

AUXADI

PERU

COUNTRY FILE - 2022

# PERU

**With a population of nearly 34 million inhabitants, Peru is one of the most attractive economies for investors in the Latin American region.**

Peru's economic stability can be largely attributed to a series of structural reforms which began in 1990. These included reforms on trade and financial liberalisation, consolidation and privatisation, and were used to encourage fiscal prudence and accumulation of reserves. These policies are still showing effects; the economy grew 13% in 2021, and the per capita income of Peruvians tripled between 2000 and 2020, reaching US\$6,692 per annum in 2021.

Thanks to these expansive reforms, which included a new constitution in 1993, Peru has become one of Latin America's most developed economies, increasing GDP from US\$51.7 billion in 2000 to US\$223.2 billion in 2021.

Peru has enacted solid environmental legislation to protect its position as one of the world's top ten biodiverse countries, with over 2,000 species of fish, 1,736 different birds, 500 mammalian species, 300 different reptiles and 10% of the world's species of flora. Peru has stated its intention to reach net zero emissions by 2050 and, in December 2020, increased its emissions reduction targets to 30-40% by 2030 (based on receiving international financial support). It has also committed to reaching 15% renewable energies in the power mix by 2030 (achieving 5.9% in 2020).

Exports are a major contributor to the Peruvian economy, as are services, commerce, manufacturing, and mining. The country is the world's second largest producer of copper, zinc and silver, and the sixth largest gold producer. Total exports in 2021 reached almost US\$63 billion.

Peru entered into a Free Trade Agreement with the European Union in 2013, allowing most European products to enter with tariffs between 0% and 2%. It has [an extensive list of Free Trade Agreements in place](#), including with its regional neighbours, the Andean Community, (Bolivia, Colombia, Ecuador) and the countries of MERCOSUR (Argentina, Brazil, Paraguay, and Uruguay). Top trading partners are China, U.S.A., the EU, Canada and The Republic of Korea. Top FDI inflow comes from Spain, the EU, USA, UK, Chile, Brazil and the Netherlands.

Peru is a member of the World Trade Organization (WTO), the International Monetary Fund (IMF), the World Bank, the Andean Community of Nations (CAN), the Asia-Pacific Economic Cooperation Forum, the Alliance of the Pacific, and the Union of South American Nations (UNASUR). In January 2022, Peru was invited to begin the process of accession to OECD membership, with accession roadmaps released in June 2022.

# Peru: country overview



**US\$5,908 M**

FDI



**US\$223.2**

GDP



**US\$6,692**

GDP per capita



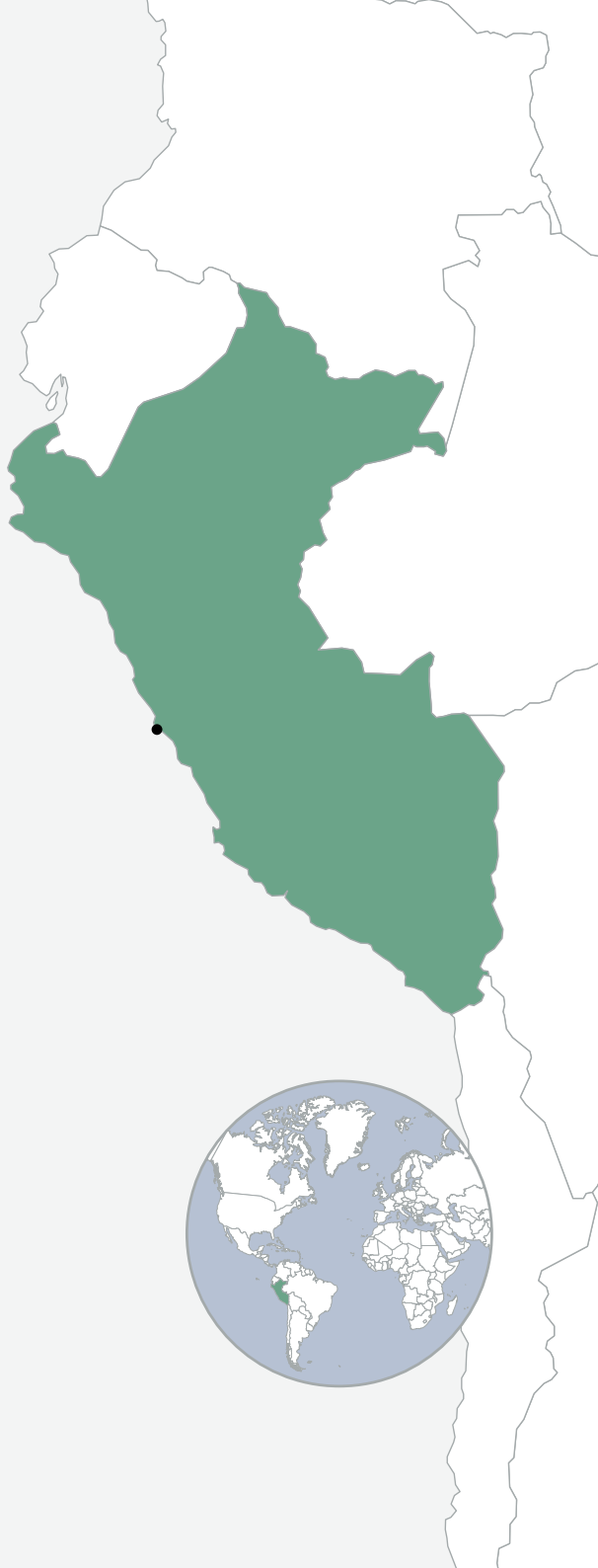
**36%**

Public Debt (% of GDP)



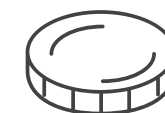
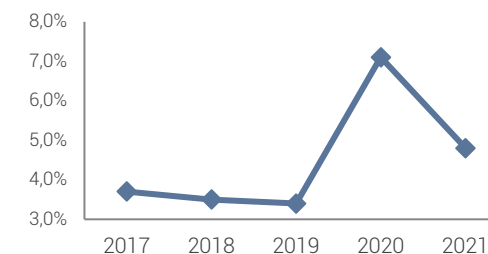
**35,500,000**

Population



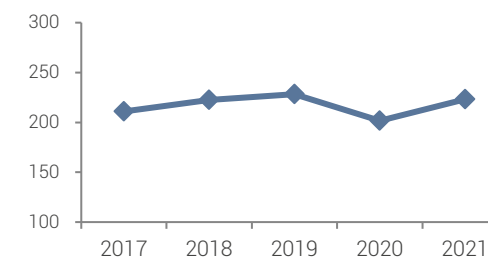
**4,83%**

Unemployment rate of  
total workforce



**NUEVO SOL**

Monetary unit: **S/**  
Exchange rate



## Main Economic Areas



Agriculture



Hydrocarbon  
exploitation



Fishing



Manufacturing.



Mining



Incorporation takes around 25 working days – quicker than many of Peru's neighbours. Peru offers a very favourable framework for foreign investment, with policies addressing free competition, free movement of capital, the guarantee of private property, and equal treatment for domestic and foreign investors.

**25**  
days



Peruvian companies may not operate with more than 20% foreign staff, and total remuneration for foreign workers cannot exceed 30% of total staff remuneration. The national minimum monthly wage is around US\$300 (2022). The maximum number of working hours per week is set to 48.

**280**  
US\$/month



The National Superintendence of Tax Administration (SUNAT) is the agency in charge of administering and raising taxes from the National Government (including customs). In Peru, the corporate income tax rate is 29.5% of the company's worldwide net income (for companies earning above 1700 tax units/US\$2,000,000). Companies earning below this rate of income pay 10%. VAT is 18%.

**29.5%**  
Corporate  
Income Tax



The Peruvian regulations allow GAAP standards, as well as International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), and their interpretations (SIC). There are specific rules for Audits and Consolidation.

**GAAP**

<sup>1</sup>Banco de la República



# Legal Aspects



## Foreign investment

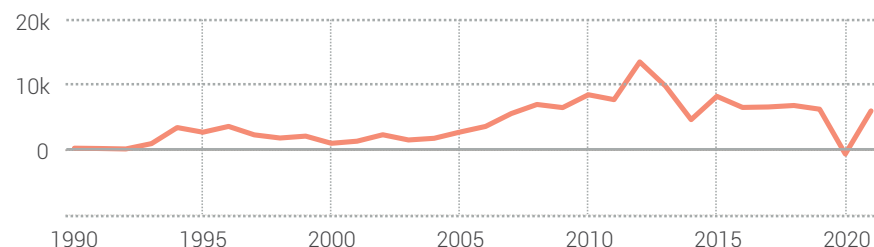
The Constitution of Peru (1993) includes a series of policies and legal framework with the aim to encourage general private and foreign investment. As such, domestic and foreign investment in Peru is governed by Peru's fundamental principles of equal treatment.

### Basic rights of the foreign investor:

- Freedom of trade and industry, export and import.
- Freedom to remit profits or dividends abroad, upon payment of the corresponding taxes.
- Free possession and disposition of foreign currency.
- Freedom to use the most favourable exchange rate in the market.
- Free re-export of the invested capital.
- Unlimited access to internal credit.
- Free contracting of technology and remittance of royalties.
- Freedom to acquire shares of domestic investors.

There are many different forms of foreign investment recognized by the Peruvian government. Though direct investment or contributions to social capital are both common methods, contractual joint ventures and direct investments in nationally located goods or properties are also permitted. Foreign investment can also be made into intangible goods, such as portfolio investment or technological contributions.

### FDI in billions of dollars per year



\*Source: UNCTAD, 2021. Latest data available

## Property rights

The Peruvian Constitution establishes the right of property as inviolable, both for Peruvians and foreigners. This right does not negate the expropriation of goods when exchanged for compensation.

However, Article 71 of the Peruvian Constitution states that no foreigner can be in possession of or own any mines, land, forests, water, fuel or energy sources within 50km of the country's border.

## Freedom of organisation and development of activities

Every company, foreign or domestic, has the right to free enterprise, meaning companies may organize and develop their activities largely free of state control. However, all activities must comply with relevant industrial hygiene, safety, environmental conservation, and other legal provisions in place.





## Types of companies

There is a variety of options to choose from when registering a business in Peru. Here are the most common types of legal entity.

	Business Corporation (Sociedad Anónima o S.A.)	Closed Corporation (Sociedad Anónima Cerrada o S.A.C.)	Public Limited Company (Sociedad Anónima Abierta o S.A.A.)	Limited Liability Company (Sociedad Comercial de Responsabilidad Limitada o S.R.L.)
<b>NO. PARTNERS</b>	Minimum 2 partners	2 to 20 partners	over 750 partners	2 to 20 partners with Participation
<b>ADMINISTRATION</b>	General Shareholders' Meeting, Management, Board of Directors	General Shareholders' Meeting, Management, Optional Board of Directors	General Shareholders' Meeting, Management, Board of Directors	General Meeting and Management
<b>TRANSFER OF SHARES OR GAIN SHARING</b>	Free	Shareholders have the right of preferential acquisition in case of transfer of shares to a third party (unless it is eliminated in the bylaws)	Free. No restrictions or limitations are allowed	The transfer of participations is subject to the prior authorization of the partners
<b>CONSTITUTION</b>	Simultaneous	Simultaneous	By third parties offering	Simultaneous

PARTNERS' RESPONSIBILITY UP TO THE VALUE OF THEIR CONTRIBUTIONS

### Branches

A branch is a secondary establishment used by a company to carry out activities in a region different from its registered corporate office.

In Peru, a branch does not have independent legal rights and must have permanent legal representation by the main registered corporate office. However, a branch does retain the right to be transformed into a separate company based on the General Law of Companies of Peru.

### Partnership agreement

Profit-sharing association contracts, consortiums and joint venture contracts are established to outline and regulate the participation of stakeholders in a business or company. These agreements do not establish a legal entity on their own nor are they recognised in place of legal registration in Peru, but they must be in writing to be legally recognised.

### Single-owner Limited Liability Companies or EIRL (Spanish acronym)

Single-owner or limited liability companies are legal entities constituted by a single person. This type of legal entity is best suited for natural owners or small businesses that want to keep individual fiscal responsibilities separate from the enterprise or other partners. (Similar to a freelance or legally self-employed individual.)



# Labour Aspects



The most common contracts in Peru are for an indefinite term, but fixed-term and part-time contracts are also recognised.

All workers are subject to a **trial/probation period** of three to six months, regardless of the type of contract. For 'trusted employees' (management/senior management), this trial period extends to six to twelve months. During probation, the workers are not entitled to compensation for arbitrary dismissal.

**For termination after the trial period**, any employee contracted for an indefinite term will be compensated with a month and a half salary for each year of work. Fixed term contract holders are to receive 1.5x remuneration each month remaining in the contract. In all cases, dismissal compensation shall not exceed twelve monthly payments.

**Annual leave** of one month is granted after a year of service, and there are 12 paid non-working holidays per year, including Easter and Christmas. Working on one of these days means a 100% salary premium unless alternate time off is agreed.

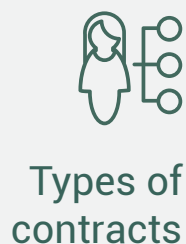
**Collective agreements** are permitted, and all employees may benefit from them – whether from a majority or minority union. All employees are entitled to **employer-paid life insurance** from the start of employment, and there is a **law against gender-based wage discrimination** (Law No. 30709).

**Social security** is a mandatory employer contribution equal to 9% of the employee's wage, and employers are also subject to a 13% pension contribution.

**Peruvian companies are limited to no more than 20% foreign workers, and the remuneration for foreign staff must not exceed 30% of the company's total staff cost.** (Though certain Peruvian employers are exempt from this regulation.) If a foreign employee is considered highly qualified, or has a Peruvian spouse, child, parent or sibling, they are considered exempt from this regulation, as is a foreign employee with a contract of employment reciprocity or dual nationality. Companies in certain sectors (like foreign international transport or multinational services) are also exempt from the ruling on foreign employee ratios.

Foreigners wishing to work in Peru must have a **work visa** from the General Directorate for Migration and Naturalization **and a work contract** with the approval from the Administrative Labour Authority. Foreigners qualify as tax resident in Peru if they have stayed more than 183 days in a twelve-month period. Non-tax resident employees are subject to 30% withholding tax on Peruvian gross income, along with the same pension and social security deductions as a local employee.

Finally, all employee contracts in Peru come under Peruvian law, no matter the employee's nationality.



### Indefinite Term Contracts

The most common type of work contract in Peru; no expressly defined end date.

### Fixed Term Contracts

Generally reserved for work of a temporary nature and are never considered for a term longer than five years. Workers are permitted the same rights and benefits allotted to employees on indefinite contracts for the duration of their employment.

### Part-Time Contracts

Part-time employees must work four hours per day. Part-time employees are also allotted benefits in accordance with the law. There are protections in place for part-time workers for fair compensation, compensation for time of service (CTS), arbitrary dismissal, and 30 days' vacation.

# Tax Aspects



Peru's main taxes are levied on income, production and consumption, circulation of money and patrimony. There are also contributions to health Social Security and the National Pension System.

The main taxes are as follows:

## Direct Taxes

### Income Tax

There are three groups subject to this tax that are subdivided into five categories of income tax (view below). This is a monthly paid on account, with annual settlement via a sworn statement, also known as DJ by its Spanish acronym.



#### Capital income

Gross income is taxed obtained by the lease, sublease and assignment of goods (FIRST category) and other capital income (SECOND category) by 5%.

Dividends distributed by companies incorporated or established in Peru to individuals at a rate of 5%.

#### First category income

Income obtained by individuals, undivided estates and conjugal societies via:

- Rent or subletting of properties.
- Legislation or temporary assignment of movable or immovable property and their associated rights.
- Value of improvements made to the property by the tenant or sublessee and not reimbursed by the owner.
- Free transfer of land from the owner to third parties.

#### Second category income

Income obtained by individuals, undivided estates and conjugal companies for royalties, dividends, assignment of rights, placement of capital, sale of real estate or lease.

#### Corporatio

Corporation tax is 29.5% on net income and dividends received from non-domiciled legal entities.

Dividends received from domiciled legal persons are not subject to tax.

#### Third category income

Income obtained by individual and legal entities through business activities. It is determined at the end of the year and is declared according to the schedule defined by SUNAT during the first three months of the following year. Monthly payments must be made on account.

#### Work income

For domiciled individuals, the FOURTH and FIFTH category tax is calculated by applying a cumulative progressive rate between 8% and 30%.

For subjects not domiciled in Peru, the tax on dependent income is 30%.

#### Fourth category income

Income earned by independent workers.

#### Fifth category income

Income obtained by dependent workers.

## Temporary Tax on Net Assets (ITAN)

Temporary tax on net assets is calculated by applying the rate of 0.4% based on the historical value of the company's net assets, when the value of those assets exceeds one million nuevos soles (according to the closed balance sheet) as of 31 December of the previous year. This constitutes a credit against the Income Tax, and a return of any surplus can be requested.

In order to avoid double taxation, subsidiaries and branches may choose to pay the ITAN against the income tax credit. If there is still a tax surplus in this category, an equal refund can be requested in the country of origin, if there are double taxation agreements in both countries.

## Tax on Financial Transactions (ITF, by its Spanish acronym) and Means of Payment

In Peru a 0.005% rate is applied to all financial transactions (inflows and/or outflows of funds through the local bank account) above S/. 3,500 or US\$ 1,000, and payments must be made using an authorised form. Authorised forms of payment include: account deposits, money order, transfers of funds, payment orders, debit or credit cards issued in Peru and "non-negotiable" checks. If a payment is made by any other method, it is assumed that the funds are unavailable. Likewise, no refund for the General Sales Tax may be requested for the purchase of the goods or services that are the object of the transaction.



## Indirect Tributes

### General Sales Tax (IGV)

The general sales tax applies to all phases of the production and distribution cycle. IGV is applied at 16%, plus another rate of 2% for Municipal Promotion tax. The payment of this 18% is required monthly.

### Selective Tax to Consumption

Selective tax on consumption is the tax on the consumption of specific goods, like tobacco, alcohol, etc.

## Municipal Taxes

### Predial Tax

The predial tax is applied to the value of urban or rustic properties (land, buildings and fixed facilities). The rate is annual and ranges between 0.2% and 1%, depending on the value of the property.

### Sales Property Tax (Alcabala)

This tax is on any type of transfer of urban or rural property. The rate is 3% and is the responsibility of the buyer. This tax does not apply to the first 10 Tax Units (known as UIT, and currently totalling around S/. 42,000).

### Vehicle Tax

Vehicle taxes apply to the ownership of automobiles, vans and wagons, manufactured in the country or imported, up to 3 years of age. A rate of 1% is applied to the value of the vehicle.



## Transfer Pricing

Under Peruvian law, if two parties agree to transactions that give rise to a payment of Income Tax that is lower than market value, the transfer pricing rules should apply.

The taxpayers subject to application of Transfer Pricing must annually submit an affidavit (Local Report) of the transactions made with related parties. In some cases, this may include any subjects residing in territories or countries with low or no taxation, and abiding by the terms and conditions established by SUNAT.

In this sense, the domiciled taxpayers obliged to present this affidavit are in the following cases:

1. Accrued income has exceeded two thousand three hundred (2,300) Tax Units (UIT)
2. The transaction was made within the scope of application of the transfer pricing rules, and the amount of operations is equal to or greater than one hundred (100) Tax Units (UIT) and less than four hundred (400) Tax Units (UIT)

**Legal Basis:** Numeral a) of Article 32 ° - A of the Income Tax Law (LIR, by its Spanish acronym).



## Double Taxation Agreements

As of 2022, there are double taxation agreements in place with, Brazil, Canada, Chile, Japan, Korea, Mexico, Portugal, and Switzerland, using the OECD model. There is also a double-taxation standard agreement in place with the Andean Community (Peru, Colombia, Bolivia, Ecuador), based on source income. An agreement signed with Spain in 2006 has not yet been ratified.

Taxpayers may claim credit for taxes paid overseas (with limitations), and domiciled individuals can use taxes withheld or paid overseas as credit for Peruvian taxes on foreign income (with limitations).

## Other Agreements

The promotion of certain sectors resulted in the Peruvian government exonerating some taxes and customs duties in certain zones, including the Amazon Rainforest and the Andean Highlands (Free zones established by law).

Peru also has Bilateral Investment Agreements with Australia, China, Korea, Malaysia, Singapore, Thailand, Japan, Canada, U.S.A., Cuba, El Salvador, Argentina, Bolivia, Chile, Colombia, Ecuador, Paraguay, Venezuela, Germany, Belgium, Luxembourg, Denmark, Spain, Finland, France, Holland, Italy, Norway, Portugal, United Kingdom, Czech Republic, Romania, Sweden, Switzerland.





# Accounting Aspects

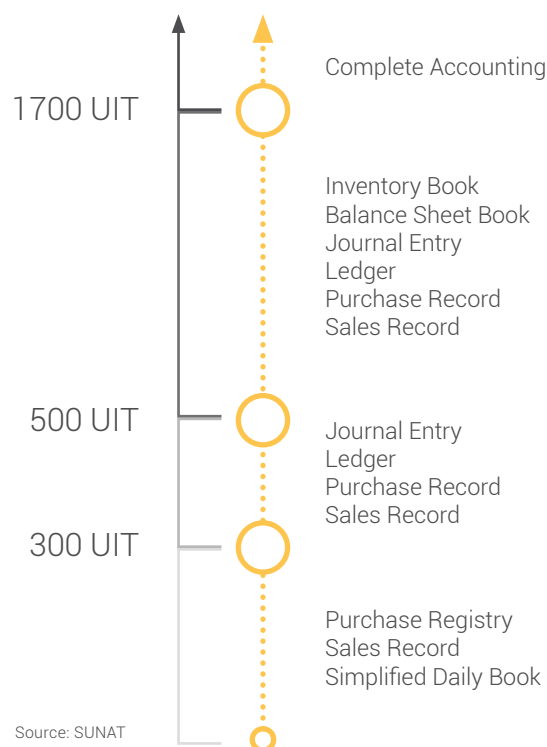


Peru's General Corporation Law establishes that financial statements of companies incorporated in Peru are governed by the accounting principles generally accepted in the country – International Financial Reporting Standards (IFRS, IFRIC, IFRS for SMEs and SIC). Specific provisions in place for certain institutions (like banks and insurance companies) are also recognised.

## Minimal obligations

### Books and accounting records

Volume of gross annual income:

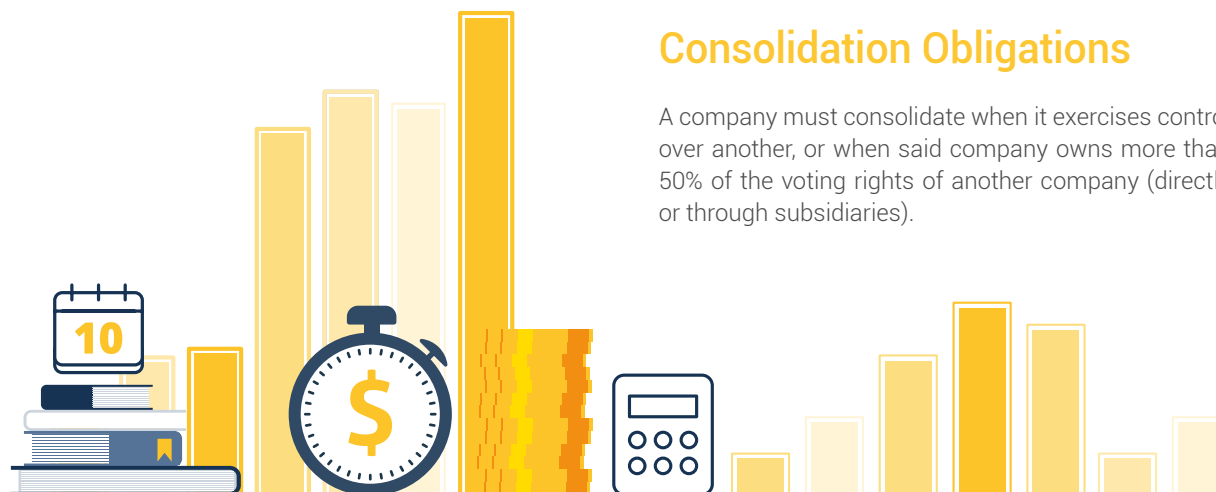


## Annual Report and Financial Statements:

- The annual report must include:
  - the board of directors' reports to the general meeting,
  - the progress and state of the business,
  - the projects developed,
  - main events that took place during the year,
  - the situation of the company, and the results obtained.

A Management Report is only mandatory for issuers with securities registered in the Public Registry of the Securities Market (RPMV, by its Spanish acronym).

- Financial Statements.
- Proposed application of gain sharing (if applicable).



## Audit Obligations

The companies obliged to present audited financial information are issuers with securities registered in the Public Registry of the Securities Market (RPMV), risk rating companies, and structuring entities. Branches of foreign companies are not subject to audit.

Audited financial information must include the previous year for comparative purposes. This audit must be carried out in accordance with the provisions of the International Standards on Auditing and Assurance issued by the International Federation of Accountants (IFAC).

Quarterly information is not required to be audited.

**Legal basis:** Rules on preparation and presentation of Financial Statements and Annual Report by entities supervised by the Superintendence of the Securities Market, approved by SMV Resolution No. 016-2015-SMV / 01. (Ministry of Economy and Finance)

## Consolidation Obligations

A company must consolidate when it exercises control over another, or when said company owns more than 50% of the voting rights of another company (directly or through subsidiaries).

# Why Auxadi?





# AUXADI

## International Accounting, Tax, Payroll and SPV set up and administration

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and real estate funds in 50 countries



### International Corporates

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international  
coverage



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(the avg. for financial  
services being 1.7/5)

**22** Fully operating  
subsidiaries

**+50** Countries  
currently served

**+1,700** Clients



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Directorships



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flexible and efficient solutions



We adopt a **single-point-of-  
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you at the heart** of our business



We're a leading provider of **accounting,  
tax, payroll and SPV set up and  
administration services** to some  
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Consistency of execution



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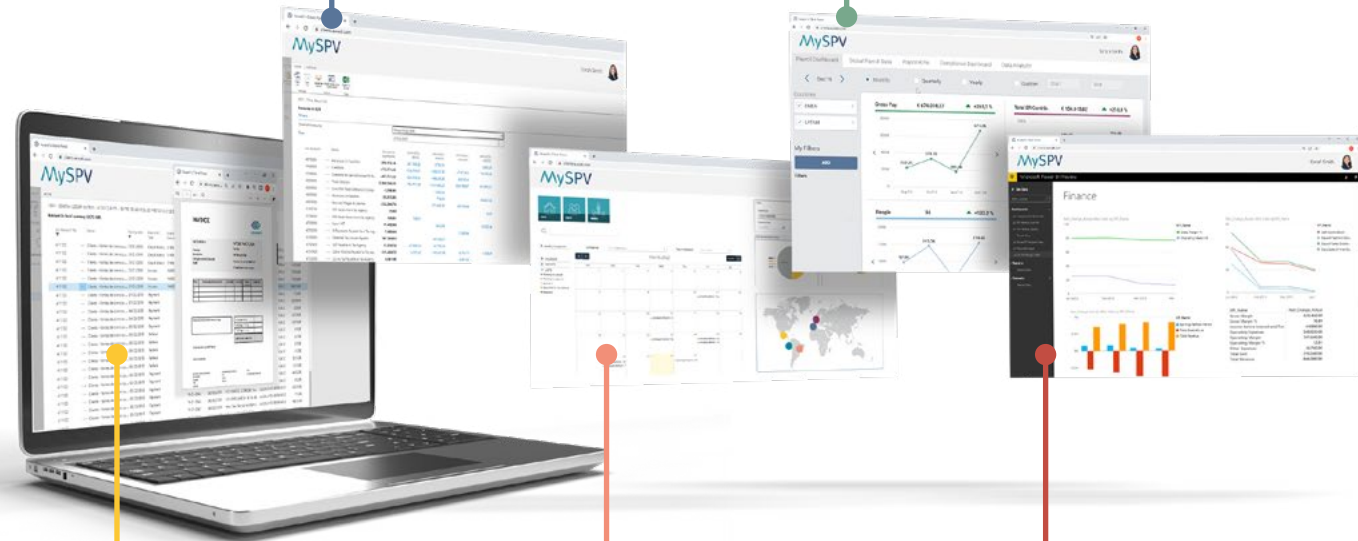


## ACCOUNTING

- Access to multicountry reports
- Drill down functionality
- Map to your local GAAP and chartered accounts
- Multicountry aggregated and cost centre reports

## PAYROLL

- Monitor and consolidate the payroll process
- GDPR compliant
- Approve payslips
- HeadCount & G2N reports



## ADMINISTRATION

- Approve payments
- Cash flow reports
- Electronic invoicing

## TAX

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- Access to tax forms
- Local tax connectors in many countries

## REPORTS AND DASHBOARDS

- Tailor-made dashboards

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Reports can be tailor-made



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