental, and whether they are at present in force or are still to be created. Any change in said rules and regulations shall not cause injury or damage to any person performing reforestation activities under this program.

Real estate taxes shall be reduced by 50% (fifty per cent) when it applies to the forestation and reforestation program. The pertinent institutions shall order an immediate exemption of all taxes mentioned in this article, upon presentation of a certificate approved by the National Forestry Service.

Article 14. Forestal exploitation of rural lands covered by the present Law, shall be subject to income tax, assuming by law that the net income is equal to 10% (ten per cent) of the commercial value of the felled trees or of the value of the fruits or other products extracted from the species planted.

Article 15. The sale of wood and other forestry products shall be subject to Value Added Tax (VAT).

Article 16. The tax exemptions included in this Law will be in effect from the date of the certificate of approval issued by the National Forestry Service, with the exception of real estate taxes, which shall be in effect on the 1st. of January of the year following the certification.

Article 17. In accordance with the stipulations of this Law the bonuses obtained or received by the landowner or performer of reforestation activities shall not be taxable income.

Article 18. Only the income obtained from forestation or reforestation activities shall have the tax benefits stipulated in this Chapter.

Article 19. The Executive Power, through the pertinent institutions, by means of development credits shall encourage the activities of the private sector for the management of native forests, forestation and reforestation, and industrialization of forestry products.

### CHAPTER IV

## PENALTIES

Article 20. The following fines shall be applied on the basis of the fiscal appraisal of the land covered by this Law, at the moment payment is made, for not beginning in a timely fashion the approved forestation or reforestation plan, and for not compliance, for causes imputable to the reforester or owner of the land, of the reforestation program or programs described in the Forestry Management Plans:

- (a) During the first year, 5% (five per cent) of said fiscal value.
- (b) During the second year, 10% (ten per cent) of said fiscal value.
- (c) During the third year, 20% (twenty per cent) of said fiscal value.
- (d) During the fourth year, 40% (forty per cent) of said fiscal value.
- (e) From the fifth year onward, 50% (fifty per cent) of said fiscal value.

Said fines will become payable from the moment when the noncompliance is incurred upon regarding the forestation and reforestation programs contained in the Forestry Management Plan, and according to the dates contained therein; said fines will be calculated on the basis of the percentage that the nonfulfilled portions represent with respect to the total of said plan.

Article 21. When a given program included in the Forestry Management Plan is interrupted, and when at the time of interruption the lands are subject to the fines mentioned in the above mentioned article of this Law, the resumption of the program must be approved by the National Forestry Service, following the same procedure applied to the original program; before resumption, a report must be prepared by a forestry engineer or specialized agronomist, and an updated plan must accompany said report.

Article 22. The resumption and updating of a program included in the Forestry Management Plan shall not exempt the interested party from payment of the fines stipulated in Article 21 of this Law corresponding to the term that the program was not in operation; said fines will be suspended beginning on the date of receipt of the report or of an affidavit, whichever may be the case, regarding resumption of the program.

When further interruptions occur, the fines shall be applied in the manner described in Article 21 of this Law, on the basis of the percentages that were being applied at the time of updating.

Article 23. Any cutting or exploitation activity regarding the plantations in rural lands that are subject of this Law is to be carried out only after a presentation and registration is made before the National Forestry Service of the respective Management Plan. If the cutting is definitive, a reforestation on land at least as extensive as that affected by the cutting or exploitation must be planned.

The management plan to which the aforementioned articles refer must be signed by a forestry engineer or a specialized agronomist when the total area of the forest in which the cutting or exploitation is carried out is greater than 30 (thirty) hectares; if the area is smaller, the plan must be signed by a forestry technician or specialized agronomical technician.

The infringement of the provisions mentioned in the above paragraphs shall make the owner of the land or the person who has carried out the unauthorized cutting or exploitation, in accordance with a decision of the National Forestry Service, liable to a fine equivalent to double the commercial value of the products, whatever their condition or degree of exploitation or processing. When the infringer happens to be in possession of the products, they will be confiscated as well.

If the products originating in the cutting or exploitation carried out in infringement of the provisions set forth in this Article should be sold, the infringer will be imposed a fine equivalent to three times its commercial value. The National Forestry Service will determine the commercial value of said products.

The products confiscated shall be sold by the National Forestry Service.

The infringement of the provisions of this Article shall empower the National Forestry Service to order the immediate discontinuance of the works, for which it may engage the assistance of the civil police.

Article 24. The cutting or exploitation of forests that grow on land considered Forestation Priority Lands shall compel the owner to reforest an area at least as large as that in which the cutting or exploitation took place, under the conditions stipulated in the Management Program approved by the National Forestry Service.

The obligation to reforest may be fulfilled on land other than the one in which the cutting or exploitation took place, only when this has been contemplated in the plan approved by the National Forestry Service. The planting that takes place in this case shall be considered as reforestation for all legal purposes.

The noncompliance of any of these obligations, after three years of the date of the cutting or exploitation, shall bring about the levying of the fines stipulated in Article 21 of the Law, with an increase of 100% (one hundred per cent).

Article 25. Any deliberate concealment of misrepresentation of the information contained in the studies presented to the National Forestry Service and prepared by forestry engineers or specialized agronomists, as well as any changes in the execution of the works, carried out with the purpose of infringing the stipulations of this Law, will be penalized with the rescission of the professional license of the persons responsible for a term of one to five years, following an internal investigation.

Article 26. The National Forestry Service shall be responsible for imposing the penalties and fines stipulated in this Law.

The sums collected as fines shall be deposited in an account that the Ministry of Finance shall open, and will be used for the execution of the program created by this Law.

## CHAPTER V

### SPECIAL AND FINAL PROVISIONS

Article 27. For all taxation purposes related to this Law, and without detriment to the responsibilities and obligations of private persons, the National Forestry Service shall transmit all pertinent information to the Ministry of Finance.

Article 28. The appropriate carrying out of the forestation and reforestation program subject to the provisions of this Law shall be monitored periodically by the National Forestry Service, and the accounting and management of the program shall be controlled by the Office of the General Comptroller of the Republic.

Article 29. The Executive Power is hereby empowered to prepare regulations related to this Law.

Article 30. Let the Executive Power be informed.

This Law was approved by the Honorable Chamber of Senators on the fourteenth day of December of the year nineteen hundred and ninety-four and by the Honorable Chamber of Representatives on the twentieth day of December of the year nineteen hundred and ninety-four; thus this Law is passed.

[Signed by:]

Atilio Martínez Casado  
President  
Honorable Chamber of  
Representatives

Evelio Fernández Arévalos  
President  
Honorable Chamber of  
Senators

Mirian Graciela Alfonso González      Juan Manuel Peralta  
Parliamentary Secretary                  Parliamentary Secretary

Asunción, January 16, 1995.

Let it be accepted as a Law of the Republic, let it be published and let it be included in the Official Registry.

The President of the Republic

Juan Carlos Wasmosy

Arsenio Vasconcellos  
Minister of Agriculture

Orlando Bareiro  
Minister of Finance

REPUBLIC OF PARAGUAY  
PRESIDENCY OF THE REPUBLIC  
MINISTRY OF AGRICULTURE AND LIVESTOCK

Decree No.9425

Which regulates Law No.536/95 for the "Promotion of Forestation and Reforestation"

Asunción, June 21, 1995

WHEREAS: Article 1 of Law No.536, dated January 16, 1995, in which it has been determined that the Government shall promote forestation and reforestation activities in Forestation Priority Lands, on the basis of a Forestry Management Plan with the incentives established in said Law; and

CONSIDERING: That for the appropriate implementation, follow up and attainment of the objectives proposed in said Law, Article 29 empowers the Executive Power to prepare regulations;

THEREFORE:

THE PRESIDENT OF THE REPUBLIC OF PARAGUAY

DECREES:

Article 1. Law No.536/95 of "Promotion of Forestation and Reforestation" is hereby regulated.

Article 2. For the purposes of these Regulations, the following definitions shall apply:

(a) Forestry Priority Lands: Lands whose productive capacity has been determined by technical studies to be preferably forestal.

(b) Forest: Any vegetable grouping in which trees predominate, including the land, the waters and the wildlife associated with said trees.

(c) Lands whose productive capacity is preferably forestal: Those lands that can support indefinitely the cultivation of trees that are appropriate for industrialization and intended mainly for the production of wood.

(d) Reforestation: Activity devoted to cover with arboreal species, by means of cultivation, a piece of land that had previously been a forest and was subsequently subjected to extractive exploitation. If the planting is done on land especially cleared for such purpose, the reforestation shall not be subject to a bonus.

(e) Degraded Native Forest: A forest that has been exploited before Law No.536/95 was in force, and whose productive capacity is below the mean standards for that type of forest or species; or that in addition, its productive

potential has diminished in relation to the quality of the site, and the structure and composition of the species of trees.

## QUALIFICATION OF FORESTRY PRIORITY LANDS AND PLANS FOR THEIR MANAGEMENT

Article 3. The landowners who wish to have their lands qualified as Forestry Priority Lands or to have their Forestation or Reforestation Management Plan approved, must present an application, together with a technical study, to the corresponding office of the National Forestry Service, according to the location of the lands; for this purpose said Service shall provide application forms.

Article 4. The application for lands to be qualified as Forestation Priority Lands and for approval of a Management Plan, must contain the name of the owner of said lands, the owner's signature, administrative background regarding the location of the lands; the application must also be accompanied by a title to the property.

Article 5. The technical study regarding the qualification of lands as Forestry Priority Lands must include the following:

(a) Information about the lands to be qualified and potential for their use, mentioning class and subclass, taxonomical grouping, limiting factors and area of the lands.

(b) Justification from a technical viewpoint of the qualification applied for.

(c) Map of the lands, with an indication of the part whose qualification has been applied for.

Article 6. The Management Plan must include the Forestation and Reforestation Project and the management activities that are to be carried out, with an indication of the nature of the works to be done, the areas covered by the project that have been identified in the land plan, and a yearly calendar of activities; these items shall be subject to a reference framework to be prepared by the National Forestry Service.

Article 7. The technical study regarding the qualification of lands as Forestry Priority Lands and the respective Management Plan must be prepared and signed by a forestry engineer or an agronomical engineer specialized in forestry who possesses a professional license issued by the National Forestry Service.

If the land is not larger than 20 hectares, the National Forestry Service shall prepare the plan.

Article 8. The National Forestry Service shall have a term of 30 days after the date of the presentation of the application and all required documents, to make a decision regarding said application for the Qualification of Lands that are to be considered Forestation Priority Lands and the Forestry Management Plan. If said decision is not made during said term, the application shall be considered approved and the corresponding certificate will be issued.

Article 9. The deadline for the presentation of the application for Qualification of Lands that are to be considered Forestation Priority Lands and the Forestry Management Plan shall be April 30 of every year.

Article 10. The Forestry Management Plan may be modified at the request of the National Forestry Service, in which case the terms established in Article 5 of Law No.536/95 shall be abided by.

Article 11. The list of Certificates of Approval regarding Qualification of Lands that are to be considered Forestation Priority Lands as well as the Forestry Management Plan shall be presented to the Ministry of Finance by the National Forestry Service by way of the Ministry of Agriculture and Livestock, before May 31 of the year when the Forestry Management Plan is to be executed, in order that it be included in the Proposed Law regarding the Nation's General Budget of Expenses for the following Fiscal Year.

## INCENTIVES FOR FORESTRY ACTIVITIES

Article 12. The Government shall grant a one-time bonus equivalent to 75 per cent of the direct costs of planting in

every piece of land forested or reforested; the costs shall be estimated by the National Forestry Service. Said bonus shall be granted to physical or juridical persons of any nature that have met all the requirements of Law No.536/95 and the present Regulations.

Likewise, a bonus equivalent to 75 per cent of the direct costs of the following maintenance activities shall be granted during the first three years, as estimated by the national Forestry Service: cleaning of the plantations; pruning of the plants; and control of pests and plant diseases.

Article 13. The benefits of Law No.536/95 may also apply to the agricultural and forestry projects that combine the planting of forestry species for wood production with yearly or permanent crops.

Article 14. Regarding combined agricultural and forestry projects, 50 per cent of the forestal population may be non wood-producing in order to qualify for the bonus. Regarding the bonus with respect to this planting system, the costs of non wood-producing species shall not exceed the value of the wood-producing forestal species, in accordance with the Table of Costs approved by the National Forestry Service.

Article 15. As regards the stipulations contained in Article 2, paragraph (c) of Law No.536/95, the degraded native forests may benefit from said Law, provided that they have been reforested under natural forest cover with native species whose wood possesses high commercial value. The bonus to be granted, in relation to the density of the plantations, will be established by the National Forestry Service.

Article 16. The direct costs that shall be covered by the bonus are the following:

(1) Planting:

(a) preparation of the land, including weeding, plowing, harrowing.

(b) establishment of the plantation, including the cost of the plants, land marking, hole-digging, planting.

(2) Maintenance during the first three years:

(a) Cleaning.

(b) Control of pests and forestal diseases.

(c) Pruning of plants.

In plantations of native species under natural forest cover, the preparation of the land refers to the opening of tracts without using heavy machinery.

In plantations established in a natural manner in degraded native forests, direct costs are to be considered those of maintenance of the forests, cleaning of the plantations, control of pests and forestal diseases and pruning of plants, during the first three years.

Article 17. Management interventions or maintenance of the forested or reforested lands are to be carried out beginning one year after planting; cleaning and plant sanitation should be implemented during the first year. In the following years, two cleaning operations, one pruning and one plant sanitation operation must be carried out per year.

Article 18. A piece of land shall be considered a new forested or reforested area if it has an 80 per cent or higher rate of success with respect to the density indicated in the Forestry Management Plan.

The scale of bonuses for each of the systems to be implemented shall be determined within the following minimum and maximum densities:

(a) For pure plantations, a maximum density of 2,000 plants per hectare and a minimum density of 400 plants per hectare.

(b) For reforestation under natural forest cover and management of the natural native forest, a maximum density of 625 plants per hectare and a minimum density of 204 plants per hectare.

(c) For combined agricultural and forestal systems, a maximum density of 800 plants per hectare and a minimum density of 200 plants per hectare.

Article 19. For the purposes of payment of bonuses, the National Forestry Service shall send the Ministry of Finance a certificate containing technical information regarding the fulfillment of the forestation and reforestation plans and/or management intervention, signed by a forestry engineer or specialized agronomical engineer, and endorsed by the National Forestry Service. Said certificate shall have the value of a sworn statement.

The National Forestry Service shall issue said certificate once it has verified that the forestation or reforestation and/or the management interventions have been carried out according to the stipulations of the Forestry Management Plan.

If said verification proves that there have been false or inexact representations, these will be considered infringements of the law and the responsible party will be subject to the corresponding penalties.

Article 20. In order to determine the area that is to be subject of a bonus, the owner shall indicate to the National Forestry Service in the Forestry Management Plan the reforested area to be measured, which will be verified on the field.

For the purposes of said verification, the national Forestry Service, in every particular case, may designate a forestry engineer or an agronomical engineer specialized in forestry and who has a professional license; the responsibilities of said professional and the procedures that are to be applied shall be established within a reference framework prepared by the National Forestry Service.

The National Forestry Service shall be in charge of the verification of lands of up to 20 hectares.

The time period and the estimated costs of verification shall be established annually by the National Forestry Service.

Article 21. In the month of March of every year, the National Forestry Service, in consultation with the Forestry Advisory Council, will determine the direct costs of planting and of management interventions by hectare.

Article 22. The pertinent institutions, upon presentation of the certificate of qualification of lands as Forestation Priority Lands, issued by the National Forestry Service, shall apply the tax regime established in Articles 13, 14, 15, 16, 17 and 18 of Law No. 536/95. The exemption of real estate taxes will be in effect beginning on January 1 of the year following the certification.

Article 23. The plantations carried out with financial support granted by international credit institutions under contract by the Government for development purposes, shall not receive the benefits stipulated in Law No.536/95.

Article 24. Any plantation carried out before the enactment of Law No.536/95 shall not receive the benefits established in said Law.

Article 25. For the purposes of Article 12 of Law No.536/95, breeding materials are seeds, stakes, and other vegetable products for clonal breeding.

#### PENALTIES AND PROCEDURES FOR THEIR APPLICATION

Article 26. For the purposes of the application of the penalties stipulated in Chapter IV of Law No.536/95, the Director of the National Forestry Service shall appoint an officer as Judge and another as Clerk to carry out the necessary investigations and to collect all necessary information.

Article 27. In the proceedings, the defendant shall participate in order that he may exercise his defense within 10 workdays of notification of the resolution ordering the investigation; he shall present all pertinent proofs within the

subsequent 10 workdays; after this term has expired, and within the subsequent five days, said Judge shall present his report to the Director of the National Forestry Service.

Article 28. After the time limits stipulated in the previous Article have expired, the Director of the National Forestry Service will issue the pertinent Resolution within 10 workdays.

Article 29. Once the resolution has been notified, a recourse of reconsideration may be presented to the Director of the National Forestry Service within five workdays; said Director shall issue the pertinent Resolution within 10 workdays. If the recourse presented is rejected, the Resolution issued may be appealed to the Vice Minister of Natural Resources and Environment within five workdays of its notification, and the case shall be resolved within 10 workdays, without detriment to the actions that can be brought under administrative law, which are to be initiated within 10 workdays after notification of the definitive Resolution issued by the Vice Minister.

Article 30. In order to carry out forcible collection of the fines imposed by the Director of the National Forestry Service, a certified copy of the respective definitive Resolution shall be sufficient executory title. The sitting judge of the First Instance of the Civil and Commercial Court of the City of Asunción shall have jurisdiction over the matter and the procedures established for the execution of sentences shall apply.

Article 31. When the penalty applied consists of the confiscation of the products, they shall be auctioned by a public auctioneer appointed by the Director of the National Forestry Service; the auction will take place after publication of the auction notices for three days in a newspaper of the Capital City.

Article 32. Public auction of the products found to be infringing the law shall be ordered by Decree of the Executive Power, with the intervention of the Office of the General Comptroller of the Republic and the Ministry of Finance.

#### GENERAL TRANSITORY PROVISIONS

Article 33. For the purposes of Articles 23 and 24 of Law 536/95, it shall be obligatory to present and register a Forestry Management Plan with the National Forestry Service regarding any cutting or other forest exploitation and the corresponding reforestation, in all cases related to plantations carried out under the provisions of said Law, and only regarding interventions that entail final cutting.

Article 34. A Forestry Nursery Registry is hereby created within the Public Forestry Registry, for the purposes of Article 6 of Law No.536/95.

Article 35. The beneficiary must register at the General Office of Public Registries, the corresponding Certificate of Approval of his Forestry Management Plan for the land in question. The presentation of proof of said registration to the National Forestry Service and to the Ministry of Finance shall be obligatory, for the purposes of payment of benefits.

Article 36. In the Certificates of Approval of the Forestry Management Plans, issued by the National Forestry Service, there should be an express indication of the obligations assumed in cases of purchase and sale of real estate benefitted by Law No.536/95.

Article 37. The National Forestry Service shall recommend which species are convenient, whether native or exotic, for planting in the various zones, in accordance with the qualities of each one of them and taking into account the geographical location of wood processing companies.

#### LAW N° 536 OF PROMOTION OF THE FORESTATION AND REFORESTATION AND DECREE N° 9.495 BY WHICH THE LAW IS REGULATED (\*)

For the purpose of the applications and interpretation of the present law, the same contains the following definitions:

- a) Lands of priority forest: qualified as such through specialized technical studies which conclude that its suitability is preferably forestal.
- b) Forestation: Action of establishing forests with native or exotic species in land lacking them or where they are insufficient.
- c) Forest: Vegetal grouping where there is predominance of trees, including, besides, land, water, wild life associated to them.
- d) Lands with suitability preferably forestal: Those in which the site may sustain indefinitely cultivation of trees suitable for the industrialization and preferably intended for wood purposes.
- e) Reforestation: Action of planting tree shape species through plantation, handled regeneration or sowing, a land previously wooded that had been the object of extracting exploitation. It shall be understood as reforestation without the right of bonus, the plantations made on leveled ground for the purpose.
- f) Impoverished native woods: The one which has been exploited previously to the prevailing of the Law N° 536 and which presents inferior levels of productivity to the average standards of his forest or species types; and that because of the quality of the ground, structure and composition of species, its potential productivity is diminished.
- g) Plan of handling: Project which regulates the use and sustained utilization of the natural resources removable from a specific land, with the purpose of obtaining the maximum benefit from them, assuring at the same time the conservation, improvement and increment of said resources.

#### REGULATION APPLIED TO GROUNDS OF FORESTAL PRIORITY.

The forests implanted on grounds of forestal priority with handling plans approved by the National Forestal Service, and that have recourse to the Law are not subject to the Land Reform, nor to the expropriation, unless reason of public benefit such as highways, bridges, channels, dams and others.

#### CLASSIFICATION OF GROUNDS OF FORESTAL PRIORITY

The owners of real estate that have interest in profiting with the incentives established in this Law must present to the National Forestal Service an application of Qualification of Grounds of Forestal Priority and the Plan of Handling the Forestation and the Reforestation, enclosing a technical study of the respective real estate.

#### REQUIREMENTS OF THE APPLICATION OF CLASSIFICATION OF THE GROUNDS OF FORESTAL PRIORITY

The National Forestal Service shall supply the forms that must be completed by the interested parties. The application must contain:

- a) Individualization of the owner of the real estate,
- b) Signature of the owner,
- c) Administrative backgrounds of location of the real estate,
- d) Legalized copy of the title of property of the real estate,
- e) Description of the main purpose of the investments to be executed.

#### TECHNICAL STUDY OF THE GROUND WITH FORESTAL PRIORITY

- a) Information on the grounds to be classified, area by class and sub-class of capacity of use, taxonomic group, restricting factors and area to classify.
- b) Technical justification of the qualifying proposition.

c) Diagram of the real estate pointing the area to be classified.

## HANDLING PLAN

It must contain:

- a) Forestation or Reforestation Project and the handling activities to be made, stating the nature of the work to be developed,
- b) Information on the areas affected to the project, individualized in the real estate plan and an annual calendar of them, subject to a reference frame to be prepared by the National Forestal Service.

## COMPETENT PROFESSIONAL

The technical study of Classification of grounds of Forestal Priority and the respective Handling Plan, must be worked out and subscribed by a Forestal Engineer or an Agricultural Expert with forestal orientation or specialization and professional registry authorized by the National Forestal Service.

The National Forestal Service shall take charge of the working out of the plan when the area of the properties do not exceed the 20 hectares.

## PRESENTATION DATE

The limit date for presentation of the application for Clasification of the Grounds of Priority and respective Handling Plan shall be the 30th of April of every year.

The National Forestal Service shall take a decision in the term of 30 (thirty) days as considered from the presentation of the application together of all the requested legal collection. If this is not done in a short term, the Handling Plan and applications presented, shall be considered as approved.

## MODIFICATION OF THE HANDLING PLAN

The National Forestal Service, may suggest modifications in the Plan of Handling. Once accepted by the interested party, the application shall be approved in a term of 60 (sixty) days from the date of its presentation. If not done this way, the Plan shall be considered as approved, and it must grant the corresponding Certificate of Approval.

## APPROVAL CERTIFICATES

The list of the Certificates of Approval shall be presented by the National Forestal Service to the Ministry of Agriculture and Cattle so that it in his turn transfer it to the Department of the Treasury for its inclusion in the Project of Law of the General Expenses Budget of the National of the following fiscal exercise.

## BEGINNING OF THE ACTIVITIES OF FORESTATION AND/OR REFORESTATION

The owner will begin the activities of forestation and/or reforestation within the term of 1 (one) year considered from the date of the granting of the Approval Certificate.

In the case he does not have own tree nursery, he may purchase the forest tree nurseries set up for that purpose by the National Forestal Service.

## DISAFFECTION OF THE REAL ESTATE

The National Forestal Service may disaffect, for justified reasons and on specific request of the interested party, the real estate subject to forestation and/or reforestation, in which case the interested party is compelled to pay amounts by the way of tax exemption and to refund the allowances granted by the present Law and other legal dispositions.

The amounts shall be adjusted pursuant to the index of variations of prices for the consumer (IPC) established by the Central Bank of Paraguay, between the date the taxes should have been paid and the date of the income made.

## INCENTIVES FOR THE FORESTAL ACTIVITY

The incentives consist in allowances, it is to say, amounts of money granted by the State to promote and incentive the forestal activity.

The direct costs of the implantation by forestation and/on reforestation shall be covered by the State with one allowance which shall cover 75% (seventy five percent) of the expenses.

The implantation cover the preparation of the land, ploughing, combing the woods. The establishment of the plantation includes the cost of the plants the marking, digging holes for plants, and plantation properly said.

Likewise, the State shall give an allowance during the 3 (three) first years, the 75% (seventy five percent) of the maintenance costs of the forestation and/or reforestation and which covers cleaning, pest control and forest decease and pruning in process.

## FOREST OF FARMING AND FOREST

The projects of farming and forest which combine plantation of forest species of trees useful for their wood with permanent annual crops which can also to take recourse of the benefits of the law,

In the Agricultural/Forest system, the composition of the forest species not useful for its wood shall be recognized up to 50% (fifty percent) of the forestal population. The costs of the forestal species useful for wood, according to the Table Costs of the National Forestal Service.

## VALUE OF THE COSTS

The National Forestal Service in consultation with the Forestal Council adviser, shall establish in the month of March of each year, the value of the direct costs of plantation and handling per hectare for the season of the current year, considering the areas, category of the ground, native and exotic species and other elements which shape the costs.

The values shall be readjust according to the index of variation of prices for the consumer (IPC) established by the Central Bank of Paraguay.

## TIME OF MAINTENANCE

The interventions of the handling of the maintenance of the forestation or reforestation must be made starting the year of the plantation which must include a cleaning and plant health care.

## CERTIFICATE OF AFFORESTATION AND REFORESTATION

The National Forestal Service shall issue Certificates of Forestation and Reforestation, to the owners of the real estate affected to the Forestation and Reforestation Plans starting 12 (twelve) months from implantation and after

proving that the surviving of the plantation is not less than the 80% (eighty percent) by the established hectare.

The scale of allowances are determined within the following minimum and maximum density:

- a) For the purse plantations: maximum density of 2.000 plants by hectare and minimum of 400 plants by hectare.
- b) For reforestation under cover and handling of the Natural Regeneration of the Native Forest: maximum density of 625 plants by hectare and minimum of 204 plants by hectare.
- c) For Agricultural/Forestal Systems: Maximum density of 800 plants by hectare and Minimum 200 plants by hectare.

The allowances considered by the Law shall be paid with the presentation of the referred certificate and previous report of the officer empowered for that purpose and on request of the owner.

The Department of the Treasury shall pay for the Certificates of forestation and reforestation in the maximum term of 30 (thirty) days from the time of its presentation. The delay in the payment will generate, in favor of the person in charge of foresting and reforesting an interest equivalent to the current interest of the market for bank discounts on commercial documents with an increase of 20% (twenty percent).

## PREFERENTIAL CREDITS

The owners beneficiaries with the Law, may have access to preferential credits at long terms and low interest granted by the National Bank of Promotion (Banco Nacional de Fomento) for which purpose they must present the Certificate of Approval of the Plan attached to the credit application.

## TAXATION REGIME

The grounds of qualified real estate as well as those of forestal priority and the forests implanted there are submitted to the following taxation regime.

- a) They shall have an exemption of the 50% (fifty percent) of the real estate tax, while subject to the Forestation or Reforestation program.
- b) The forestal exploitation of the rural real estate shall pay the Income Tax with the presumption that the net taxed profit is of 10% of the commercial value of the cut down trees or the value of the fruits or products extracted from the species.
- c) The alienation of the wood and other forest products is subject to the I.V.A. (Added interest to the value).
- d) The allowances collected or earned shall not mean taxed income of the owner or person in charge of the forestation.
- e) The import of reproductive material made by the owner of the rural real estate will be subject to immediate custom clearing, preferential and free of any tax or fiscal imposition.

The tax exemptions shall rule from the date of the issuing of the Approval Certificate, except the exemption of the real estate tax which shall be ruled from the 1st of January of the year subsequent to the certification.

The pertinent institutions shall order the exemptions of the pointed out taxes with the sole presentation of the Certificate of Approval.

## SANCTIONS

The non-fulfillment legislative dispositions or of the Reforestation Program for reasons attributed to the owner or to the person in charge of forestation will result in the suspension or cancellation of the granted benefits depending of the seriousness of the infringement.

In the case that the application of the fine, this would fluctuate between the 5% and 50% of the fiscal value of the rural real estate, according to the time when the infraction took place.

In the case of suspensions, the resumption must again be approved by the National Forest Service repeating the original procedure.

The specialized professional that should incur in giving false data on the prepared report or change the execution of the projects shall be disqualified for a period of 1 to 5 years in the practice of his profession, previous Administrative Summary.

Note: the present information has been summarized from the Law N°536 and the regulatory Decree N° 9495. For any consultation or additional information, we recommend to apply to the same.

this information has been provided:

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