



# Investment in Peru



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# Preface

Investment in Peru is one of the booklets published by KPMG to provide general information for those considering investments or doing business abroad. However, it does not provide the comprehensive and detailed information necessary for making business decisions.

Moreover, because of frequent changes of regulations in Peru, we recommend that legal, accountancy, or other professional advice be obtained before deciding to invest in the country.

Investment in Peru is one of the series of guides that KPMG is publishing on investing in different countries.

This booklet includes all major changes of regulations occurred to this date.

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## Chapter 1

# Overview

### **Geography**

Peru is located in the western hemisphere (west of the Greenwich meridian), south of the Equator, in South America. It borders Ecuador and Colombia to the north, Brazil and Bolivia to the east, Chile to the south, and the Pacific Ocean to the west.

The presence of the Andes, a long mountain range cutting across the country, gives it a unique geography. The 1,285,216 square kilometre territory contains three distinguishable natural regions with different characteristics: the hot Peruvian coast, rich in ocean resources and very favourable for agro industrial activities; the highlands, with their towering mountains and frigid areas, abounding in mineral, agricultural and livestock resources; and the jungle, a region of tropical rain forests, extraordinarily lush vegetation and rich in hydrocarbon and gas resources.

#### *The Coast*

The Peruvian coast is a desert area dotted with warm valleys around which important population centres have grown (Lima, the capital and the most important city in Peru, is located on the banks of the Rimac River, on the central coast).

The Peruvian coast is one of the driest regions in the world (Lima's lack of rainfall is remarkable). There are some fertile valleys along the coast, where it is possible to grow and industrialize rice, asparagus, cotton, sugar cane, fruit, and other products.

Irrigation works and other projects being developed enhance the natural productive potential of these valleys.

The climate in this region varies and is heavily influenced by the presence of two ocean currents that converge along the coast: one is a warm water current coming from the north, and the other is cold water current from the south. The average annual temperature ranges from 18° C in August to 22° C in February. Warm waters off the northern coast and cold waters off the middle and southern coast make for hot days on the northern coast and heavy fog in the south.

The Peruvian sea, because of the varied water temperature, contains some of the world's most assorted and plentiful fauna. This resource, in accordance with applicable laws, is being exploited by both nationals and foreigners. There are oil and sulphite fields on the northern coast, and copper and iron on the southern coast.

### *The Highlands*

The Peruvian highlands cover a broad and rugged terrain with extremely varied characteristics: temperate Andean forests lying at over 1,200 meters (3,937 ft.) above sea level are suitable for farming; grazing lands on the high plateau at 3,000 meters (9,843 ft.) above sea level are appropriate for stockbreeding; frozen areas of snow-capped peaks reaching 6,700 meters (21,982 ft.) above sea level denote the varied morphology of this land, which is rich in mineral resources like gold, copper, zinc, and silver, many of which are industrially mined and processed today.

The temperature in this region varies from an average of 20° C (about 68° F) to a high of 22°C (about 72°F) and a low of -5° C (about 23° F). The rainfall is scarce in general and varies by latitude, with heavier rain in the north than the south. Snowfall is a common occurrence at heights of over 4,000 meters (13,123 ft.) above sea level, but below that is infrequent.

### *The Jungle*

West of the Andes lies the Peruvian jungle, an immense tropical rain forest dissected by an array of rivers flowing into the mighty Amazon, born and located for the most part in Peruvian territory.

There are no significant seasonal variations in climate in the jungle, where average temperatures range from 26°C (about 79°F) to 33°C (about 91°F). This is the wettest region in the country. The jungle contains the broadest diversity of fauna and flora in the world. Many of the features in parts of this region have remained unchanged for centuries. There are jungle tribes that still speak the language and maintain the traditions of centuries gone by.

One has the impression that time stands still in certain areas of the jungle. Even so, it is the site of important industrial and commercial business in the lumber, oil and gas industries and agro industry. The city of Iquitos, the most important in the region, trades heavily with Colombia and Brazil.

## **History and Government**

Peru's present territory is the heart of what, years ago, was the most important culture of pre-Hispanic civilization: The Inca Empire. By political and military force, the Incas brought almost all of South America under their control. An array of ethnic groups, some having reached their zenith earlier, and distributed over a wide territorial area, were included in a central imperial command, which exerted an effective system of information and control over them.

Toward the end of the fifteenth century and beginning of the sixteenth, European expansionism, and especially that of the Spanish crown, advocated the annexation of colonies in the so-called "New World". The "conquistadors" turned to the task of winning new possessions, taking advantage of the power struggle among The Incas for the succession to the throne of the last Inca emperor of Cusco (the capital of the Inca Empire).

Peru was formed as a country basically in the sixteenth century. The Viceroyalty of Peru was established as a Spanish colony to centralize control over the territories conquered by the Spanish crown, and became the centre of colonial power and the most important trading and cultural link between the colonies and Spain.

In the Peruvian Viceroyalty, as in many other Spanish colonies, native-born Spaniards were given special privileges over the Creole-children of Spaniards born in the Americas, particularly in the assignment of public positions. This created a sense of identity among the Creoles, in which the Mestizos also shared.

These circumstances, in the eighteenth century, together with the coming of age of philosophical currents of freedom and the self-determination of peoples that influenced the independence of the United States from the English crown, touched off an unrestrainedly quest for independence throughout the Americas in the nineteenth century. This was crowned in Peru, the last bastion of Spanish power, by the combination of forces of the two major independence leaders: Argentinean José de San Martín in the south and Venezuelan Simón Bolívar in the north. The independence of Peru was proclaimed on July 28, 1821, the date of birth of the Republic of Peru.

The country was established as a Republic encompassing the territory of the earlier Peruvian Viceroyalty.

Thus, in 1829, Peru was defeated by Gran Colombia and forced to relinquish part of its territory.

Between 1879 and 1883, Peru and Bolivia became involved in the "War of the Pacific" against Chile, with disastrous results for the country's economy and territory.

The life of Peru as a Republic has been marked by a series of nuances. There have been temporary periods of economic prosperity, brought on by the exploitation of natural resources, such as "guano", a powerful natural fertilizer in great demand in Europe, on which the economy depended in the early years of Republican life. Depletion of that resource and failure to make provision for changes in preference and demand brought on a period of austerity. The same thing happened in the cases of rubber and anchovy, used to produce fishmeal.

Politically Peru, like that of most Latin American countries, has been a succession of periods of democratic government and dictatorship.

Peru has a constitutional government, based on the 1993 Constitution. This replaced the Constitution of 1979, under which democracy was restored after more than one decade of military government, characterized in its early years by state socialism, and later by a process of gradual restitution of freedom.

The Administration of Peruvian President, Martin Vizcarra provides with a legal framework in keeping with the demands of international competitiveness, thus resulting in a country with an attractive market for both national and foreign investments.

### **Political System**

In conformity with the provisions of the constitution of 1993, the Republic of Peru is democratic, social, independent and sovereign. The state is one and indivisible, and its government is unitary, representative, and decentralized.

- The President of Peru is the head of state and represents the nation.
- Congress, consisting of a single chamber with one hundred and thirty Congressmen, wields The Legislative.
- The Supreme Court of Justice governs and administers the Judiciary.

### **Population and Language**

The estimated population of Peru is 30.4 million inhabitants, most of whom are Catholic. Lima, the capital city, has a population of 9.7 million inhabitants. There is freedom of worship in Peru. The constitution does not establish any official religion, but it does recognize that Catholicism has been very important in the country's historical and cultural development, and commits the support of the state to it.

Ethnically, the Peruvian population is 47% Mestizo; 12% Caucasian; 32% native, with the Quechua and Aymara speakers being the most prominent; there is also a group of Afro-American and Asiatic population that represents and 9% approximately.

The different ethnic groups live together in a climate of respect within a trend toward integration. Peru's most important cultural traditions are a result of the mixture of cultural elements contributed by the different groups. Spanish, the official language, is used regularly in most cities and for official, administrative and legal acts, as well as for the wording of laws, contract signing, and other important documentation.

According to the Constitution, the native languages - Quechua and Aymara - are also official in the places where they are predominant. These languages are important due to the number of country people who speak it in the Andean rural communities.

### **Education**

Elementary schooling in all its forms is compulsory, and most of the country's educational efforts are concentrated in this sector.

The Ministry of Education is responsible for organizing and supervising the educational services that advise and direct the schools and educational programs.

## **Transportation and Communications**

Public transportation in Lima and the neighbouring districts is handled by buses, minibuses, electric train, taxis and motorcycle taxis. The Pan American Highway links the capital with other departments on the northern and southern coast. The Central Highway links up the capital with the most important mining departments in the central highlands.

One railway runs between Lima and the central highlands, and another between the cities of Arequipa, Puno, Cuzco, and Machu Picchu in the south. The country's most important airport is Jorge Chavez International Airport, located in the constitutional province of Callao. There are other smaller airports in various cities. Latam Airlines Peru, Avianca Peru, Taca Peru, Star Peru and Peruvian Airlines the country's most important national airlines, are privately owned.

All the cities are interconnected through telephone, facsimile and internet services, which are provided by private companies. Press freedom is evidenced by a variety of newspapers and political, economic, and business magazines, as well as sports and entertainment magazines.

## **International Time**

Peru, located less than five hours from the Greenwich meridian, has a single time zone.

## **Currency**

Peru's official currency is the Sol (S/), which, as of December 31<sup>st</sup>, 2018, was worth about 0.29 US\$ (US\$ 1 = 3.374 Soles).

The government has decontrolled the exchange rate system. Debts in foreign currency are permitted under Peruvian law and the U.S. dollar is frequently used for civil and commercial liabilities and is also generally accepted for normal business operations.

Companies receiving foreign investment can request to keep their books in U.S. dollars.

## Cost of Living

The levels of inflation (Consumer Price Index - CPI) for the last eleven years have been as follows:

<b><u>Years</u></b>	<b><u>Consumer Price Index (CPI) %</u></b>
2002	1.52
2003	2.48
2004	3.48
2005	1.49
2006	1.14
2007	3.93
2008	6.65
2009	0.25
2010	2.08
2011	4.74
2012	2.65
2013	2.86
2014	3.22
2015	4.40
2016	3.23
2017	1.50
2018	2.48

Source: National Institute of Statistics and Data (INEI)

## National Holidays

Peru's national holidays and the dates of their celebration are as follows:

New Year's Day	January 1 <sup>st</sup> , 2019
Easter -Thursday and Friday	April 18 <sup>th</sup> and 19 <sup>th</sup> , 2019
Labour Day	May 1 <sup>st</sup> , 2019
Feast of Saints Peter & Paul	June 29 <sup>th</sup> , 2019
Independence Day	July 28 <sup>th</sup> and 29 <sup>th</sup> , 2019
St. Rose of Lima	August 30 <sup>th</sup> , 2019
Battle of Angamos	October 8 <sup>th</sup> , 2019
All Souls' Day	November 1 <sup>st</sup> , 2019
Immaculate Conception Day	December 8 <sup>th</sup> , 2019
Christmas Day	December 25 <sup>th</sup> , 2019

## Chapter 2

# Opportunities for Foreign Investors

The Peruvian government has established a program to boost foreign investment. Foreign investors and the companies in which they have equity investments enjoy the same rights and obligations as national investors and companies.

In general, national legislation guarantees the right to corporate freedom. Accordingly, any lawful activity may be carried out by nationals or foreigners without restriction, except for those activities involving public health, national safety, or environmental conservation, and there are some limitations on foreign investment in radio stations and broadcasting companies.

Foreign investors, without need for any authorization, may send abroad any profit on their investments, royalties, and considerations for the use and transfer of technology, together with their investment capital.

### **Attitude toward Foreign Investment**

Peruvians appreciate the recognition of their hospitality toward foreigners. Their attitude toward foreign investment is not different.

National legislation promotes national economic development spurred by foreign investment. For this purpose, an integrated system of rules and regulations has been designed as a guarantee for foreign investors; this does not mean, however, that they will be favoured above national investors.

Foreign investment has always played an important role in the national economy. Its contribution has been critical in the privatization of state-owned corporations in important sectors like telecommunications, electric energy generation and distribution, banking, among others.

### **Foreign Investment**

Foreign investment is received without restrictions in almost all sectors of economic activity and under any form of business or contract permitted by law.

## **Restrictions on Foreign Investment**

Foreign investment does not require prior government authorization. Contracts for the transfer of technology, patent licenses, and trademarks must be registered with the pertinent government officials, but this registration in no way involves any qualification of the content of their stipulations.

However, under Law No. 29785, certain investment projects may be subject to prior consultation with the peoples indigenous or native of the place where such projects are located, this with the purpose of generating an atmosphere of integration with the community. Such consultation does not imply a right of veto over the project.

## **Tax Incentives**

Peruvian law has provided for certain systems of tax benefits in order to promote certain production sectors or the development of certain areas of the country.

In some Free Trade and Special Treatment areas (established by law), such as the Amazon Region, or Highlands Region, the importation of goods to or through these zones is exempt from certain taxes or customs duties.

## **Mining**

For mining activity, the execution of agreements with the Government provides the following benefits:

- Exchange, tax and administrative stability.
- Unrestricted remittance of profit, dividends, and financial resources and unrestricted availability of foreign currency in general.

Mining companies are subject to the payment of:

- i) Mining royalties (MR);
- ii) Special Mining Tax (SMT);
- iii) Special Mining Lien (SML)

These charges are assessed by multiplying a specific Effective Rate (ER) specifically assessed for each charge by the "Quarterly Operational Profits". The MRs are of a legal origin and the SML is a supplementary contractual royalty. However, they do not qualify as taxes.

## **Fishing**

The basic objective of fishing activity is to promote the sustained development of this economic activity as a source of food, employment, and income, and to ensure responsible use of hydro biological resources.

## Oil

Hydrocarbon operations are regulated. PERUPETRO S.A. is the state-owned corporation that represents the Peruvian government in any oil contracts that are signed.

The Hydrocarbon Law establishes the rules and regulations applicable to hydrocarbon (oil and gas) exploration and exploitation contracts signed with PERUPETRO S.A.

The following kinds of contract may be signed:

- Licensing contracts, under which the Peruvian state authorizes to explore and exploit or merely exploit hydrocarbons in the Contract area, and transfers the ownership of the hydrocarbons in exchange for the payment of royalties contractually agreed.
- Service contracts, under which the Peruvian state authorizes to explore and exploit or merely exploit hydrocarbons in the Contract area and whereby compensation will be received in accordance with the volume of hydrocarbon production.
- Any other contractual arrangement that is authorized by the Ministry of Energy and Mines.

The following basic standards are applicable:

- PERUPETRO S.A. is owner of the hydrocarbons and may sign license or service contracts for their exploration and exploitation.
- The Contract area will be defined in each case based on its hydrocarbon potential, geographical area, guaranteed minimum work program, and area within which hydrocarbon exploration or exploitation operations will be actually carried out.
- Contracts cover two phases: exploration and exploitation unless it is only an exploitation contract. In the exploitation phase, the contract term may be for no more than 30 years for crude oil and 40 years for non-associated and condensed natural gas.
- Companies may freely use the hydrocarbons to which they are entitled by contract.
- Contractors may import the capital goods and supplies they need for their operations. Importation of goods and consumables required for the exploration phase of each contract is fully tax exempt. In this case, the contractor is not authorized to use them for other operations or to re-export them without the prior consent of PERUPETRO S.A.

- Contractors may keep their accounting books in foreign currency.
- At the end of the contract term, the facilities, energy, communications media, camps and pipelines will become the property of the Peruvian state.
- Companies are guaranteed that the exchange and tax systems in effect on the contract signing date will remain unchanged throughout its term, for the purposes of each contract.
- Contractors are subject to the common income tax system.

### **Legal Stability Agreements**

Foreign investors may sign legal stability agreements with the Peruvian state so that the latter guarantees, for the term of the agreement, the stability of the tax legislation and of the right to foreign currency convertibility, and to equal treatment with national investors that are in effect at the time of the signing.

A precondition for the signing of an agreement of this kind is the assurance of a certain level of investment. On signing a legal stability agreement, foreign investors commit themselves to the following within a period of no more than two years:

- Making contributions through the domestic financial system, to the capital stock of an established company or one to be created, or making at least US\$ 10,000,000 in venture capital investments formalized with third parties for the mining and hydrocarbon sectors, and at least a US\$ 5,000,000 investment for the other sectors.
- Acquire more than 50% of the shares of a company under privatization.
- Making contributions within the framework of a concession contract.
- Contributing no less than US\$ 500,000, through the domestic financial system, to the capital stock of an established company or one to be created, or making at least US\$ 500,000 in venture capital investments formalized with third parties, provided that:
  - i) the investment results in the direct creation of over twenty permanent jobs; or
  - ii) the investment results in no less than US\$ 2, 000,000 in foreign currency export earnings during the three years following the signing of the agreement.

Regarding investments in the mining industry, the following provisions apply:

- Holding tax stability agreements regarding mining projects whose initial production capacity is not less than 350 MT / day for a period of ten years and 5,000 MT / day for a period of 12 years is feasible. When the initial production capacity is not less than 15,000 MT / day, the holders of mining could enjoy tax stability through a contract signed by the State for a period of 15 years. Minimum level of investments are required.
- The effects of the contract will fall exclusively on the activities of the mining company where investments run. Whether the activities carried out in one or more concessions or an Administrative Economic Unit, provided that they are linked to the object of the investment project.

### **Exchange Rate Control**

There is no currency control; foreign currency buying and selling rates are determined by supply and demand.

### **Registration of Foreign Investment**

Foreign investments in the country are authorized automatically. Once they have been made, they must be registered with the Peruvian Private Investment Promotion Agency (PROINVERSION for its Spanish acronym).

### **Rights of Foreign Investors**

The Peruvian state ensures the right of foreign investors, after payment of the applicable taxes, to remit abroad in freely convertible currency, the entire proven dividends or net profit on their investment; the whole of their capital invested in Peruvian companies, including the sale of their shares, rights, capital reductions, or the full or partial liquidation of those companies.

### **Acquisition of Ownership / Other kinds of Holdings**

The Peruvian Constitution guarantees the absolute right to ownership of property. However, only by reason of national security or public need may a person be deprived of his / her property, and only after the appropriate expropriation proceeding and payment in cash of an appraised compensation for the damages resulting from that decision.

Foreigners, both individuals and legal entities, enjoy the same property rights as Peruvians. They cannot, however, acquire or own mines, land, forests, water, fuel or power sources located within 50 kilometres of international borders, unless expressly authorized to do so.

Property ownership is transferred through a valid sales contract and, although its registration is not required by law, it is recommended in order to make the transaction secure.

## **Competition Regulations**

The Peruvian government started to reform trade and business relations in 1990 in order to make the economy and its economic agents more internationally competitive.

Regulations have been issued guaranteeing free private initiative in both domestic and foreign trade, and limiting the state's role as regulator of production activities. Regulations firmly establishing a free market system in Peru and guaranteeing the rights to commercial identification and intellectual property give shape to an environment of competition that makes Peru especially attractive for private investment.

At the same time, the National Institute for the Defence of Competition and the Protection of Intellectual Property (INDECOPI for its Spanish acronym), a technical government body, was established in 1992 with promotional and enforcement functions to enforce market and competitive standards in the country, and as a guarantee for compliance with the cited regulations.

INDECOPI is a government institution responsible for enforcing legal regulations designed to ensure the operation of the free market system in Peru.

The Institute's functions, although interlinked, are varied.

It has under its legislation a Court for the Protection of Competition and Intellectual Property, three Directorates and ten Committees. All of these are functionally autonomous and are responsible for different aspects of the protection of intellectual property (three directorates with several committees) and competition in the market (seven Committees):

- Court for the Protection of Competition and Intellectual Property.
- Committee of Distinguishing Signs.
- Committee of Inventions and New Technologies.
- Committees of Copyrights.
- Committee on Free Competition.
- Committee on Supervision Dumping, and Subsidies.
- Committee on the Restraint of Unfair Competition.
- Committee on Consumer Protection.
- Committee on Bankruptcy and Creditors Procedures.
- Committee on Market Bureaucratic Barriers Elimination.
- Committee on Normalization and Control of Non Customs Duty Commercial Barriers.

## **Registration of Capital and Foreign Technology**

According to the provisions of Andean Community Decision 291, any direct or sub regional (Bolivian, Colombian, Ecuadorian and Peruvian) investment has to be registered in freely convertible currency with the competent authority. In Peru, PROINVERSION is this entity.

Furthermore, technology licensing, technical assistance, technical service, and other engineering contracts must also be registered with PROINVERSION.

## **Treaties for Avoiding Double Taxation**

### *1 Andean Community*

Peru has signed a pact with the other three member countries of the Andean Community of Nations (Bolivia, Colombia, Ecuador). In this context, Decision 578 was enacted to avoid double taxation of income tax and tax on equity.

This treaty stipulates that, irrespective of the nationality or residence of the individuals or legal entities, their income of whatever nature will be taxed in the Member Country where its source of production is located, except for cases provided in such a Decision. Therefore, as a rule, benefits provided by business activities are only taxed in the country where the activity was carried out.

### *2 Chile*

Peru has signed a treaty to avoid double taxation on income tax and tax on equity with Chile, which have been in effect since year 2004. Such treaty follow the model of the OECD (Organization for Economic Cooperation and Development), therefore, in principle, gains will be taxed in the country where the company is domiciled.

### *3 Canada*

Peru has signed a treaty to avoid double taxation on income tax and equity with Canada, which have been in effect since year 2004. Such treaty follow the model of the OECD (Organization for Economic Cooperation and Development), therefore, in principle, gains will be taxed in the country where the company is domiciled.

### *4 Brazil*

On February 17, 2006, Peru signed with Brazil an agreement to avoid double taxation with the Federal Republic of Brazil, which is applicable from January 1<sup>st</sup>, 2010. This treaty establishes specific rules in case of revenues derived from rendering of services.

### *5 Mexico, Switzerland, South Korea and Portugal*

Between 2011 and 2012, Peru has signed treaties to avoid double taxation on income tax and tax equity with Mexico, Suiza, Corea del Sur y Portugal. Such treaties follow the model of the OECD and are applicable from January 1<sup>st</sup>, 2015.

## **Economic and Fiscal Policy**

After a negative period, since the 1990s, the Peruvian economy has begun a recovery process.

In August 1990, the new government launched a program of political and economic measures aimed at economic stabilization, recovery, and development, internal pacification, and bringing Peru back into the international financial system.

A general opening up of the Peruvian economy; exclusion of the state from productive activity and the consequential privatization program; streamlining of the tax system and commitment to fiscal discipline; progressive reduction of production cost overruns; and guarantees for investment, among other measures, are all invigorating the Peruvian economy.

## Chapter 3

# Exports to and from Peru

### 1. Import Regulations

The Peruvian customs duties tariff is based on the Common Customs Classification of the Andean Community Member Countries (NANDINA), structured in conformity with the Harmonized System for Describing and Coding Goods (HS Code):

<b>Tax</b>	<b>Rate</b>	<b>Tax basis</b>
Customs duties (a)	0%, 4% <sup>1</sup> , 6% and 11%	CIF
Sales Tax (IGV) (b) (c) (d)	18%	CIF + paid customs duties

- (a) Customs duties rates depend on the kind of imported items. Most tariff rate levied on machinery and equipment is 0%. Customs duties paid at import are accepted as allowable cost for tax purposes.
- (b) For more information about Sales Tax (IGV) review the chapter 10.
- (c) Sales Tax (IGV) can be used as a tax credit by the importer.
- (d) Certain items are subject additionally to Selective Consumption Tax (ISC) – Excise, Antidumping Duties, Compensation Duties, or others.

There are also specific duties to be applied as additional variable duties on imported agricultural products such as yellow corn, rice, milk and sugar.

In addition, an Advance IGV payment will be applicable. This amount would be considered as a payment of the IGV that will be generated on the sale of the imported products in the country.

The Advance IGV payment is accrued considering three options: 10% (when the importer has a not-found fiscal address, the importer does not have a Tax Identification Number or on the importer's first customs importation), 5% (importation of second hand goods), and 3.5% (applicable when the importer is not under any of the situations above mentioned).

In order to determine the taxable basis for customs duties and taxes on the importation into the Peruvian Territory WTO's Valuation Agreement is applicable. This agreement foresees six valuation methods to be applicable successively.

Thus, the transaction value method (first method on customs valuation) is the main basis for the valuation of the imported goods. This method is based on the price actually paid or payable for the goods when sold for the exportation to the country of importation.

On the other hand, in order to protect national security, health or environment, certain restricted goods importation and exportation require special licenses and permissions.

In this sense, depending on the kind of good or its HS Code Classification or its country of origin, it may be required special license or permission.

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<sup>1</sup> Ad Valorem rate of 4% is charged in the case of Express Shipment (goods with an FOB value of US\$ 200 or more, up to a maximum amount of US\$ 2,000 per shipment).

## **2. Restricted or prohibited goods**

Some goods that are imported into the country may be considered by legal mandate to be restricted or prohibited, for reasons of national security or public health, among other reasons.

Restricted goods are those that require special authorizations, licenses, permits, etc., from the pertinent institutions, depending on the goods to be imported. These goods must have the required documentation at the time of importation, prior compliance with the requirements established by the control units of the competent sector.

Some of the entities of restricted goods are as follows:

- National Superintendency of Tax Administration (SUNAT), through the National Intendancy of Chemical Supplies and Supervised Goods for controlled chemical inputs.
- Ministry of Health, through the Medicines, Supplies and Drug Administration (DIGEMID), with respect to medicines; and through the General Bureau of Environmental Health (DIGESA) with regard to food and beverages, etc.
- Ministry of Energy and Mines (MINEM) in the case of goods that use radioactive sources.
- Ministry of Internal Affairs, through the National Superintendency for the Control of Security Services, Arms, Ammunition, and Explosives for Civil Use (SUCAMEC) for goods such as fire arms, explosives, etc.
- Ministry of Agriculture, through the National Agricultural Sanitation Service (SENASA) as the institution in charge of protecting agricultural health, etc.
- Ministry of Transportation and Communications for radio-electric transmitters in general and/or communications equipment.
- Ministry of Foreign Affairs for text and/or publications that include geographical-cartographical and historical material.

Furthermore, the prohibited goods are not allowed to enter or leave the country, such as used clothes, used footwear, remains and archaeological objects, among others.

## **3. Temporary entry into the country**

The Peruvian customs legislation allows the temporary entry into the country of certain capital goods -included in a restricted list- without the payment of the customs duties and import taxes (e.g. machinery, equipment). For these purposes, it is necessary to grant a guarantee for the non-paid taxes, and the referred goods must be re-exported before a specific period of time.

The temporary entry into the country will be applicable to the extent that the goods are identifiable and destined to meet a specific purpose in a specific location, and to be re-exported within a specified period of time without having undergone any change except normal depreciation arising from their use.

This regime is authorized at the time of Customs Declaration and guarantee submission for an equal period of time to the duration requested, without exceeding the maximum of 24 months period of time for inputs and parts and pieces to be processed, and 18 months for capital goods.

If at the expiration of this period of time the good has not been re-exported, the Customs Authority is allowed to collect those unpaid taxes applying legal interest.

#### **4. Bonded Warehouse**

This system allows for goods entering national territory to be stored in a bonded warehouse for such purpose, for given period (maximum term of 12 months) under the control of a customs agency, without paying customs duties and other taxes applicable to important for consumption, provided that no specific customs system has been requested for them and they are not in a situation of abandonment.

#### **5. Export Regulations**

Exportations are tax free. Also, exist a drawback regime which allows to manufacture, textiles, agriculture and others exporter companies to fully or partial recovering of the customs duties which affected the importation of the raw materials and spare parts as long as the CIF value does not exceed 50 percent of the FOB value of exports.

The Peruvian Promotion Commission for Tourism and Export - (PROMPERU for its Spanish acronym) promotes Peruvian exports. This Commission is comprised of representatives of the government and representative associations of exporters.

#### **6. Free Trade Zones**

##### **Tacna Free Trade Zone**

The Tacna Free Trade Zone was created to promote investment in the south of the country through the incorporation of companies engaged in a series of industrial activities, agribusiness, in-bond processing and assembly, and storage, distribution, unpacking, and packaging, services, etc. A tax exemption system was granted, which includes Income Tax, Value Added Tax (VAT), Selective Consumption or Luxury Tax (ISC) Municipal Promotion Tax, as well as any other tax, whether existing or to be created, provided the activities are developed within that Zone.

##### **Puno Special Economic Zone**

Like the Tacna Free Trade Zone, the Puno Special Economic Zone is an area which enjoys the status of falling outside customs territory, where a special tax system that not only exempts goods entering the area from import duties, but also provides an exemptions to Income Tax, the Value Added Tax (VAT), Selective Consumption or Luxury Tax (ISC) Municipal Promotion Tax, as well as any other federal, regional or municipal tax.

## **7. Trade Agreements**

Peru participates in the Andean Community Integration Agreement, together with Bolivia, Colombia and Ecuador since 1969. The Andean Community of Nations encourages the progressive economic integration of its members with a view toward establishing a common market.

On January 16, 2009, the free trade agreement with the United States was signed which has been in effect since February 1, 2009.

The Peruvian main schemes of international market integration are:

- ALADI (Latin American Association for Integration): Brazil, Argentina, Paraguay, Uruguay and Cuba.
- CAN (Andean Community): Bolivia, Colombia and Ecuador. CPTPP (Comprehensive and Progressive Agreement for Trans-Pacific Partnership): Canada, Mexico, Chile, Japan, Singapore, Malaysia, Vietnam, Brunei, Australia, New Zealand.
- Pacific Alliance: Mexico, Colombia and Chile
- Free Trade Agreements with: USA, Cuba, China, Chile, Mexico, Singapore, South Korea, Japan, Canada, EFTA countries, European Union, Thailand, Panama, Costa Rica, Venezuela and Honduras.

## **8. Peru's Main Ports**

The most important Peruvian sea, river and lake ports are:

- Callao Port;
- Matarani Port;
- Paita Port;
- Salaverry Port;
- Ilo Port, Iquitos in the jungle (Amazon River), and Puno in the highlands (Lake Titicaca)

## Chapter 4

# Business Organizations

### **Types of Business Organizations**

Foreign investors may set up any business enterprise in Peru without limitation and engage in any kind of business, except for activities that are carried out within 50 km. of Peru's international borders. In the latter case, they prior authorization from the Government is required. Limitations exist on investment, among others, in aviation, radio and television broadcasting and banking services.

Corporations are governed by Law 26887, the General Companies Act, in force since January 1, 1998, which describes and regulates different types of companies, being able to divided in four (4) different types: (i) corporations, (ii) limited liability companies, (iii) civil companies and (iv) partnerships.

By means Legislative Decree 1409, the simplified closed corporation was regulated, known as S.A.C.S, with which it seeks to promote the formalization of micro, small and medium enterprises.

### **Corporation (SA)**

A corporation is the main form of incorporation regulated by the Peruvian Corporations Act. Its capital is represented by means of shares, and is integrated by shareholders cash contribution. In corporations it is not accepted the contribution of services.

A corporation used as a subsidiary of a foreign investor has its own legal status different from its shareholders and/or parent company.

Thus, the parent company and the subsidiary do have different juristic personality; therefore, the liability for the acts of the latter is not assumed by the parent company. The liability of the parent company and/or the shareholders is limited to the share capital contributed.

The main characteristics of the "S.A." are the following:

- The Corporation should be incorporated by two or more individuals or legal entities. There is no limitation regarding a maximum number of shareholders, neither in connection with the nationality of the shareholders or the parent company, except for certain regulated activities (e.g. activities performed in the borders of the country or related to television broadcasting).

Nevertheless, if the corporation reaches 750 shareholders, it shall adopt the form of an open corporation ("Sociedad Anónima Abierta" o "S.A.A.") and register with the Stock Exchange.

- The share capital is represented by means of shares, which are nominative and different classes are allowed (bearer shares are prohibited). Shares can be issued once they have been fully subscribed and paid-up in at least 25 percent of their face value, and shall be deposited in a Peruvian bank.

The incorporation and registration process takes about ten (10) working days, depending upon the effectiveness of the instruments (provided that no objections are presented by the notary or registration office).

The most usual and convenient form of business association is the Corporation. Corporations have three (3) types: (i) Corporation (Sociedad Anónima or SA is the proper name in Spanish), (ii) Public Corporation (Sociedad Anónima Abierta or SAA is the proper name in Spanish), and (iii) Close Corporation (Sociedad Anónima Cerrada or SAC is the proper name in Spanish). Most of the regulation in that General Companies Act apply to corporations. Public corporations and close corporations are special forms of corporations and are governed by special regulations applicable to their particular form, and supplementary by the corporation's regulation, if applicable.

### **Public Corporation (S.A.A.)**

The public corporation (SAA) is a special form of corporation, which meets the general requirements of the SA, but has some own distinctive features.

For the constitution or adaptation of a society (SAC or SA) to a publicly traded company, you must meet one of the following requirements:

- Primary public offering of shares or convertible bonds;
- It has more than seven hundred fifty (750) shareholders;
- Over 35% of its capital belongs to 175 or more shareholders , regardless within this number those shareholders whose individual equity trend did not reach two per thousand of the capital or exceed five percent of capital;
- It is constituted as such; or,
- All shareholders voting unanimously approved the adjustment to the scheme.

The public company must register all its shares in the Public Registry of Securities Market. In addition, companies are under the control of the Securities Market Superintendency (SMV).

### **Closed corporation (S.A.C.)**

The closed corporation (SAC) is a special form of corporation, which meets the general requirements of the SA, but has some own distinctive features. The most important aspects of the closed corporation are:

- The maximum number of shareholders is 20. The share capital is divided into shares, registered shares of equal value, and when incorporating it must be paid at least in 25% of each share and deposited in bank or financial institution on behalf of society.

- In the S.A.C. the board of directors is optional. Therefore, if you choose to ignore the board of directors its corporate bodies are: the general meeting of shareholders and general manager, in which case the general manager assumes the functions corresponding to the board of directors.

The incorporation and registration of an S.A.C., as the effectiveness of the instruments (if no observations are generated), takes approximately ten (10) working days.

### **Limited Liability Companies (S.R.L.)**

The Limited Liability Company (S.R.L.) is an entity whose main characteristics are similar to a close corporation (S.A.C.): both have set the same maximum number of members (20), being limited liable in equity with its participation in the capital. The difference is certain limitations or requirements for the transfer of membership in the case of the SRL is of great formality.

In a S.R.L. the share capital is divided into equal, cumulative and indivisible participations that cannot be incorporated into securities, nor be called shares; consists of the contributions of the partners.

When incorporating the S.R.L, the capital must be paid at least 25% of each share and deposited in bank or financial institution in the national financial system on behalf of society.

The incorporation and registration of an S.R.L., as the effectiveness of the instruments (if no observations are generated), takes approximately ten (10) business days

### **Simplified Closed Corporation (S.A.C.S.)**

The simplified closed company (S.A.C.S.) is an alternative limited liability corporation, which seeks to promote the formalization of economic activities of individuals. It is constituted by private agreement of two (2) or up to twenty (20) individuals, who will be financially responsible up to the amount of their respective contributions, except in the case of labor fraud.

The regulation for this alternative regime has not been enacted yet.

### **Corporate Reorganization**

The second section of the LGS regulates various forms of corporate reorganization, including. They can reorganize the civil, commercial and limited liability companies, **only if they** are domiciled in Peru. Merging branches of foreign companies is permitted only if the merger of their parent companies is allowed. The merger, spin-off and other forms of reorganization agreements governs from the date specified in the agreement. The three (3) more used types of reorganizations are: (i) transformation (ii) merger and (iii) spin-off.

- (i) Transformation: By transforming a company, it adopts, without dissolving, a different corporate form, among those provided by law, maintaining the same legal identity initiated at the time of registration in the Public Registry.
- (ii) Merger: By merging two or more companies, under an agreement including full block transfer of its assets to a new company or to one of the participants, with the extinction of the transferors and the consequent issuance to the

shareholders of the companies extinguished a percentage of shares in the new capital in proportion to their participation in the company in which they participated.

(iii) Spin-Off: By splitting one or more companies transferred in block one or more segments of its assets to another and another, new or existing, companies with direct issuance or allocation of shares in the share capital to the transferor.

(iv) Other types of reorganization: the LGS also regulates other types of reorganization:

- Simple Reorganization: is the act by which a company splits one or more blocks or segments of their equity and contributes to one or more companies, new or existing, receiving and retaining in its assets the shares corresponding to those contributions. It must be noted that the transferor company receives the shares and not the transferor's shareholders.
- Change of domicile: is the act by which a company or branch of a foreign company may change its registered domicile and establish in the Republic of Peru, if the country they want to change their domicile accept the change of residence abroad and meets specific requirements for registration. It should be noted that Peru does not accept the change of domicile of companies incorporated in its jurisdiction.

Moreover, the transformation of companies occurs only with different types of companies. The change between the three types of corporations qualifies as an adaptation according to the characteristics established in the General Companies Act.

The taxes levied on corporate reorganization operations:

#### *Income Tax*

Regarding Income Tax, companies in reorganization may choose three (3) systems in an exclusive way:

##### *i) Voluntary revaluation with tax effects*

If the voluntary revaluation of assets is agreed, the difference between re-evaluated value and the historical cost adjusted by inflation will be charged with the Income Tax.

It will be recognized that the calculated cost (value of acquisition or value for entering into equity) of the transferred assets is the re-evaluated value; that value (except the accumulated depreciation) will be considered for depreciation effects and a new useful life will be set.

##### *ii) Voluntary revaluation without tax effects.*

If the voluntary revaluation of assets is agreed, the difference between re-evaluated value and the historical cost adjusted by inflation will not be charged with the Income Tax, as long as the profit (nominal) is not distributed. Among other assumptions, any capital reduction made within the next four years after reorganization is considered as distribution of the profit, except when reduction has been made to re-establish the equilibrium between capital stock and net equity, decreased as a consequence of losses, or in case of an obligatory reduction when the losses have decreased the capital by more than 50% and a period would have passed without having been recovered.

The re-evaluated value will not be considered to determine the calculated cost of the transferred assets, or for depreciation effect. The depreciable value of goods will be the one that would have corresponded to the transferor.

*iii) Transference at a value of cost.*

If the voluntary revaluation of assets is not agreed, the transferred goods will have the same calculated cost for the acquirer that would have corresponded to be attributed by the power of transferor, included the adjustment for inflation. The depreciable value of goods will be the one that would have corresponded to the transferor.

*Sales Tax (IGV)*

Goods transfer as a result of the reorganization of companies is not subject to IGV, while the transfer of tax credit is recognized.

*Other Taxes*

Regarding other taxes that encumber business resulting from reorganization agreements, no tax benefit has been previewed, such as Tax on Property Transfer, which encumbers real estate transfer and registration rates and duties.

### **Branch of a Foreign Company**

In order to legally establish a branch of a foreign company, the latter must appoint a permanent legal representative in Peru, with sufficient power of representation of the company's liability for the operations it carries out; settle any matter concerning the operations of the branch; and make an appearance in lawsuits, answer complaints, and other legal matters.

A branch is established by public instrument, duly registered at the Register of its intended operation. In the case of branches of foreign companies, the public instrument must contain, at least, the following information:

- A valid certificate of incorporation of the parent company in its country of origin;
- Copies of articles of incorporation and by-laws, or equivalent instruments; and
- The agreement by which the decision was made to establish the branch, including: the capital assigned for its operations, its legal residence, a statement indicating that the activities of the branch will meet its corporate purposes, designation of at least one permanent legal representative and detailing the powers granted, and application of Peruvian laws for the obligations that the branch assumes in the country.

## **Dissolution and Liquidation of Corporations**

The General Companies Act establishes the grounds for dissolution of a company. If a company continues to operate under a condition like that cited, it acquires an irregular condition, being its directors, managers and representatives unlimited, jointly and severally liable for the contracts and acts of the corporation after becoming an irregular company.

Once the company has been dissolved, it enters into a liquidation process, keeping its legal capacity until registration of the dissolution. If, during the liquidation process, the equity of the company is extinguished, then bankruptcy should be declared.

For a branch of a foreign company ceases to operate in Peru, must have, like to establish it, an agreement of the company that chooses to establish it, that decides to terminate operations and remove the branch of Peru.

## **Advantages and Disadvantages of Corporations and Branches**

The advantages or disadvantages of establishing a corporation or the branch of a foreign company in Peru should be evaluated in light of business prospects. Establishing a branch as an initial stage of operations in Peru may help to evaluate the market and business practices.

From a corporate standpoint, we consider that there are two (2) main options for establishing a branch or a subsidiary (taking in consideration that this last one is an economically independent legal entity, but subordinated to a political and administrative control from a parent company, the same that will own a majority stake in its share capital) incorporated by one of the different vehicles established in the General Companies Act. The first one, is referred to the organizational structure; the second one is related to the legal responsibility.

Likewise, a branch of a domestic or foreign company is governed by the same bylaws or provisions of its parent company, whereas a subsidiary is governed by its own bylaws made under the provisions of the General Companies Act. In a branch, the responsibility for their actions reaches the parent company (this answers for any obligation taken by the branch, being void any agreement that express a different pact), while the subsidiary is responsible for its actions, being the risk of the shareholders or partners limited to the value of their equity in the share capital.

In addition, it must be noted that when contracting with Government, as the branch is an extension of an existing foreign company, the parent company can provide and offer the experience of its personnel and be taken into account by the contracting public entity when evaluating the bidders (branch) proposal.

Since Government does not recognize the experience of a parent company in case of contracting with a subsidiary of a foreign company, taking in consideration that is an economically independent legal entity, being able to provide and offer the experience of the parent company in case of branches of a foreign company.

### **Control and Supervisory Bodies**

Certain government agencies are responsible for controlling and supervising different business activities, which require specific authorization and the fulfilment of special registration procedures in order to start operations.

The main economic activities under the control and supervision of a government agency are the following:

- Radio and television
- Air transportation
- Electricity
- Banking and finance
- Insurance
- Mining
- Petroleum
- Fishing
- Drugs and chemicals
- Public Infrastructure

There are other agencies that control and supervise business activities, with the most important of them being:

- PROINVERSION is in charge of registering foreign investment in Peru.
- INDECOPI is responsible for ensuring compliance with regulations on economic competition and keeping the records of industrial property rights (trademarks and patents) and copyrights.

INDECOPI has the authority to declare a company insolvent and to carry out its business reorganization, extrajudicial liquidation, and bankruptcy processes.

- The National Superintendency of Public Registries (SUNARP) is the agency responsible for planning and organizing, regulate, direct, coordinate and supervise the registration and publicity of acts and contracts in the registers that make up the Legal System.
- The National Superintendence of Custom and Tax Administration (SUNAT) is the agency responsible for collecting, controlling and managing taxes.

- Superintendency of Bank, Insurance and Private Pension Fund Administration Companies (SBS) is responsible for controlling, managing, and regulating all banking and insurance operations. Since 2001, it also has supervised the Private Pension Fund Administration Companies (AFP for its Spanish acronym).
- The Office of the Comptroller General is the agency responsible for reviewing, through audits, the management and use of public funds by state-owned corporations and public entities (municipal governments, ministries, etc.).
- The Securities Market Superintendency (SMV) is in charge of controlling and supervising the securities market, companies that receive funds from the public, and collective funds. In the case of corporations, CONASEV may require them to adapt to special business forms provided for by law (SAC or SAA). It is also responsible for supervising audit companies and regulating the presentation of corporate financial statements.
- The National Accounting Office is the agency in charge of regulating all corporate accounting matters.
- The National Superintendency of Sanitation Services (SUNASS ) is the agency responsible for regulating , supervising and monitoring the provision of sanitation
- Supervisory Agency for Investment in Energy and Mining (OSINERGMIN) is the entity responsible for regulating and supervising the electric utilities, oil and mining comply with the laws of their activities.
- Supervisory Agency for Public Investment in Telecommunications (OSIPTEL) is the entity responsible for regulating and supervising the market for public telecommunications services, independent companies.
- Supervisory Agency for the Investment in Public Transport Infrastructure (OSITRAN ) is the agency responsible for regulating , regulating, supervising and monitoring within the scope of its competence , the behaviour of the markets in which they operate Provider Entities , and compliance with concession contracts .

### **Business Cooperation Agreements**

The General Law of Business Associations establishes that a business cooperative agreement is an agreement that creates and governs participation and integration relationships in businesses or specific companies, which are of common interest to the parties involved. This law regulates two types of business cooperation agreements: (i) association and (ii) joint venture.

According to the Income Tax Law, business cooperative agreements shall keep bookkeeping independent from their contracting parties, except for agreements shorter than three years or, that due to the modality of the operations, an independent bookkeeping is not possible. Under the law governing Sales Tax and Excise Tax, business cooperative agreements keeping independent accounting are subject to these taxes.



## Chapter 5

# Peruvian Tax System

### **Tax Bases**

The tax system in Peru is governed by legal reserve, equality and respect for the basic rights of the person. The constitution recognizes as a tax principle the right to Non-Confiscation for tax assessment purposes.

Taxation includes taxes, contributions, and rates. Taxes are created, amended or repealed only by a law of Congress or by a Legislative Decree in the case of delegation, or by a Municipal Ordinances in the case of contributions and Municipal rates. Customs duties and the rates charged for administrative public services are set by a Supreme Decree issued by the Executive.

All legal interpretation methods may be used in applying tax rules and regulations. Application of the analogy interpretation is not allowed.

On the other hand, the taxation system has chosen to incorporate in the Tax System, within the Rule XVI of the Preliminary Title of Tax Code an Anti-avoidance General Rule which aims to determine whether a contractual structure agreed by taxpayers has been made for purposes of tax avoidance. However, by means of the Law No. 30230, published on July 12, 2014, second to fifth paragraph of the aforementioned Rule XVI was suspended until it is established a Regulation that allows its application.

Then, through Legislative Decree No. 1422, in force as of September 14, 2018, it was established the amendment of various dispositions provided in the Tax Code, including those related to the application of the second to fifth paragraph of Rule XVI whereby it was regulated provisions concerning de definitive audit procedure under Rule XVI's application (i.e. Review Comitee, term, etc.), the jointly liability of the legal representatives and those appointed by the entity, the board's obligations, among other dispositions.

In addition, pursuant to Law No. 30823 (Law that delegates to the Executive the power to legislate in matters of economic management and competitiveness, integrity and fight against corruption, prevention and protection of people in situations of violence and vulnerability and modernization of the government's management., published on July 19, 2018, the Executive Power published a set of dispositions that amend the Income Tax Law and its Regulation and adopt the international standards of the Organization for Economic Cooperation and Development) in matters of limitation of financial expenditures and tax havens.

## National Tax System

The tax system consists of the following items:

Tax Code

### ☐ Taxes and fund collected by the Central Government:

- Income Tax
- Sales Tax (IGV)
- Excise Tax
- Customs duties
- Rates for Public Services
- RUS (Simplified Sole Tax Regime)
- Tax on Financial Transactions
- Temporary Net Assets Tax
- Tourism development and promotion extraordinary tax
- Special Mining Tax (SMT)
- Mining Royalties (MR)
- Special Mining Lien (SML)

### ☐ Taxes paid to the Local Government:

- Stamp Duty on Real Estate Transfer
- Real Estate Tax
- Tax on Vehicles
- Tax on Recreational Boats
- Tax on Non Sports Public Entertainment
- Tax on Board Games
- Tax on Gambling
- Taxes on Public Cleaning, Streets and Parks, Sanitation, and Citizen Security.
- Advertising License
- Construction License
- Business License

### ☐ Taxes for other purposes:

- Social Security contributions
- Contribution to SENATI (National Technical Industrial Training Service)
- Contribution to SENCICO (National Construction Training Service)

## Administration

SUNAT is responsible for collecting and managing taxes paid to the Central Government, as well as foreign trade duties. The municipal governments collect and administer municipal taxes created by law and those they are legally empowered to create (municipal rates and contributions).

The cited agencies are also authorized to conduct administrative hearings regarding the taxes they administer or tax violations by taxpayers. The judgments of these bodies may be appealed to the Tax

Court, a high-level technical body with national jurisdiction, whose rulings may be contested before the Judiciary.

### **Tax Return and Payments**

Taxpayers calculate the amount of their taxes and enter them on magnetic media (Electronic Tax Filing – PDT for its Spanish acronym) or on the tax return forms distributed by SUNAT for that purpose. The tax returns must be filed by the legally stipulated date. This may be monthly, as in the case of the sales tax, or annually, for income tax.

The obligation to file PDT or tax returns exists independently of the obligation to pay taxes. Therefore, if the law so decides, tax returns must be filed even if no tax payment is required.

### **Tax Audit**

The administration and collection of taxes of the Central Government is of competence SUNAT, as well as taxes on foreign trade. The taxes that the law creates for municipalities, and the taxes according to law municipalities are empowered to create (municipal rates and contributions) are administered and collected by the municipalities themselves.

The entities mentioned above are also competent to hear administrative procedures related to taxes administered or penalties which may be committed taxpayers about their tax obligations. The standards issued by entities can be challenged before the Tax Court, an organism of high technical level with national jurisdiction, whose decisions may be the subject of proceedings before the Judiciary.

### **Penalties**

Failure to pay taxes as due results in the application of an interest on late payments (TIM for its Spanish acronym) set by SUNAT (the current interest rate was 1,2 % monthly).

Any action or omission constituting the violation of a tax law is a punishable offence. The penalties imposed by law are, in accordance with the violation involved: fines, confiscation of goods, temporary seizure of vehicles, temporary business closing, and suspension of business licenses, permits, concessions, or authorizations to operate. In addition to the administrative penalties imposed for violation of tax laws, the Peruvian government emphasizes the punishment of fraudulent tax evasion in order to discourage this practice. Punishment for fraudulent tax evasion can involve up to 12 years of imprisonment.

### **Appeals**

Any tax appraisal made or penalty imposed by SUNAT may be appealed to SUNAT at first instance without prior payment if the appeal is filed within the legally specified term. In the event of obtaining an unfavourable result, taxpayers have the option to appeal the decision of SUNAT before the Tax Court, whose decisions can be subsequently discussed in court.

## **Confidentiality**

All information given by taxpayers to SUNAT with regard to their tax payment is confidential in nature and SUNAT may not disclose it. The SUNAT's bodies, however, exchange that information with each other, maintaining it in confidentiality, for which their officials must assume full responsibility.

The confidential nature of tax information does not extend to any demands for the presentation of information from the Judiciary, the Attorney General, or Congressional Committees, if such information is relevant to processes they have under review.

## **Tax Unit**

The tax unit (UIT for its Spanish acronym) is the reference value used to compute tax bases, deductions, limits, penalties and other obligations. The UIT for 2019 has been set at 4,200 Soles (equivalent to about US\$ 1,245 approximately).

## **Taxpayers Registry**

Any individual or legal entity, undivided succession, unregistered partnership, or other collective business, whether Peruvian or foreign, resident or non-resident, that is a taxpayer or that is responsible for the payment of taxes administered by SUNAT, must register in the Taxpayers Registry (RUC).

## **Statue of limits**

Any action by the tax authority to determine a tax debt, demand its payment, or apply penalties, prescribes within a period of four (4) years in general, six (6) in the event that tax returns were not filed, and ten (10) for persons not paying a withholding tax.

## Chapter 6

# Corporate Taxes

### **Income from Peruvian Sources**

Irrespective of the nationality or residence of the businesses involved in the operations or the place where the contract was signed or is being performed, any income derived from real estate located in Peru, and rights associated to them; produced by assets or rights placed in or used in economic activities in Peru; produced by capital when placed or used in economic activities in Peru, or when the payer is a domiciled individual; income derived from civil or commercial activities carried out in national territory; those derived from the sale and redemption of shares issued by domiciled companies; interest earned on loans or liabilities; those derived from the sale of American Depositary Receipts (ADRs) and Global Depositary Receipts (GDRs) supported by shares issued by companies resident in the country and all other salaries or fees paid abroad to representatives of resident public or private companies are considered income from Peruvian sources; the obtained by individuals non-resident or resident from hiring Derivative Financial Instruments that use a market located in the country; dividends and any other distribution of profits when the company making the distribution pay or attesting is resident in the country; the obtained by digital services via the Internet or any adaptation or application of protocols, platforms or technology used by Internet or any other network through which equivalent services are rendered when the service is used in economic activities, use or consume at home; the obtained by technical assistance when used in economic activities in the country; allowances, salaries and any remuneration that resident companies in the country pay to its directors or members of their boards or administrative bodies acting abroad.

Exporters' income is also considered as income from a Peruvian source, also the obtained by the indirect sale of shares issued by companies resident in Peru.

It should be noted that on September 13, 2018, Legislative Decree No. 1424 was published, which aims to improve the treatment applicable to the income obtained from the indirect transfer of shares, which establishes that an indirect transfer will be established when, in any period, of 12 months the total amount of the shares of the Peruvian legal entity that are disposed of is equal to or greater than 40000 UIT (US\$ 50,000,000 approximately).

Income tax returns are filed within three months after the end of the fiscal year, which closes on December 31<sup>st</sup>. Taxpayers must prepare tax returns, which are subject to the review of the Tax Administration.

### **Corporate Income Tax**

Income of worldwide source of corporations residing in Peru is subject to income tax with a rate of 29.5%. On the other hand, an additional rate of 5% is levied for shareholders. This additional rate must be withheld and paid by the domiciled legal entity that made the distribution, unless the

shareholder qualifies as a legal person resident in Peru, in which case it does not apply to tax the distribution of dividends with the additional rate of 5%

In determining the amount on which the applicable tax rate (Net Income) be deducted from the total income subject to tax (Gross Income), all expenses necessary to generate taxable income and expenses necessary to maintain the source producer, considering limits establishes by law.

Recognized deductions include interest, tax, insurance premiums, exceptional losses, collection expenses, depreciation, organization and pre-operation expenses, legal reserves, penalties and provisions for bad debts, provisions for social benefits, retirement pensions, employee bonuses and awards and, in general, all expenses necessary to keep the business running.

Expenses incurred abroad are deductible, if they are stated in detail and backed by supporting documents.

Not acceptable as deductions personal expenses, income taxes corresponding to third parties, tax and administrative fines, donations and reserves or provisions not permitted under the Income Tax Law, services expenses, intangible transfers, assignment of use of assets, and loss from credit transfers.

Companies may include as a tax credit against their income tax, income tax paid abroad on income from foreign sources (Direct and Indirect Credit). They may also apply as a limited tax credit, donations made to private and public educational institutions.

### **Payments on Account**

All companies must make monthly payments on account of their income tax. The amount to be paid is the higher of the following:

- 1.5% of the monthly gross income.
- The amount resulting from dividing the income tax computed the previous year by the total net income for that same year and multiplying the result or coefficient by the gross income for the month.

Payments on Account will be tax credit against the income tax.

### **Tax Havens**

Peruvian tax legislation establishes the regulation of tax havens under the term countries or territories of low or zero taxation. Additionally, as part of the tax reform 2018 – 2019, it was established to complement the said term as “country or territory non cooperative or of low or zero taxation” and to introduce the term “preferential tax regimes” whose qualification criteria, applicable as of January 1, 2019, are established as follows:

Category	Criteria for qualification regulated in the Regulation of the Income Tax Law (RITL)	The criteria for qualification regulated in the RITL must be supported in any of the following aspects	Criteria for exclusion of the category
<b>Countries or non-cooperative territories or low or no taxation.</b>	<ul style="list-style-type: none"> <li>(i) There is not an Exchange of Tax Information Agreement or a Double Taxation Treaty (DTT) that includes a clause for the exchange of information, in force. If those agreements exist, if they do not comply with the exchange of information or are limited by legal dispositions or administrative practices.</li> <li>(ii) Absence of transparency at a legal, regulatory or administrative level.</li> <li>(iii) The applicable Corporate Income Tax rate is zero percent (0%) or less than sixty percent (60%).</li> </ul>	<ul style="list-style-type: none"> <li>(i) Absence of transparency at a legal, regulatory or administrative operation level.</li> <li>(ii) Null exchange of information or existence of regulations or administrative practices that limit it.</li> <li>(iii) Absence of a substantive local presence or the exercise of an economic activity.</li> <li>(iv) Effective null or low taxation</li> </ul>	<ul style="list-style-type: none"> <li>(i) To be member of the OECD.</li> <li>(ii) To have a Double Taxation Treaty subscribed with Peru and in force, including an information exchange clause.</li> <li>(iii) Comply with the exchange of information, for which it should not be limited by application of its rules or administrative practices.</li> </ul>
<b>Preferential tax regimes</b>	<ul style="list-style-type: none"> <li>(i) The accomplishment of any of the criteria established for the countries or territories non cooperative or of a low or zero taxation.</li> <li>(ii) That the tax regime excludes, explicitly or implicitly, residents of the country or territory; or that the beneficiaries are unable to operate in the market.</li> <li>(iii) To be qualified as a pernicious or potentially pernicious regimes, by the OECD, under certain conditions.</li> </ul>	<ul style="list-style-type: none"> <li>(i) The accomplishment of any of the aspects established for the countries or territories non cooperative or of low or zero taxation.</li> <li>(ii) Benefits or advantages that exclude, explicitly or implicitly, residents, or those benefited from the regime are limited, explicitly or implicitly, to operate in the local market.</li> <li>(iii) Exclusive taxation of local or territorial income</li> </ul>	<p style="text-align: center;">It has not been regulated a criteria to be excluded from the category of a preferential tax regime.</p>

It was also established that the Peruvian tax authority (SUNAT) is in charge of submitting, annually, to the Ministry of Economy and Finance the list of countries or territories that have or have not complied with the exchange of information, and may be published on the website of the mentioned entities.

For tax control purposes, operations carried out with persons or entities domiciled in countries or jurisdictions with low or no taxation receive a special treatment.

With few exceptions, companies resident in the country cannot consider as a deductible expense for purposes of determining the Income Tax, the expenses generated by operations carried out with persons or entities resident in countries or territories with low or no taxation.

## Transfer Pricing

The price of a transaction between related parties or transactions carried out by means of or through tax havens must be agreed upon under the “arm's length” principle, i.e. the price that unrelated parties in comparable transactions and under similar terms and conditions would have agreed upon.

The Tax Administration may adjust the price of transactions for income tax purposes, only when the non-application of transfer pricing rules implies a lower tax to be paid in Peru.

Parties are related if:

- An individual, enterprise or entity participates directly or indirectly in the administration, control or capital of the other party; or
- The same individual or body of persons participates directly or indirectly in the management, control or capital of the entities taking part in the transaction.

In addition, the regulations establish specific situations in which the parties are deemed to be related.

Transactions undertaken with the purpose of concealing related-party transactions are also deemed to be between related parties.

The law provides for the following methods in relation to the transfer pricing regime:

- The comparable uncontrolled price method.
- The resale price method.
- The cost-plus method.
- The profit split method.
- The residual profit split method.
- The transactional net margin method.

The most appropriate transfer pricing method with respect to the particular transaction should be applied to establish the market value.

Taxpayers participating in international transactions, i.e. where two or more countries or jurisdictions are involved may also apply to enter into an anticipated price agreement (APA) with the tax administration (SUNAT).

In addition, taxpayers whose transactions are subject to transfer pricing rules are also subject to a formal obligation to file the following fiscal year statement:

- Information Tax Return Local Report: If the income accrued in the year of the taxpayer exceeds 2,300 UIT (US \$ 2,863, 071 approximately).
- Information Tax Return Master Report: If the income accrued in the year by the taxpayers that form part of an economic group exceeds 20,000 UIT (US \$ 24,135,876 approximately). Information Tax Return Country Report: If the taxpayers are part of a multinational group.

### **Thin capitalization**

This rule establishes that interest payments are not deductible for income tax purposes when the debt/net equity ratio exceeds the 3:1 threshold, for the portion that exceeds that limit.

The application of the thin capitalization rule is of the next way:

- Until December 31st 2018

The thin capitalization rules is applied exclusively to loans granted between related parties.

- As of the January 1st 2019

The thin capitalization rules will be applied to all type of loans, that is to say, those granted between related parties or not. It's necessary that the limit deductibility not will be of application of the next taxpayers:

- As of January 1st 2021

Interests exceeding the 30% of EBITDA of the previous year will not deductible for Income Tax purposes. However, it may be carried over to the following 4 fiscal years.

For such purpose, the net interest will be considered as those corresponding to the expenditure for interests that exceeds the amount of interest income, computable to determine net income.

EBITDA will be understood as the net income after the compensation of loss plus the net interests, depreciation and amortization.

The limits on the financial expenditure deduction (i.e. thin capitalization or percentage of the EBITDA) will not be applied to:

- a) The companies that belong to the Financial and Insurance System indicated in article 16° of Law No. 26702.
- b) Taxpayers whose net income in the fiscal year is less than or equal to two thousand five hundred (2500) UIT.
- c) Taxpayers who develop public infrastructure projects, public services, services related to these, applied research and/or technological innovation that take place within the framework of Legislative Decree No. 1424.<sup>2</sup>

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<sup>2</sup> On the occasion of the last tax reform carried out in 2018, Legislative Decree No. 1424 whereby various amendments to the Income Tax Law, including the deduction of interest expenses.

- d) The indebtedness for the development of public infrastructure projects, public services, services related to these, applied research and/or technological innovation, under the form of Projects.
- e) The indebtedness arising from the issuance of securities representing debt that meet certain conditions.

### **Controlled Foreign Corporations Rules**

In application of the Controlled Foreign Corporation Rules, passive income generated by taxpayers (individuals or corporations) resident in Peru through non-resident controlled entities, may be attributed to taxpayers resident in the year in which they occur. Those rules allow tax authorities to ignore the existence of the non-resident controlled entity, in order to avoid a tax deferral.

The income tax paid by non-resident controlled entities in respect of their passive income may be used by the taxpayer resident in Peru as a credit against the income tax in Peru (regarding the passive incomes that are allocated).

Notwithstanding, the subsequent distribution of dividends from non-resident controlled entities in favour of the domiciled taxpayer (corresponding to passive income subject to this regime) will not be levied with income tax in Peru.

### **Temporary Net Assets Tax (ITAN)**

A tax is levied on the value of net assets as expressed in the balance sheet on 31 December of the previous taxable year. The tax is due at the rate of 0.4% on amounts in excess of S/ 1'000,000 of Soles (US\$ 293,427.23 approximately).

ITAN paid is used as tax credit against the Corporate Income Tax, and if is the case, it may also be refunded.

## Chapter 7

# Income Tax for Non-resident Corporations

### **Income Tax for Branches of Foreign Corporations**

The income from Peruvian sources earned by branches, agencies or other permanent establishments of foreign corporations is liable for the payment of income tax at the same rate as national corporations that is 29.5%.

### **Income Tax for Non-residents**

Non-resident companies are liable for income tax on their earnings from Peruvian sources.

The following rates are applied to non-resident legal entities:

• Interest on foreign loans (subject to certain requirements)	4.99%
• Interest accrued abroad by multi business companies established in Peru, such as banks and financial institutions for use in Peru of their foreign credit lines	4.99%
• Income from the rental of vessels and aircraft	10.00%
• Royalties	30.00%
• Distribution of dividends and other types of profit distribution	5.00%
• Technical Assistance (subject to certain requirements)	15.00%
• Revenue from the sale of securities held within the country	5.00%
• Revenue from the sale of securities held abroad	30.00%
• Interest from bonds and other debt instruments, deposits made pursuant to Law No. 26702, General Law of the Financial System	4.99%
• Other income	30.00%

Except for the cases of presumed income listed below, the following are deemed to be net income for purposes of income tax withholding for non-residents:

- All amounts paid or credited as other corporate income tax.

- The amount resulting from deducting the invested capital previously recognized by the Tax Administration as requested, in the cases of transfer of assets or rights, and depreciation in the cases of exploitation of goods that suffer wear.

### **Presumed Taxable Income of Non-residents**

The Income Tax Law presumes that non-resident companies that carry out part of their business activities in Peru obtain income from Peruvian sources equivalent to the following percentages of their gross income:

• Insurance activities	7%
• Aircraft rental	60%
• Vessel rental	80%
• Telecommunication services	5%
• Air transport	1%
• Sea charters or transport	2%
• Supply of news or information	10%
• Distribution of films or the like	20%
• Supply of containers	15%
• Storage of containers for transport purposes beyond due term	80%
• Assignment of television broadcasting rights	20%

## Chapter 8

# Income Tax for Individuals

### Residency

Taxpayers can be considered residents or nonresidents for Peruvian tax purposes. If they spend 183 or more days in a 12 months period on Peru, they will be regarded as residents. This condition will be effective starting January 1<sup>st</sup> of the following year.

Resident taxpayers are liable for their foreign and Peruvian sourced income, whilst nonresidents are liable only for their Peruvian sourced income.

The taxpayers lost the condition of resident when they obtain residency status in another country and they have left Peru. The residence in another country will be credited with the appropriate visa or with a work contract of a period not less than one year, certified by the Peruvian Consulate (or the responsible entity). In case that it is not possible to prove residency status in another country, the taxpayer will maintain his status as resident, as he is not absent from the country for more than 183 (one hundred eighty three) calendar days within any period of twelve (12) months.

For Peruvians who have lost their status as residents, they will recover the status when they arrive to the country, unless they stay for period of 183 (one hundred eighty three) calendar days or less within any period of twelve (12) months.

### Rates

The income obtained for leasing, subleasing and real property transfers; interest rates, royalties and capital gains are applicable a rate of 6.25%.

In case of incomes dividends or other type of distribution of profits will be taxed with a rate of 5%.

Incomes derived from self-employment and dependent labor relations perceived by resident taxpayers is taxed as follows:

<b>Net Taxable Income (Income from work and foreign source income)</b>	<b>Proposed Rate</b>
Up to 5 UIT (US\$ 6,224 approximately)	8%
From 5 UIT to 20 UIT (US\$ 18,672 approximately)	14%
From 20 UIT to 35 UIT (US\$ 18,672 approximately)	17%
From 35 UIT to 45 UIT (US\$ 12,448 approximately)	20%
Over 45 UIT (US\$ 56,017 approximately)	30%

In case the taxpayer is considered as nonresident, it will be applicable a flat tax rate of 30%.

In case the individual just obtain incomes from dependent labor, it is not required to fulfil an Income Tax Return (unless the employee chooses to apply to the additional deduction of 3 UIT, in which case the Income Tax Return must be presented at the end of the fiscal year) the resident employer is liable to withhold and pay the tax to the Tax Administration. If the individual is not included in the Peruvian payroll, the Income Tax will be calculate and pay directly to the Tax Authorities by the individual.

### **Income Tax Deductions**

Domiciled individuals may make the following deductions:

- 20% of total the gross Capital Income (first and second category).
- 20% of total gross self-employment income up to a limit of 24 UIT (US\$ 30,500 approximately), except for performance of duties of company directors, among others.
- Annual deduction of 7 UITs (approximately US\$ 8,714) in the case of self-employment and labor employment income. In addition, it is possible to make an additional deduction of up to 3 UIT for leasing expenses of real estate located in the country, medical services, dentists and independent professional services and contributions to Social Security Of Health (Essalud) that are made for household employees, restaurants, and others.

For the year 2019, the UIT has the value of S/ 4,200 (US\$ 1,270 approx.).

Furthermore, in case of tax withholding obligations for nonresidents, the follows are considered as net taxable income:

- Total amount of first category income payments.
- 80% of fourth category income payments.
- Total amount of second category income payments.
- Total amount of fifth category Income payments.

Resident taxpayers can apply against their tax, the income tax paid abroad for foreign incomes, taking into account the limits set by law for that purpose.

In case of nonresident, it is not considered as income of fifth category the reimbursement or payment of the costs of the individual, his spouse and children, of travel tickets at the beginning and end of the contract, room and board during the first three months in Peru, the entering and leaving the baggage and household goods and travel tickets to their home country for vacation. For this, it is required that the employment contract approved by the competent authority establishes that those costs are assumed by the employer.

Also it is not considered income of fifth category, the sums that the user of the technical assistance paid to nonresident contracted individuals to provide this service in the country, by the travel tickets inside and outside the country and per expenses for food and lodging in Peru.

## **Non-affected Income**

Compensations and severances provided by the Labor Act are exempt from Income Tax liability. Also, annuities and pensions that have their origin in personal work.

It should be noted that as of January 1, 2019, among other previously regulated concepts, it is also exempted from the Income Tax the income from services derived from transfers of payment rights of the investor that originates from the agreements subscribed by the Private Public Associations (PPA) and the Peruvian State.

Such exemption occurs when the acquirer of these payment rights assumes the credit risk, in the terms indicated in the corresponding PPAs agreements.

## **Inheritance and donation act's non-affected**

Inheritance actions are not taxable by Peruvian legislation. Revenues from inheritances are considered are taxed as individuals until the will is filled in the Public Registry or distributed to the rightful heirs.

Donations are not taxed, however, real propriety transfer via donation may be affected (e.g. alcabala tribute even free via-donation transfers of this kind of goods). On the other hand, donations in favor of specifically law provided beneficiaries may entitle the donor to make a deduction of the Income Tax.

## Chapter 9

# Capital Gains

### **Concept**

Capital gains are the income from the sale of capital assets. These goods are those that are not intended to be placed in the context of a line of business or corporate.

For the determination of the income obtained by the capital gain must be deducted for the well disposed computable cost.

### **Transfer, redemption or redemption of Securities**

#### *Obtained by Non-Resident*

Individual and legal person

- The earnings of capital gains obtained by the transfer of shares is taxed at the income tax with a rate of 5% if the operation is performed "in-country" and 30% if performed "abroad".

It is considered that the operation was conducted "in-country" when the shares to be transferred are registered in the Public Registry of Shares of the Stock Exchange and transfer is done through a centralized bargaining in Peru mechanism. Otherwise, the operation will be deemed made "overseas".

#### *Obtained by Resident*

- The net capital gains earned by a corporation domiciled are taxed at the income tax with a rate of 29.5% by integrating the gain taxable business results.
- The capital gains obtained by individuals are taxed at the income tax with a rate of 6.25% on the amount calculated by deducting 20% of gross income.

In the case of natural persons, capital loss arising on the disposal of shares can only be offset against capital gains obtained by performing the same type of operations.

*Income tax exemptions to sale of shares and others securities (Applicable for domiciled as well as non-domiciled tax payers)*

- Are exempt from Income Tax until December 31<sup>st</sup>, 2019, the income derived from the sale of shares and other securities (American Depositary Receipts (ADR); Global Depositary Receipts (GDR); and Exchange Trade of Found (ETF)) done through a stock market supervised by the Stock Market Superintendence (SMV), as long as the operations comply with the following requirements:
  - Within a period of twelve (12) months, the Tax Payer and its relative parties don't transfer the property of 10% or more of the total shares or securities issued by the company, through one or many, simultaneous or successive, operations.
  - The shares must have "stock market presence". The SMV will publish daily the Tax Payers that comply with this requirement.
  
- In order to apply the referred exemption, it must be presented a sworn statement at the Security Clearing House, through which the company declares to comply with all the requirements detailed in the previous paragraphs, according to the law. The referred statement must contain the following:
  - Identification of the tax payer.
  - Stock Market presence expressed as a percentage.
  - Information of the transfers of shares done during the last twelve months.

### **Sale of Immovable Property**

#### *Non-Resident*

The net capital gains earned by non-resident individuals are taxed at the income tax with a rate of 5%. In case of legal person, a rate of 30% will be apply.

#### *Resident*

Capital gains derived by an individual is taxed at the income tax with a rate of 6.5% on the amount calculated by deducting 20% of gross income.

The net capital gains earned by a corporation are taxed at the income tax with a rate of 29.5%.

## Chapter 10

# Indirect Taxes

### **Sales Taxes**

In general, goods sold and services provided in Peru are liable for payment of a 16% Sales Taxes (IGV), based on the value added method. The value of the goods or services used to determine the IGV is also used to compute the 2%, Municipal Promotion Tax, which results in a 18% sales tax overall.

The IGV is also levied on the use, in the country, of services provided by non-domiciled individuals, building contracts, the first sale of real estate by builders, and imported goods.

The tax obligation arises as follows:

- For the sale of goods, on the invoice date or the delivery date of the goods, whichever is first.
- For the sale of vessels or aircraft, on the date the contract is signed.
- Transfer of goods without any consideration paid, on the date of the removal or on the invoice date, whichever is first.
- For the provision of services, on the date on which the invoice is issued or payment is received, whichever is first.
- For the supply of electric energy, water, and final telephone, telex and telegraph services, on the date the payment for the service is received or due, whichever is first.
- For the use, in Peru, of services provided by non-residents, on the date the invoice is entered in the Purchase Registry or on the date payment is made, whichever is first.
- In construction contracts, on the invoice date or when on the date of the retribution is totally or partially made, whichever is first.
- For the first sale of real estate, on the date payment is received, either partially or totally.
- In the import of goods, on the date when any events occurs which turns the import or when temporary entry into permanent.
- In case of intangibles from abroad, the invoice is registered in the domiciled entity's accounting records or when the payment is made, whichever is first.

The goods and services listed in Appendices I and II of the IGV Law are tax-exempt until December 31<sup>st</sup>, 2018.

Among the tax-exempt goods are fresh fish, vegetables, seeds, fruit, books, among others; public passenger transportation within the country, international cargo transportation, cultural performances, life insurance, and certain others services are also exempt.

### *Tax Benefits*

*Amazon-* There are certain tax benefits, such as sales tax exemptions on the sale of goods, services and construction contracts performed in the Amazonia by taxpayers that conduct certain activities and that are domiciled in that region, providing they fulfil certain requirements, such as having their tax domicile, company administration and production in that area, as well as keeping their accounting books and having at least 70% of their fixed assets in that region.

*Advance Refund Provision.-* This consists of a refund, through marketable credit notes of the tax credit resulting from the Input VAT derived from importation and acquisition of capital goods, which has not been recovered within six months following the date when those goods were registered in the Purchase Registry. Individuals or legal entities that have not yet started operating can apply for this provision.

The benefit applies to activities with high investments and large pre-operative periods and to the mining, hydrocarbon and hydroelectric sectors, among others.

*Exports.-* The export of goods, services, and construction contracts performed abroad are exempt from sales tax. Sales to duty free stores are also considered as exports, as well as sales in such stores, swap operations carried out by mining producers, and the rendering of lodging services to non-domiciled individuals. Taxes paid on the purchase of goods and services, construction contracts, and import policies that generate the right to a tax credit may be refunded to the exporter in cash or by marketable credit notes.

In the case of the exports of services, it will be considered as exported those services when the following requirements concurrently are met:

- a) They are provided for onerous title from the country to outside. The accomplishment of this requirement will be demonstrated with the corresponding invoice, issued in accordance with the regulations of the matter and recorded in the Sales and Income Register.
- b) The exporter is a person domiciled in the country.
- c) The user or beneficiary of the service is a person non-domiciled.
- d) The use, exploitation or use of the services by the non-domiciled takes place abroad.

For the purposes of the VAT exemption, the service exporter must, beforehand, be registered in the Registry of Service Exporters regulated by the Peruvian tax authority (SUNAT).

### *Non-taxed Items*

The transfer of used goods from non-business activities, transfers resulting from corporate reorganizations (for example, mergers or spin-offs) and the transfers of sole proprietorships and companies under irregular conditions and credit services rendered by banks and financial and credit institutions are not subject to sales tax.

## **Good and Services Tax**

Gas, vehicles, alcoholic beverages, mineral water, beer, cigarettes, and others are subject to excise tax, on the producer and importer, at rates that vary in accordance with the nature of the product. Games of chance and gambling also must pay excise tax.

The obligation to pay excise tax arises at the same time and under the same conditions as for the IGV, except in the case of games of chance and gambling, where the tax obligation originates upon invoice.

## Chapter 11

# Tax on Financial Transactions (ITF) and “Bancarización” regime

A 0.005% tax is generally levied on most of the transactions made in Peruvian banks accounts (credits and debits), regardless of the amount.

ITF paid is deductible as expense for Income Tax purposes.

### **“Bancarización” Regime**

Any payment in excess of US\$ 1,000 or S/ 3,500 must be made through the Peruvian Banking System, using the so called “means of payments” (check, bank deposit, bank transfer, credit card, debit card, among others). Money loans are obliged to use “means of payment” notwithstanding the amount involved.

Payments to be made without using "Payment Ways" shall not entitle to deduct expenses, costs or credits.

## Chapter 12

# Other Taxes

### **Contribution to SENATI**

Industrial companies that had an average payroll of more than 20 workers the previous year shall pay a contribution to SENATI.

Since 1997, the contribution has amounted to 0.75% of industrial worker pay.

### **Municipal Taxes**

#### *Tax on Property Transfers*

Paid or free urban or rural real estate transfers are subject to this tax, including sales involving a reservation of title.

The tax base is the transfer value, which cannot be lower than the official value of the real estate corresponding to the fiscal period when the transfer is made. The first 10 UIT are not subject to this tax (US\$ 12,700 approximately). A 3% tax is levied and is assumed by the purchaser.

#### *Real Estate Tax*

An annual real estate tax is levied on urban and rural land. The owner becomes responsible for payment according to the classification of the land as of January 1 of the year of the tax obligation.

The tax base is composed of the total value of the land located in the same district, which is determined by a scale of land values and official building values prepared by a technical and administrative body, Consejo Nacional de Tasaciones (National Appraisal Body), and approved by the Ministry of Transportation, Communications, Housing and Construction. The tax is calculated by applying the progressive and accumulative schedule below to the total value of the land located in the same district:

- Up to 15 UITs (US\$ 19,000 approximately): 0.2%
- From 15 up to 60 UIT (a range of US\$ 57,000 approximately): 0.6%
- Over 60 UIT (over US\$ 76,000 approximately): 1.0%

### *Tax on Vehicles*

The tax is applicable to cars, trucks and station wagons, either manufactured in the country or imported, that are no more than three years old. The term begins with the first registration in the Registry of Motor Vehicles. The tax base is the original value of the vehicle, which can be no lower than the value established in the referential table approved annually by the Ministry of Economy and Finance, taking into consideration an adjustment value due to the age of the vehicle. The tax rate is 1% of the value of the vehicle.

### *Tax on Gambling*

Gambling is taxed at the following rates:

- Bingo, raffles, and the like: 10% of the value of the tickets.
- Pinball: 10% of the value of the coin or instrument used to play.
- Casino games and slot machines: 12% of the gross monthly income, which is the difference between the monthly income from bets and the prizes granted.
- Lottery: 10% of the value of the prize.

### *Tax on Public Non-sports Performances*

This tax is levied on the amount paid to attend public non-sports performances, except for cultural performances duly authorized by the National Cultural Institute.

The following rates are charged:

- Horse races: 15%
- Movies: 10%
- Other public performances: 10%
- Bullfighting: 5% (when the average price of tickets is lower than 0.5% of UIT) and 10% (when the average price of tickets is higher than 0.5% of UIT).
- Music concerts: 0%  
Peruvian dance shows, Theatre, Classic music concerts, opera, light opera, ballet and circus: 0%

### *Business License*

This is the rate all taxpayers must pay, only once, in order to operate an industrial, commercial or service establishment. The amount corresponds to the cost of the administrative services rendered, which cannot exceed 1 UIT (approximately US\$ 1,270).

## Chapter 13

# Labor Regulation

### **Types of labor agreements**

The Peruvian Labor Regulation of Private Activities established the possibility to hire employees under indeterminate or fixed-term contracts.

The employment relationship has three (3) essential elements: personal service delivery, subordination and remuneration. The fixed-term contracts have temporary nature. Therefore, in order to contract under this type of labor contract, it is important the existence of an objective justification or causal to support that temporality required.

#### *Indeterminate labor contract-*

The labor contract can be verbal or written. Regardless the formality, the employment relationship initiates the day of the subordinate and remunerated rendering service. Additionally, the first three (3) months of the service shall be considered as trial period, in which the employer evaluates if the employee meets the requirements to develop properly job. Otherwise, if the employee is not qualified for the work, the employer can terminate the agreement without due cause.

#### *Fixed-term labor contract:*

These contracts are exceptionally allowed and the employer must prove the existence of an objective cause for this temporary contract (must be real and verifiable), otherwise it could be a distortion of that contract and be considered as an indeterminate labor relationship.

Also, the Peruvian labor legislation establishes a formality for the fixed- term labor contract: a written concluded employment contract.

The following table shows all forms of fixed-term labor contract:

Temporary		
For start or new activities	Market necessity	Corporate restructuring
To meet the needs arising from new business. <u>Maximum duration of 3 years.</u>	To meet short-term production increases due to changes in demand. They can be renewed successively <u>up to 5 years.</u>	For replacement, expansion or modification of the activities of the company. <u>Maximum duration of 2 years.</u>
Provisional		
Occasional	Replacement	Emergency
To meet temporary and different needs from the regular business of the company. <u>Maximum duration of 6 months per year.</u>	To temporarily replace a permanent employee. its duration is subject to the date of reinstatement of the permanent worker.	To meet needs caused by accident or force majeure. The period coincides with the duration of the emergency.
For specific project or service		
Project or specific service	Intermittent	Seasonal
It has a preset object: a physical or intellectual work or service. Its term depends on the duration of the work or service.	To meet needs of company's activities that are permanent but discontinuous. It does not have a specific period of time.	To meet the needs of the company's business that occur at certain times of the year. It is subjected to equivalent periods repeated in each cycle, according to the nature of the activity.
Others		
Decree Law N° 22342		
Regime applicable to the export of non-traditional products. These can be renewed indefinitely provided they meet the formal requirements.	The regime of Decree Law No. 22342 is applicable to any activity that is not regulated by another labor regime, but the activity has to be temporary according to the length of the service provided.	

*Partial-time labor agreements-*

This contract must be concluded necessarily in writing with workers who provide services lower than four (4) hours per day, or less than twenty (20) hours per week if the person works five (5) or less times per week and less than twenty-four (24) hours per week if working six (6) times per week and must be registered with the Labor Authority (LA).

According to labor regulation, the workers employed under this type of contract (due to the minimum number of working hours) receive limited labor benefits. In this sense, these workers are not entitled to Compensation for Time in Services (CTS), no job stability (the employer can unilaterally solve without showing just cause), and only have (7) seven days vacation per year, legal bonus for National Holyday and Christmas and participation in profits.

This contract will be distorted when there is an excess of working hours or when there is no written and registered employment contract.

### *Telework*

It is a special type of work characterized by the use of information technology and telecommunications. Thus, telework is characterized by the subordinate work performance - through information technology, telecommunications and the similar- without the physical presence of the worker, called "teleworker" in the employer's premises.

According to the labor law can be in two ways:

- Full form: the service is performed outside the employer's premises.
- Mixed form: the service is performed alternately inside and outside the workplace.

Also, this method requires, as a formal requirement, the signing of a written contract. In case that it is agreed on a later addendum or it is applicable the mode change (teleworking to on-site working), the signing of a document is also necessary.

Finally, a worker employed under this scheme enjoys all the rights that are attributed by law: Compensation for Time of Service, legal bonuses, holidays, among others.

### *Outsourcing:*

Peruvian labor laws allow outsourcing – a concept in which there is no employment relationship between the main company (company that entrusts the development of its main activity to another) and the outsourced staff, but only a contractual relationship between both companies.

Through this contract, the main company commissions the development of one or more activities to another company, which will provide services related to the production line of the hiring one.

The following criteria is applicable when the outsourced staff is deployed to the main company's installations.

REQUIREMENTS	DETAILS
<b>Plurality of clients</b>	<p>The outsourcing company must have 2 or more clients, although this can be waived if:</p> <ul style="list-style-type: none"> <li>(i) The service provided is required by a limited number of companies in the geographical area, market or economic sector in which the outsourcing company operates.</li> <li>(ii) The nature of the service provided justifies the exclusive agreement between the contractor and the outsourcing company.</li> <li>(iii) The outsourcing company is classified as microenterprise.</li> </ul>

<b>Equipment</b>	This requirement is fulfilled if the outsourcing company has, manages or leases their own equipment and it is used by the outsourced staff. Premises or equipment that are not owned by the outsourcing company may be used as long as they are under its responsibility.
<b>Capital investment</b>	The outsourcing company must have a capital of its own to support the operations and the services provided.
<b>Remuneration</b>	So it is not confused with the mere personnel provision, remuneration must be agreed per service or work provided to the contractor.

*Labor Intermediation:*

This allows the seconded of personnel and it is a restricted modality. It is destined to temporarily cover principal, complementary and/or specialized activities of the hiring company.

The requirements are:

<b>ACTIVIITIES</b>	<b>DEFINITION</b>
<b>Principal (only <u>temporary</u>)</b>	Inherent in the business activity: organization, management, marketing, and, in general, any activity whose nonperformance affect or disrupt the operations.
<b>Complementary (permanent)</b>	Ancillary activity not related to the principal. Their absence does not interrupt operations. Examples: surveillance, security, repairs, external messaging, cleaning and other similar nature.
<b>Especialized (permanent)</b>	Auxiliary, secondary or unrelated to the principal activity of the company which requires high level of technical, scientific or particularly skilled activity. Examples: expert maintenance and sanitation.

**Workday**

According to the Peruvian labor legislation, the workday is eight hours per day or forty-eight hours per week, maximum. Employers may establish a day with more than 8 hours of work and others with less than that number of hours, except that the regular working day shall not exceed the weekly maximum.

It is mandatory for all companies keep a record of entry and exit of personnel subject to supervision.

*Overtime:*

Time worked in excess of the daily or weekly hours is considered overtime. It is compensated with a surcharge to be arranged: same as for the first two hours and not than twenty five percent per hour calculated off the employee's ordinary hour-value, and thirty-five percent for the rest.

### Night shift work:

In workplaces where night work shifts are arranged, those should be rotatable. Also, the employee who works at night will not receive a weekly, biweekly or monthly salary equivalent to less than the minimum monthly salary (S/ 850.00) with a surcharge of thirty-five percent of the latter.

### Working condition

Our labor system contemplates the possibility that the employee perceives benefits (cash or in kind) as condition of employment, in order to render services adequately. Therefore, this does not represent an economic advantage to the worker. Among these are those granted on account of expenses, travel expenses, temporary lodging, uniforms, safety equipment, etc.

The evidence of their nature as non-remunerative resides on the requirement of the employees to give responsible for the use and destination of their funds.

### Social and labor benefits

The following are examples of benefits perceived by employees:

CONCEPT	DETAIL	AMOUNT
<b>Ordinary salary</b>	It is the amount that rewards the effective time of work and is the basis for calculating the social benefits.	If the working day is ordinary (4 hours per day or +) it cannot be least than the RMV, currently S/ 930.00).
<b>Family allowance</b>	Is given to workers who have children under the age of 18 or, being older, are pursuing higher education.	It is equal to the 10% of the RMV. Currently S/ 93.00.
<b>Legal bonus</b>	On National Holiday (paid in July) and Christmas (paid in December) of each year.	Each one corresponds to a regular monthly salary. This amount include the basic remuneration and other remunerative concepts (for example, family allowance).
<b>Complementary Annual Salary (CTS)</b>	Annual sum paid by the employer to the employee in order to carry potential fund protection in case of termination of employment. 50% is deposited semiannually (May and November of each year) in the bank chosen by the employee and is not freely available, except in case of the termination of the worker's labor contract.	It is the sum of regular monthly remuneration perceived by the worker in the months of April and October of each year, over one-sixth of the amount paid for legal gratification. e.g., if the worker earns S/. 100.00, the CTS is: -Ordinary remuneration: S/ 100.00 -1/6 (legal bonus S/100): <u>S/ 16.67</u> Total: S/ 116.67

<b>Life insurance</b>	The employer must pay the employee a life insurance after 4 years of service. It is collective and benefits the worker's immediate family (spouse / partner and children).	Equal to the amount obtained by applying the appropriate percentage by category of worker (between 0.7% and 1.5%) to the insurable earnings (regular monthly salary).
<b>Vacations</b>	The employee has 30 calendar days of physical rest paid for each full year of service.	The amount is equivalent to a regular monthly salary.
<b>Profit sharing</b>	The Company which has more than 20 employees (20,5 average per year) and generate profits, is required to distribute to its employees a profits percentage that corresponds according to the activity performed (net income before taxes, uncountable profit)	Percentage distribute : b.e. 8% of net income before tax: UN: $1000 \times 8\% = 80$ The company will distribute 80 among all employees, as follows: <ul style="list-style-type: none"> <li>- 50% of the amount calculated based on the actual working days during the year.</li> <li>- 50% of the amount according to the remuneration received at time of payment.</li> </ul>
<b>Social Security in Health (ESSALUD)</b>	The employer must pay monthly to ESSALUD a health insurance to each of its employees	Equal 9% of the regular monthly salary and includes the family allowance and the legal bonus. No taxed CTS.  The legal bonus is not included in the calculation of this 9%. Instead, the employer must pay the equivalent of the contribution (9%) directly to the employee as a special bonus – Law N° 30334.
<b>Risk Work Complementary Insurance (RWCI)</b>	The employer must pay each month for his employees the additional insurance coverage to ordinary for perform activities classified as risky.	The percentage to pay will vary depending on the greater or lesser degree of risk of the activity, and ranges from 0.63% to 1.84% of the regular monthly salary and includes the family allowance and the legal bonus. No taxed CTS.
<b>Severance</b>	If the employer dismisses an employee without due cause, is requires to pay him a compensation.	In the case of workers with indeterminate duration contracts, is equivalent to one and a half monthly regular pay for each year of service of the employee. The salary top is 12 payment.  In the case of employees with determinate duration contracts, equivalent to one and a half regular monthly payment for each month remaining to complete the contract with a ceiling of 12 payments.

## **Migration regime and visas**

### *Business visas*

Nationals of all countries – except from Brazil, Chile, Colombia, Mexico, Panamá and from the countries from the Schengen area that are part of the European Union – that travels to Peru for business purposes are required to apply for a Business Visa at a Peruvian Consulate before entering the country.

This type of Visa is granted to foreign nationals who intend to perform business activities, including signing contracts and undertake business related financial transactions.

The Peruvian Business Visa is a multiple entry visa and entitles its holder to enter Peru within a time period of 12 months from the date of issued. In that sense, this type of vise allows to stay in Peru up to 183 days per year, but the consulates abroad reserve the right to grant visas for shorter stays.

Peruvian Business Visas are not renewable. Visa processing times and requirements may vary depending on the Consulate of the country the foreign national is travelling from.

### *Work Permits*

A foreign national who has been assigned to work in Peru must obtain a work permit.

The Peruvian Law for Hiring Foreign National Workers states that national or foreign companies are allowed to employ foreign nationals up to a maximum of 20% of their total employees. Their salaries shall not exceed the 30% of the total wages and payrolls.

Hiring foreign workers is subject to the labor regime of the private sector and to the limits established in this Law. The employment contract, its amendments and modification are automatically approved by the Administrative Labor Authority, only with the presentation, being at the LA its subsequent revision.

In addition, employers may apply for exemption of the mentioned limiting percentages in case of specialists or management or directive personnel of a new industry, employees of public sector companies or private companies that have signed agreements with public sector organisms, institutions or companies, among others.

### *Designated workers:*

Foreign individuals who enter the country without the intention of residence and in order to carry out activities that need technical or highly specialized knowledge. They are sent by their foreign employer for a limited period of time, and are allowed to sign contracts and undertake transactions but not to receive remuneration from a Peruvian company (should not be registered in Peruvian payroll).

### *Family members:*

Family members of a foreign individual holding a resident visa (as for example the resident work visa) are allowed to obtain a visa as a Resident's Relative. The family members include: spouse, children younger than 18 years old, single daughters, ancestors and other dependents.

New regulation:

By Legislative Decree of Migration No. 1350, published on January 7, 2017 and its regulation approved by Supreme Decree No. 007-2017-IN, published on March 29, 2017, new categories and migratory status have been created:

- Temporary: It allows the entry and stay of a foreigner in the territory of the Republic, without intention of residence. Below are detailed the Temporary Migratory Status:

a. International Agreements

It allows entry and stay of a foreigner, as stipulated in the international treaties and agreements of which Peru is a state party.

It is granted by the MIGRATION OFFICE

Its request, term of stay, possibility of extension and other characteristics will be those stipulated in the international treaties or agreements of which Peru is a state party.

b. Artistic and Sports

It allows the foreigner to develop paid or income-generating activities, related to artistic, cultural, sports or other similar activity under a contract in accordance with current regulation.

It is granted by the MIGRATION OFFICE, prior to entering the country.

It allows single entry.

The term of stay is ninety (90) days. It cannot be extended.

d. Special

It allows the foreigner to enter and stay in situations not contemplated in the other Migratory Status of this Legislative Decree; is exceptional, subsidiary and residual

The Ministry of Foreign Affairs grants this status in the case of international speakers at official events; official delegates in non-profit sports competitions; artists, athletes, and non-profit or philanthropic public figures; and for those foreigners whose stay in the national territory is of interest to the Peruvian Government.

The other cases are granted by the MIGRATION OFFICE at migratory and / or border control posts or at their offices at the national level.

It allows single entry.

The term of stay is up to one hundred eighty-three (183) days, extendable once only for the same period.

d. Temporary Training / Research

It allows the entry and stay of foreigners who wish to carry out the same activities referred to in the Training Resident and Research Resident Migratory Status, but not for the purpose of residence.

It is granted by the MIGRATION OFFICE.

It allows single entry.

The term of stay is ninety (90) days. It cannot be extended. Extension applies for the same period.

e. Business

It allows the foreigner without intent to establish residence to carry out business, legal, contractual, specialized technical assistance or similar activities.

It is granted by the Ministry of Foreign Affairs. In the case of countries with which Peru has signed agreements or international conventions exempting business visas, the Migratory Status is granted by the MIGRATION OFFICE in migratory and / or border control posts.

It allows multiple entries.

The term of stay is one hundred and eighty-three (183) days, cumulative during a period of three hundred and sixty-five (365) days. It cannot be extended.

f. Temporary Worker / Assignee

It allows the entry and stay of foreigners who wish to carry out the same activities referred to in the Worker Resident and Assignee Resident Migratory Status, but not for the purpose of residence.

It is granted by the MIGRATION OFFICE.

It allows multiple entries.

The term of stay is one hundred eighty-three (183) days, cumulative during a period of three hundred and sixty-five (365) days. Extension applies for the same term.

g. Journalism

It allows the entry of a foreign journalist into the country under the conditions provided for in the special regulation.

It is granted by the Ministry of Foreign Affairs.

It allows multiple entries.

The Peruvian Government determines the term of stay and if the extension is applicable.

h. Tourist

It allows the foreigner to carry out only tourist, leisure, health or similar activities. It does not allow to work or to perform paid or income-generating activities.

It is granted by the Ministry of Foreign Affairs. In the case of countries with which Peru has signed international tourist visa exemption agreements or conventions, Migratory Status is granted by the MIGRATION OFFICE at migratory and / or border control posts.

It allows multiple entries.

The term of stay is one hundred eighty-three (183) days, cumulative during a period of three hundred and sixty-five (365) days. It cannot be extended.

i. Crew member

It allows the entry into the country of a foreigner crew member of an international means of transport. It is granted by the MIGRATION OFFICE in the migratory and / or border control posts.

It allows single entry.

The term of stay is thirty (30) days. It cannot be extended.

j. Temporary Officer

It is granted by the Ministry of Foreign Affairs, allows the entry and stay of foreigners who wish to carry out the same activities referred to in the Officer migratory status established in Legislative Decree No. 1350.

The term of stay is up to one hundred eighty three (183) days

k. Temporary Cooperator

It is granted by the Ministry of Foreign Affairs and allows the entry and stay of foreigners who wish to carry out the same activities referred to in the Cooperator migratory status established in Legislative Decree No. 1350. It also includes foreigners who develop volunteer work.

The term of stay is up to one hundred eighty three (183) days.

l. Temporary Exchange

It is granted by the Ministry of Foreign Affairs and allows the entry and stay of foreigners who wish to carry out the same activities referred to in the Exchange migratory status established in Legislative Decree No. 1350.□

- Residence: Authorizes the entry and / or residence in the territory of the Republic. These Migratory Status are extendable and allow multiple entries. The Migratory Residence Status are the following:

a. Cooperator

For the foreigner to whom the Peruvian Government recognizes such status under international treaties and agreements of which Peru is a state party, governmental or non-governmental cooperation, as experts or volunteers, as well as members of the Entities and Institutions of International Technical Cooperation incorporated abroad registered with the Peruvian Agency for International Cooperation (APCI for its Spanish acronym) and which are governed by said international instruments and special provisions. It also includes a foreigner who enters the national territory to perform welfare activities within the framework of social assistance or humanitarian aid or in cases of natural disasters, provided that such request is made by a foreign government or international organization or by any of the entities integrating the National System for Disaster Risk Management (SINAGERD for its Spanish acronym).

It is granted by the Ministry of Foreign Affairs.

It allows multiple entries.

The term of stay and extension at the discretion of the Peruvian Government.

b. Assignee

It allows the foreigner to carry out occupational activities in the national territory that consist of the accomplishment of a specific task or function or a work that requires professional, commercial or specialized knowledge entrusted by a foreign employer.

It is granted by the MIGRATION OFFICE.

It allows multiple entries.

The term of stay is three hundred and sixty-five (365) days.

c. Training

It allows the foreigner to develop regular studies of higher education, basic education, arts or crafts, in institutions recognized by the Peruvian Government. It includes foreigners of student exchanges, internships and professional and cultural trainings, and other training modalities recognized in Peru, in accordance with current regulations. It does not allow to work or perform paid or income-generating activities, except prior issuance of the Extraordinary Work Permit granted by the MIGRATION OFFICE.

This Migratory Status is granted by the MIGRATION OFFICE through its offices all over the country.

It can be requested by the interested party in the national territory, or before the entrance to Peru through an authorized representative.

The term of stay is three hundred and sixty-five (365) days.

d. Religious

It allows the development of activities of a religious or pastoral nature in an organization or congregation recognized by the Ministry of Justice and Human Rights. It also allows to perform complementary activities to the pastoral like those related to education, health and others. It does not allow to work or to perform paid or income-generating activities, except prior issuance of the Extraordinary Work Permit granted by the MIGRATION OFFICE.

It is granted by the MIGRATION OFFICE.

The term of stay is three hundred and sixty-five (365) days.

e. Exchange

For the foreigner to whom the Peruvian Government recognizes such status under treaties, and international agreements of which Peru is a part, of cultural or research exchange or others, and which is governed by said international instruments and special provisions. This migratory status extends to the foreigner who, by virtue of the same instruments, enters the national territory to carry out studies, activities under labor training modalities, lecture of courses or seminars, as well as other academic or educational activities within the educational, scientific, cultural and other similar scopes.

It is granted by the Ministry of Foreign Affairs.

It allows multiple entries.

The term of stay and extension at the discretion of the Peruvian Government.

f. Investor

It allows the foreigner to establish, develop or administer one or more lawful investments within the framework of Peruvian legislation. The amount of the investment and the other conditions will be determined in the Regulation of this Legislative Decree.

It is granted by the MIGRATION OFFICE.

The term of stay is three hundred and sixty-five (365) days.

g. Research

It extends to the foreigner with recognized knowledge and experience in the fields of science, technology or innovation; as well as in projects of education of high specialization; through the authority in national science and technology. It authorizes to carry out any activity that generates income, in a dependent or independent manner in the public or private sector.

It is granted by the MIGRATION OFFICE.

The term of stay is up to three hundred sixty-five (365) days.

h. Worker

It allows the foreigner to perform income-generating activities in a subordinated or independent manner for the public or private sectors, under a work contract, administrative relationship or service contract. In the case of frontier workers, the benefits stipulated in the international agreements on the subject are granted. It is granted under a work contract previously approved by the Ministry of Labor.

It includes employees of a transnational company or international corporation that travel to Peru to work in a company of the same economic group or holding company, to work as a senior manager or personnel of confidence or as specialist or specialized workers. It allows to sign contracts or transactions. It does not allow to perform paid or income-generating activities on their own account.

It is granted by the MIGRATION OFFICE.

The term of stay is three hundred and sixty-five (365) days.

i. Relative of Resident

It allows the residence to the foreigner member of the family migratory unit of a Peruvian or foreign resident. It allows to carry out paid activities on dependent or self-employed basis. It is granted by the MIGRATION OFFICE.

The term of stay is up to two years.

j. Suspended

For foreigners who have been arrested or deprived of their liberty for infringement of the criminal law. This includes the stages of preliminary investigation, criminal process and of enforcement of sentence. It extends to the period that the foreigner enjoys some penitentiary benefit as well as the period that he must wait in the national territory until his departure from the country comes into

effect. It does not impose fines on the foreigner for migratory administrative offenses. It allows for formal paid activities on a dependent or self-employed basis.

It is granted by the MIGRATION OFFICE.  
The Peruvian Government establishes the term of stay.

#### k. Humanitarian

For the foreigner who, being in the national territory does not meet the requirements to access the asylee or refugee status, is in a situation of great vulnerability or danger of life in case of leaving the Peruvian territory or for those who require protection in view of a serious threat or act of infringement or impairment of their fundamental rights. Likewise, it will apply to asylum or refuge seekers or to those who have migrated due to natural and environmental disasters; or for those who have been victims of human smuggling or trafficking; or for unaccompanied children and adolescents; or for stateless people. It also applies to people who are outside the national territory in exceptional situations of internationally recognized humanitarian crisis, who request to come to Peru and obtain protection. It allows to perform paid activities on subordinated manner, independent or self-employed basis.

It is granted by the Ministry of Foreign Affairs.

The term of stay is one hundred eighty-three (183) days. This term can be maintained as long as the conditions of vulnerability for which the migratory status was granted persist.

#### l. Rentier

It allows the residence to the foreigner that enjoys retirement pension or permanent rent of Peruvian or foreign source. The amount of the rent and the other conditions will be established in the Regulation of this Legislative Decree.

It is granted by the MIGRATION OFFICE.

The term of stay is indefinite.

#### m. Permanent

It allows the residence to the foreigner indefinitely after three (3) years as a legal resident.

It is granted by the MIGRATION OFFICE.

The term of stay is indefinite

#### n. International agreements

It allows residence to nationals of countries with which the Peruvian Government has international treaties and agreements in force and that establish the possibility of residence. Includes Status of Political Asylees and Refugees.

It is granted by the MIGRATION OFFICE. In cases of Political Asylees and Refugees is granted by the Ministry of Foreign Affairs.

The term of stay and conditions, are in accordance with the stipulations of the applicable international treaties and conventions. In the case of Political Asylee and Refugee, the term of stay is one year.

#### o. Consular

For the foreigner to whom the Ministry of Foreign Affairs of Peru recognizes the consular status accredited to the Peruvian Government.

It is granted by the Ministry of Foreign Affairs.

The period of stay is established by the Ministry of Foreign Affairs.

p. Diplomatic

For the foreigner to whom the Ministry of Foreign Affairs of Peru recognizes the diplomatic status accredited to the Peruvian Government.

It is granted by the Ministry of Foreign Affairs.

The period of stay is established by the Ministry of Foreign Affairs.

q. Officer

This Authorization is for the foreigner to whom the Ministry of Foreign Affairs of Peru recognizes the status of officer, under the conditions established in the special regulations.

It is granted by the Ministry of Foreign Affairs.

The term of stay is three hundred and sixty-five (365) days.

r. Relative of Officer

It allows the residence of the member of the Family Migratory Unit of a national who returns to the country at the end of his diplomatic, consular or official duties abroad or Peruvian officer who dies in the exercise of his duties abroad. It allows to perform paid activities on subordinated manner, independent or self-employed basis.

It is granted by the Ministry of Foreign Affairs.

The period of stay is established by the Ministry of Foreign Affairs.

s. Special Resident

It is granted by MIGRATION OFFICE to those foreigners who, having entered the country, require regularization of their immigration status.

This status allows the foreigner multiple entries to the country and perform income-generating activities on subordinated manner or independent basis in the public and / or private sectors.

The term of stay is up to three hundred and sixty-five (365) days, renewable, unless express provision of the regularization rule approved.

t. Resident Journalist

It is granted by the Ministry of Foreign Affairs and allows the entry and stay of foreigners wishing to carry out the same activities referred to in the Journalism migratory status established in Legislative Decree No. 1350.

It allows multiple entries.

The term of stay is three hundred and sixty-five (365) days, extendable.

## Chapter 14

# Protection of Commercial and Industrial Rights

Peru is a member of the Andean Community, together with Bolivia, Colombia and Ecuador. Under this agreement, the member countries have committed themselves to standardizing their commercial legislation and to adopt common regulations, as in the case of the rules for the protection of trade rights.

It is the industrial property rights that guarantee traders the right to the exploitation of their inventions in industry (patents), or to the exclusive use of their business identification (trademarks). In order to standardize these rights, the member countries of the Andean Community adopted a Common Industrial Property Regime governed by Andean Decision 486, which has been in effect since December 2000.

In Peru, the rights conferred by the Andean rules were reinforced in June 2008 by the Industrial Property Law, Legislative Decree 1075, which is currently in force. These two instruments embody the most modern developments in this area, making it possible for Peru to offer the appropriate legislative protection for industrial property rights.

### **Patents**

A patent is a document that protects the creator of an invention with an industrial application. Patent rights are granted by the appropriate authority after making an evaluation of the invention to be patented; to determine whether the invention is truly a creation (whether it is new); whether it is “inventive” - in other words, whether it is in fact a contribution to technology, and not the obvious or necessary result of a known process; and whether it is applicable to industry. The authority will also decide whether or not the invention is detrimental to the public order, morals, health, or lives of individuals.

The following items cannot be patented:

- Inventions that are contrary to public morals or order.
- Those that are contrary to the lives or health of human beings and animals, or the conservation of the environment.
- Plants and animals (except for micro-organisms).
- Therapeutic and surgical methods for human or animal treatment.

Pharmaceutical products can be patented in Peru, as well as the procedures to obtain them, except for those which appear on the World Health Organization’s list of essential medicines.

A patent gives its holder the right to exclusive economic exploitation of the invention for a period of 20 years, after which the exclusive rights expire.

## **Trademarks**

Trademarks are protected in Peru by registering them. Registration of a trademark generates the right of the legal owner to prevent others from using it to distinguish the same products or services, or to use a sign that is so similar that consumers are confused.

Any sign or symbol that may be used in trade to distinguish a product or service from another of the same nature may be registered as a trademark. Peruvian legislation allows for the registration of shapes, sounds and smells. A registered trademark has a duration period of 10 years, which can be renewed indefinitely for similar periods.

## **Commercial Names**

A commercial name is that which distinguishes a businessman in the exercise of his/her activities and is usually related to the name of the business. It is protected without the need for registration by the person who adopts the name to distinguish his/her business activities, uses it effectively in commercial operations, and then acquires the right to that name, and in order to exercise it must prove a priority of use (i.e., the earliest use of that name).

The law allows a person who acquired an industrial property right to a commercial name by virtue of its use, to register that name. Registration is optional, but does constitute an instrument that certifies its use, inasmuch as the certificate of registration will state the earliest proven date of use.

## **Other Industrial Property Rights**

A number of different industrial property rights are protected in Peru. Reference has been made to the most well known of them (patents, trademarks and commercial names). In the area of inventions, Peruvian legislation protects the following elements of industrial property:

- *Layout design of an integrated circuit*
- *Patterns of use*
- *Industrial designs*
- *Industrial secrets*
- *Collective trademarks*
- *Certification marks*
- *Commercial slogans*
- *Indicators of origin*

## **International Agreements**

Along with the Andean community rules, Peru also endorses the Paris Convention for the Protection of Industrial Property, which has been agreed to by 172 countries, and the Berne Convention for the Protection of Literary and Artistic Works, which has been agreed to by 164 countries. Under these agreements, Peru is committed to protect the rights of any company from any one of the member countries of both conventions, under the same conditions as if they were Peruvians.

Furthermore, Peru is also a member of the World Trade Organization, and a signatory party of TRIPS (Trade-Related Aspects of Intellectual Property Rights).

As a result, any company from any one of the member countries of the Paris Union, the Berne Union, or the World Trade Organization (which include almost all of the countries in the world that take part in international trade) may directly make a request to Peruvian authorities for the registration of an industrial property right; or, may bring suit against a third party that violates the industrial property right granted to it.

## Chapter 15

# Peruvian Banking System

The General Law of the Financial and Insurance Systems and the Organic Law of the Bank and Insurance Superintendence, Law No. 26702, establishes the framework for regulating and supervising the companies that operate in the financial and insurance systems, and those that carry out related or complementary activities (general bonded warehouses, cash administration, custody, and transportation company, credit card issuers, money exchange houses, and fund transfer companies). The Superintendence of Banking and Insurance, a constitutionally autonomous institution created for that purpose, controls the regulation of financial activities.

The declared purpose of the cited law is to spur the development of a strong, reliable, and competitive financial system that contributes to national development. Likewise, financial legislation treats foreign investments as domestic capitals, in compliance with international treaties that may be applicable.

Peruvian legislation classifies companies in the financial system, according to their operations, as follows:

- **Multi-operational companies:**  
Banks, financial institutions, municipal savings and loan institutions, municipal credit institutions, small and micro-business development financing institutions (EDPYME), savings and loan cooperatives authorized to receive funds from the public, and rural savings and loan institutions.
- **Specialized Companies:**  
Mortgage companies, leasing companies, factoring companies, guarantee companies, and trust service companies, investment banks and insurance companies.

Companies operating within the financial system must be incorporated as corporations. The Bank and Insurance Superintendence authorizes their organization and operation upon compliance of the necessary legal requirements, which include the presentation beforehand of a report from the Peruvian Central Reserve Bank. The authorization of the Bank and Insurance Superintendence is also needed for the opening, movement, and closing of branches, agencies and offices. Foreign companies may establish financial offices that serve the public in Peru. To do so, they must comply with all legal requirements established for domestic companies, as well as prove that their required minimum capital, they are located in Peru.

Foreign financial institutions may also establish representative offices in Peru. These representatives are not allowed to receive or to place funds directly in the country. Their activities are restricted to establishing commercial relations with financial institutions with a location in Peru in order to promote foreign trade and provide external funding; acting as intermediary for the purchase or sale of goods in foreign markets; and establishing business relations with potential applicants for foreign credit or capital.

Notwithstanding the abovementioned, every financial institution, whether is domestic or foreign, that is authorized to receive deposits or capital from third parties (individual or legal entities) must belong to the Insurance Deposit Fund. The purpose of the Insurance Deposit Fund is to provide coverage to depositors (individuals or legal entities) of nominal deposits in the financial institutions, as well as the accrue interests of those deposits; having as an exception of the coverage other financial institutions.

## Chapter 16

# The Lima Stock Exchange

The corporate purpose of the Lima Stock Exchange is to facilitate the trading of listed securities by providing appropriate services, systems and mechanisms for fair, competitive, order, continuous and transparent trading of public offer securities, derived instruments and instruments that are not of massive emission. The issuance and placement of securities must be authorized by the Peruvian Company and Securities Regulator. The duration of the Lima Stock Exchange is indeterminate.

The main functions of the Lima Stock Exchange are:

- Provide local market participants, systems and mechanisms that enable them, in their daily negotiations have transparent information of proposed purchase and sale of securities, the impartial execution of the respective orders and efficient settlement of its operations.
- Encourage securities trades, performing activities and providing services for it, so as to ensure the increasing development of the market.
- Enroll in accordance with the laws and regulations, securities for trading on the Exchange and register with.
- Provide information to the public about the Agents Brokerage and trading.
- Disseminate and maintain publicly available information on the price of the securities, as well as economic progress and significant events of issuers.

In Peru, CAVALI S.A. is the company responsible for the Compensation and Settlement of Securities, it is regulated under the Supreme Decree No. 093-2002, Consolidated Text of the Securities Market Law and its rules of procedure.

CAVALI has three main roles in the Peruvian stock market:

- Clearing and Settlement Institution Securities (ICLV). CAVALI handles the registration, transfer, custody, clearing and settlement systems for operations on the Lima Stock Exchange (equities and corporate bonds) and Technical Data SA (public fixed income). Also inscribed on the transfers recorded in the accounting record values.

- Managing Entity of the Securities Settlement System. CAVALI has the responsibility to manage the securities settlement systems in the country. To do this, is conducting a series of upgrades to its structure and regulation.
- Withholding Agent. Commissioned by the Peruvian State, CAVALI has been designated as agent of withholding income to capital gains and interest, from the sale of securities.

Likewise, Peru is part of the Integrated Latin American Market (MILA), which began operations in January 2011 and allows investors to carry out transactions of cash in equity investments recorded in the Colombia Stock Exchange, Santiago stock Exchange and Lima Stock Exchange, involving three (3) securities depositories: DECEVAL, CAVALI and Central securities Deposit, from Colombia, Peru and Chile, respectively. The MILA represents the largest market in Latin America with about 560 issuers.

The MILA offer investors a platform that allows them to trade stocks listed in any of the three stock exchanges (for example, shares listed on any stock exchanges of Chile, Mexico and Colombia, could be traded through the Lima Stock Exchange). However, negotiating through MILA will not be granted if the actions are in two (2) or more bags.

## Chapter 17

# Accounting and Auditing

### **Accounting**

The accounting principles generally accepted in Peru are the International Financial Reporting Standard (IFRS), which were issued by the International Accounting Standards Committee (IASC) and subsequently by the IASB (International Accounting Standard Board)-institution that replaced it. For their application in Peru, these standards were approved by Consejo Normativo de Contabilidad (CNC)- Peruvian Accounting Board.

Also accounting standards or regulations issued by the Securities Market Superintendency (SMV), the Banking and Insurance Superintendency (SBS) and the Private Medical Care Services Superintendency, which embody generally accepted accounting principles.

The General Companies Act (Law No. 26887, effective on January 1<sup>st</sup>, 1998) established under Article 223° that financial statements should be prepared and presented in conformity with applicable legal provisions, and with accounting principles generally accepted in the country.

In that sense, the CNC, by Resolution N° 013-98-EF/93.01, Articles 1° and 2°, states that: (i) generally accepted accounting principles, referred to in Article 223° new General Companies Act, comprise mainly the International Accounting Standards (IAS), recognized by resolution issued by CNC, and the standards established by Control and Supervisory Bodies and; (ii) exceptionally, and in some circumstances where specific accounting operative procedures are not ruled on by the International Accounting Standards Committee (IASC), accounting principles applied in United States of America (US GAAP) can be used.

The International Accounting Standard Board (IASB) completed the reviewing process of the International Accounting Standards (IASs) and issued new pronouncements, known as International Financial Reporting Standards (IFRS). All of the revisions of the IAS and the IFRS issued are internationally effective as from January 1, 2005.

In accordance with Standard No. 063-2016-EF/30 published on September 2, 2016, the CNC made official the application of the 2016 version of the IFRS (which contain IAS, IFRS, IFRIC and SIC) issued by the IASB. Effectiveness of such standards shall be indicated in each of them. Also in 2016 the following Standards were published:

- No.062-2016-EF/30, published on June 9, 2016, the CNC made official the IFRS 16 – Leasings and the amendments of IFRS 15 – Revenue of Ordinary Activities from Contracts with Customers.

- No.061-2016-EF/30, published on March 31, 2016, the CNC made official the amendments of IAS 12 – Income Taxes and of IAS 7 – Statements of Cash Flow.
- No.060-2016-EF/30, published on February 4, 2016, the CNC made official the amendments of IFRS-15 – Revenue of Ordinary Activities from Contracts with Customers, IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in Associates and Joint Ventures.

### **Presentation and Preparation of Financial Statements in Peru**

Legal entities subject to CONASEV’s control and supervision as well as issuers and legal entities registered in the Public Registry of Securities Market (RPMV for its Spanish acronym) and the Mutual Funds Administration Companies, according to CONASEV Resolution No. 103-99-EF/94.10 of September 24, 1999, must do the following:

- Prepare annual financial information, according to Financial Information Regulations and Manual for Financial Information Preparation established in the cited resolution.
- Present annual audited financial information, duly approved by the corresponding body, from the day after its approval until April 15 of each year, and annual, audited, and consolidated financial information until May 31 of each year.
- Prepare its interim financial information at the closing date, March 31, June 30, September 30 and December 31, on an annual basis.

### **Financial Information Advertising of Companies Unsupervised**

Article 5° of Law No. 29720 establishes that all entities that are not under the supervision of Securities Market Superintendency - SMV (formerly CONASEV) and whose annual revenues arising from the sale of goods or rendering of services or total assets are equal or exceed three thousand tax units (UIT), shall report financial statements audited by auditing firms authorized by Peruvian Association of Certified Public Accountants, in conformity with IFRS and subject to provisions and terms as determined by the SMV. The UITs of reference is the one effective on January 1, of each period.

Thus, by Standards of the Peruvian Company and Securities Regulator (SMV) Nos. 011-2012-SMV / 01-SMV, 159-2013-SMV/02 y 028-2014-SMV/01 the gradual obligation of filing financial statements audited and the gradual implementation of IFRS effective internationally issued by the IASB was established.

This requirement was suspended as a result of the judgment of March 4, 2016, established in Dossier No. 00009-2014-PI / TC, by which the Constitutional Court declared the petition of unconstitutionality against article 5 of the Law No. 29720 well-founded, therefore, declares unconstitutional the entire provision. The SMV repealed the obligation of financial reporting for those entities other than those registered in the Public Securities Market.

### **Financial Information Regulation**

This contains the regulations that companies must take into consideration to prepare and present financial information, with the objective that such information will meet generally accepted accounting principles. For that purpose, it includes the following information:

- Framework for preparing financial statements: Generally Accepted Accounting Principles.

- Financial statements: Identification of the four financial statements (Statement of Financial Position, Income Statement and Other Comprehensive Income, Statement of Changes in Stockholder's Equity, and Statement of Cash Flows), objectives, contents, and preparation.
- Notes to financial statements: scope and contents.
- Management report.
- Audited financial information: aim, responsibility, term period for auditors assignment (90 calendar days, maximum, before the year-end closing), and other regulations regarding audit development.

### **Manual for Financial Information Preparation**

This manual complements the Financial Information Regulations, and it includes regulations to facilitate the preparation and presentation of said information, and allows its permanent updating according to International Accounting Standards.

For such purposes, it describes the accounts and items of financial statements, disclosures to be made in the notes, procedures for the preparation of the Management report, and certain respects to be considered in the audited financial information. It includes models of financial information presentation and a key words glossary.

### **Auditing**

As in the case of the International Standards of Financial Information, Peru has adopted, by the Federation of Public Accountants of Peru, the International Auditing Standards (NIA) issued by the International Auditing Practices Committee (IAPC) established by IFAC.

As a result, the framework for auditing standards consists of:

#### **General Standards**

The general standards are of a personal nature, and refer to the qualifications of the auditor and the quality of his/her work.

#### **Work Performance Standards**

These standards concern the proper planning of the audit and the appropriate supervision, study, and evaluation of the internal control, and the collection of sufficient and relevant evidence.

#### **Standards Related to the Auditor's Report**

These standards establish that the auditor's opinion should indicate whether the financial statements are being presented in accordance with generally accepted accounting principles and are consistent. It should also state whether the financial statements fairly disclose the information contained therein,

and also should contain an opinion about the financial statements, or an explanation as to why the auditor is unable to give his/her opinion.

# Appendix

## KPMG Worldwide

### **Organization**

Founded in 1897, KPMG has more than 120 years of experience providing professional services to clients worldwide. We were the first of the major international auditing and business firms to successfully complete a global merger in 1987. The aim was to create a global network of firms with international and national strengths, capable of delivering services of uniform quality worldwide.

Our position as a global network of firms allows us to offer our clients rapid and decisive solutions. With our international specialization, our personnel are in a position to make the decisions our clients need on matters of key importance for their business. The experience of our professionals allows us to offer our clients rapid attention appropriate to the particular conditions in their own markets.

KPMG is organized by specialized industries. Offering general professional services is no longer enough. The market and our clients demand industry expertise. Accordingly, KPMG has become organized worldwide into industry or specialized sector groups that provide targeted expertise gained in the client's own industry. Those industry groups are:

Financial Services	Technology, Media & Telecommunications
Industrial Markets	Infrastructure, Government & Healthcare
Consumer Markets	

### **Approach and Methodology**

KPMG uses the same approach and methodology worldwide. There is virtually an interaction among our international professionals in each area of business, no matter where they are located, because based on the on-going and uniform training programs designed for our professional staff and by making use of technological innovations, we are able to perform international assignments across borders very effectively. This uniformity guarantees our clients of consistent and high-quality services worldwide.

### **Progress of Our Clients**

One of KPMG's strategic objectives is our clients' progress. We have therefore taken on the challenge of orienting our clients so that they can hold a competitive position in the market and attain their business objectives in today's world of business where the only constant are change and complexity.

## **New Challenges Demand New Services**

KPMG is aware that new challenges demand new services that support our clients' needs helping them to be more competitive. Global competition and information technology are giving a new dimension to client needs that calls for a new kind of business advisor: an integrated team of professionals who combine industry expertise in auditing, legal and tax advisory, and business advisory. KPMG is committed to building this new model of a global multidisciplinary professional services firm: multidisciplinary teams made up of the right people, with the right skills, in the right place, just where the clients need them.

# KPMG in Peru

KPMG in Peru is a member firm of KPMG International, a global network of professional services firms providing Audit, Tax, Legal, and Financial Advisory Services organized in business lines. KPMG in Peru is part of the Americas Region operating in 19 countries with 3,598 partners and 57,447 employees.

KPMG in Peru operates through three member firms of KPMG International:

- Caipo y Asociados, original firm founded on March 17<sup>th</sup>, 1972. In August 1980, it became member firm of is now KPMG International.
- KPMG Asesores, founded in 2011 for Advisory services. Since 2012, it also provides Tax & Legal services.
- KPMG SAC, firm international licensed.

Contact Partners

- **Senior Partner:** Oscar Caipo
- **Audit:** Juan José Córdova
- **Advisory:** Mariano Zegarra
- **Tax & Legal:** Ahmed Vega

KPMG in Peru has over 500 multidisciplinary professionals: partners, directors and managers and members of staff and management, able to provide its customers with quality service, consistent with international standards and policies of KPMG.

## **KPMG is Auditor**

We provide audit services in the areas of Financial Management and Business. Our Opinions are issued in accordance with statutory requirements and in compliance with agreements and relevant regulations.

## **KPMG is Tax Advisor**

Backed by the resources of our international network, KPMG is well equipped to offer tax consultancy services to corporations and private individuals. Our aim is to advise our clients on making tax burdens more efficient while keeping strict observance of applicable provisions. A sampling of our tax advisory services includes corporate tax planning and diagnostic reviews. Our key areas of specialization are, among others:

Tax Advisory, Tax Compliance, Transfer Pricing, Legal, Labor and Global Mobility Services and Governance.

Due to the diversity and complexity of the Peruvian tax system and the interaction with international tax systems, KPMG offers a wide range of tax advisory services based on an approach that from an integral understanding of our clients' businesses, prepares tailor-made solutions.

### **KPMG is Business and Risk Advisory**

At KPMG, we have developed the complement to advisory and operations that your business needs. The experience and market knowledge of our professionals, at local and international level, allow us to provide strategies to boost development and reduce the risks for your business and operations.

Each professional team has the skills and experience needed to provide the proper tools to our customers through the following practices:

*Consulting Risks:* Internal Audit, Risk Management in the Financial Sector, Good Governance and Compliance, Forensics, Convergence to IFRSs, Contract Compliance Audit, Sustainability Services, Segregation of Duties.

*Business Consulting:* IT Advisory, Business Performance Services, Business Intelligence.

*Transactions and Corporate Finance:* Mergers and Acquisitions, Corporate Finance, Infrastructure Advisory

### **KPMG is Transaction Advisory**

The companies with solid strategies for the evaluation and implementation of Mergers and Acquisitions (M&A) obtain better results in the creation of value than its competitors.

From business identification in the early stages up to the advisory provided for the benefit of potential synergies once the transaction is performed, the companies that create value for its shareholders know that in this type of operation it is essential a professional and systematic approach.

KPMG provides assistance for the evaluation and execution of M&A operations, providing a methodical, detailed and objective evaluation in the different stages of the transaction.

### **KPMG is Corporate Finance Advisor**

We assist organizations acting as advisors in a wide range of operations, including sales, mergers and acquisitions, structured finance, capital market transactions and valuations.

We advise on sales processes to local and international businesses, including family businesses which experience a lack of professional management, difficulties in obtaining financing and/or face conflicts between partners. Our advisory is focused on the identification and execution of a wide range of transactions such as sales, mergers and acquisitions, takeovers and buy-outs, structured finance, capital market transactions and financial valuations

Our teams work in a coordinated manner to provide an impartial and independent advisory of funding sources.

## **KPMG is Global Infrastructure Advisor**

KPMG member firms are world leaders in providing advisory services for the infrastructure sector. Through some of the largest and highly experienced team, we provide support to infrastructure contractors, operators and investors, as well as government organizations during the project life cycle and complex programs, providing strategic, financial, tax, accounting and commercial advisory services to clients from public and private sectors concerning infrastructure operations.

Infrastructure is one of the major global challenges of this 21st century. It's essential nature is even more evident when impacting health and security, but there is also a significant impact on business growth and economic competitiveness.

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