

AUXADI

WHITE PAPER

Latin America: at the gates of leadership in renewable energies





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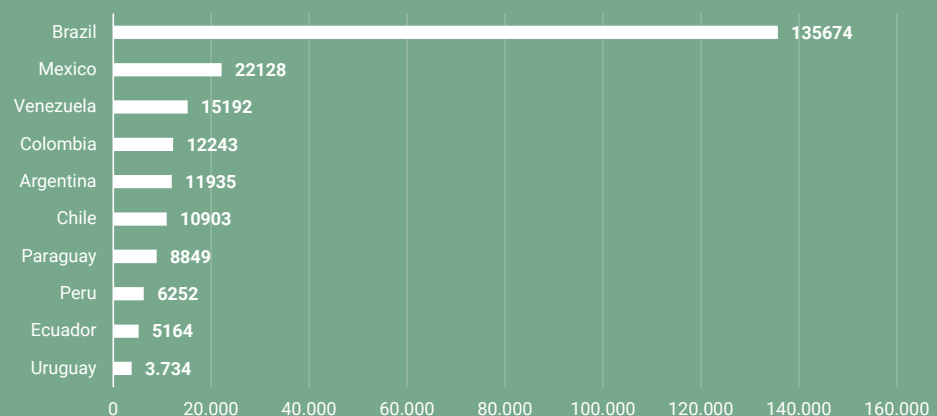
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The South American continent has some natural peculiarities that provide unique opportunities to become a leading player in the field of renewable energies. Its own geothermal characteristics and abundance of resources; an electricity market characterized by high prices and high demand—these are just some of the reasons renewable energies are seeing massive expansion in Latin America.

Countries with the largest renewable energy production capacity in Latin America and the Caribbean by 2018 (in megawatts)



Source: IRENA

Latin America: at the gates of leadership in renewable energies


From the Sustainable Development Objectives within the Agenda of 2030 (present explicitly through ODS 7, 11, 12 or 13, among others), to citizen activism (represented by figures like Greta Thunberg), the transition to sustainable energy generation models is a reality for Latin America.

Interestingly, the unexpected events that have taken place during 2020 have led to two completely contradictory developments. While 2019 ended as the year in which CO2 emissions grew in all G20 countries, 2020 will be the year in which the planet will record the largest annual drop in CO2 emissions in history¹.

The data, in addition to demonstrating the need to move towards new models, also makes clear the differences that still exist between regions, and further highlights specifics when we drill down into the detail of relevant data from each country. The percentage weight that economies such as China or the United States have with respect to total emissions, also highlights a significant milestone: no Latin American country in the top 10 of CO2 emissions producing nations.

This data is not arbitrary. The South American continent has some natural peculiarities that provide unique opportunities to become a leading player in the field of renewable energies. Its own geothermal characteristics and abundance of resources; an electricity market characterized by high prices and high demand—these are just some of the reasons renewable energies are seeing massive expansion in Latin America.

According to the study 'Powering Change: Energy In Transition', published by the law firm Ashurst³, 83% of Latin American executives interviewed for the publication said they had changed their investment strategy for energy transition in the last 12 months, and that they hope to continue doing so. In turn, 74% of the survey respondents in the region expect investment in energy transition to accelerate in the next 12 months.

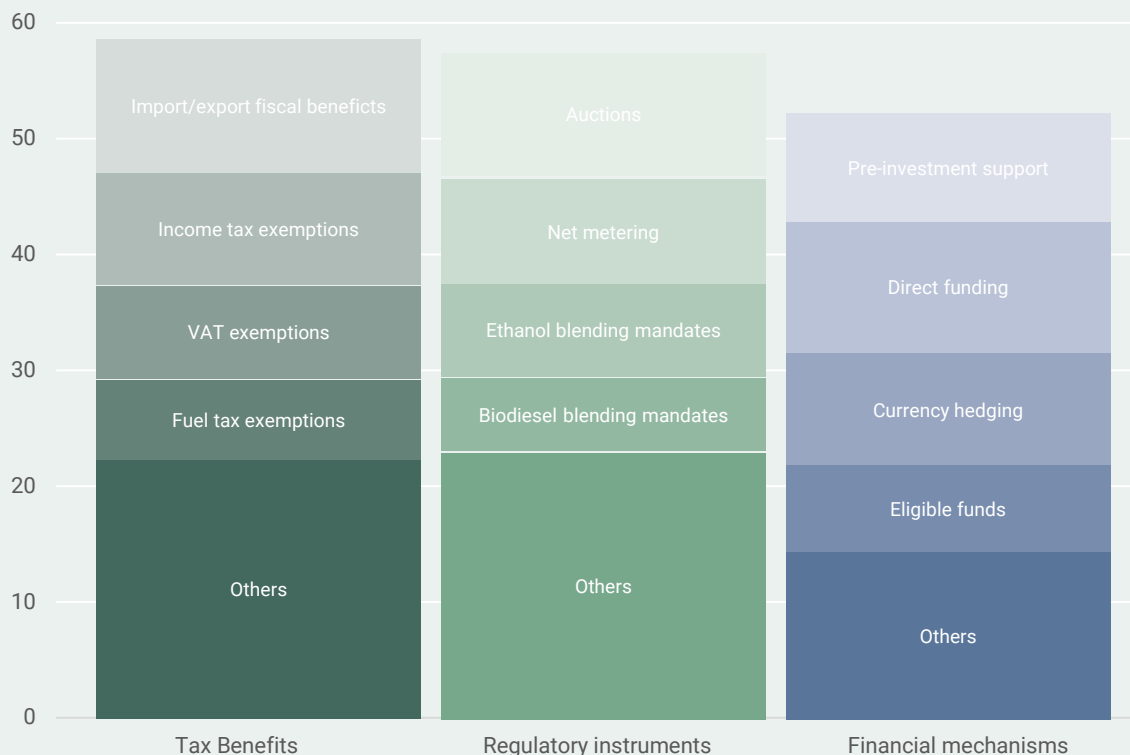
Rank	Country	Emissions in 2017 (MtCO ₂)	% of Global Emissions
1	 China	9,839	27.2%
2	 United States	5,269	14.6%
3	 India	2,467	6.8%
4	 Russia	1,693	4.7%
5	 Japan	1,205	3.3%
6	 Germany	799	2.2%
7	 Iran	672	1.9%
8	 Saudi Arabia	635	1.8%
9	 South Korea	616	1.7%
10	 Canada	573	1.6%
11	 Mexico	490	1.4%
12	 Indonesia	487	1.3%
13	 Brazil	476	1.3%
14	 South Africa	456	1.3%
15	 Turkey	448	1.2%
Top 15		26,125	72.2%
Rest of World		10,028	27.7%

¹ <https://www.lavanguardia.com/natural/20200418/48573984015/emisiones-caida-anual-co2-carbon-brief.html>

Source: VisualCapitalist



Selected renewable energy policies in Latin America (number of countries having adopted each policy)



Source: IRENA

We see great possibilities for future development in Latin America.

According to a report by Moody's, as electricity demand doubles in Latin America over the next two decades (the World Bank figures 80% growth in Latin America by 2030), wind and solar projects will account for an increasing share; with these renewable energy sources accounting for more than 70%².

These trends have also been accompanied by institutional movement in the same direction.

In 2019, within the framework of the COP 25, which took place in Madrid, 10 Latin American and Caribbean countries signed an agreement that set out to achieve an average of 70% of installed capacity in the renewable energy matrix by 2030, which is equivalent to 312 gigawatts (GW) of installed renewable energy capacity. This agreement is added to the one signed by 12 renewable energy associations from Argentina, Chile, Colombia,

Ecuador, Mexico, Peru, Uruguay, and Spain to promote investments in renewable energy in Latin America, and to encourage regulatory frameworks that are in line and consistent with the environmental and social policies of each of the countries.

Latin America, besides being a region full of geographical, cultural, historical and idiosyncratic contrasts, is also an eclectic region in terms of fiscal particularities when it comes to renewable energies. With the prospects for growth and scope for development in the sector, the tax regulations that each country applies to the renewables industry will also determine its future possibilities.

With the decade having just begun, and the challenges that Latin America has ahead of it, this White Paper drafted by our experts outlines the particulars of taxation that some of the main countries in the region have implemented, and the relevant impact on the companies that want to operate in those countries.

² https://www.moody's.com/research/Moodys-Growing-electricity-demand-in-most-countries-in-Latin-America--PR_411832



Summary of tax benefits for renewable energy production

	 BRAZIL	 CHILE	 COLOMBIA	 ECUADOR	 MEXICO	 PERU
Specific regulatory framework	Program to Support the Technological Development of the Semiconductor Industry (PADIS), created by Law No. 11,484 of 31 May 2007	<ul style="list-style-type: none">• Law 20.257 of 1 April 2008 on Renewable Energies.• Law 20.365 of August 19, 2009• Law 20.897 of February 5, 2016	Yes, Law 1715 of 2014	<ul style="list-style-type: none">• Organic Code of Production, Trade and Investment (COPCI), issued on December 29, 2010• Law for the Promotion of Production, Investment Attraction and Employment Generation, issued in August 2018• Regulations for the Application of the Law for the Promotion of Production, Investment Attraction and Employment Generation, issued in December 2018	Law of 28 November 2008 for the Use of Renewable Energies and the Financing of the Energy Transition	Yes, DL 1002 of May 02, 2008
Corporate Tax	100% reduction in income tax and additional rates applied to operating profit	27% general tax rate	General tax rate of 32% for 2020, 31% for 2021 and 30% for 2022	Total exemption for 12 years, projects in urban areas exemption for 8 years	General rate 30%.	29.5%
Accelerated Depreciation	Yes, available as a general rule	Yes	Yes, the investments made can be depreciated in up to 5 years	N/A	100% deduction on the purchase of machinery and equipment used in the generation of renewable sources or efficient cogeneration of electricity, provided the equipment is operating or functioning for a minimum period of 5 years immediately following the fiscal year in which the deduction is made	Yes, the investments made can be depreciated in up to 5 years
Investment Tax Deductions or Reductions	N/A	Regarding the PPM tax (advance to companies), the amount of the investments in fixed assets of the business can be reduced	Additional 50% deduction in investments made in research and technological development activities, preliminary formulation, financing, economic and environmental studies, acquisition of equipment, elements, machinery and parts	Additional income tax deduction of 100% in depreciation, amortization of equipment, machinery, technologies intended for the generation of renewable energy	N/A	Benefits available from the regime of suspension or modification of monthly rent payments, which allows for reducing the rate payable on monthly rent, subject to approval by SUNAT
Dispensation from VAT	Modules and photovoltaic cells are exempt from VAT, subject to certain conditions	They can apply for a CF-VAT refund for the construction or purchase of their independent renewable energy systems that are not yet operational.	Yes, for goods and services	Total dispensation for solar panels	N/A	A refund of the aforementioned tax is allowed for imports and/or local acquisitions of new capital goods, new intermediate goods and construction services and contracts, carried out in the pre-production stage
Reduction in Customs Fees	Import of photovoltaic cells and photovoltaic modules 0% in the rates of the Import Tax (II) and the Tax on Industrialized Products (IPI)	Treaties are applied	Yes, for goods not manufactured locally	Free Trade Agreements are applied	Free Trade Agreements are applied	Free Trade Agreements are applied
Other benefits	Suspension of the requirement of Contribution to the Social Integration and Training Program for the Property of PIS/PASEP Officials and the Contribution for the Financing of Social Security - COFINS	N/A	N/A	Tax on Foreign Currency Outflows, payments on the import of machinery and equipment related to renewable energy projects are exonerated	The Tax Code of Mexico City establishes that companies which prove they have started operations in high-tech sectors will be entitled to a reduction equivalent to 55% of Payroll Tax, 30% of the Property Tax and 80% of the Tax on the Acquisition of Real Estate	N/A





Brazil: a firm commitment to the renewable energy sector

Brazil is one of the countries in which the renewable energy sector holds the greatest importance and is the healthiest; not just in Latin America, but globally. It is no coincidence that total renewable energy capacity (excluding small hydro) in Brazil is expected to grow at an annual rate (CAGR) of 6% from 31 GW in 2018 to 60.8 GW in 2030, according to the analysis and data firm, GlobalData. 45% of Brazil's current total energy supply comes from renewable energies, a figure that rises to 80% for electricity only³.

These forecasts and substantial data are accompanied by a powerful and encouraging regulatory system for the taxation of renewable energies.

LEGAL FRAMEWORK

Brazil has a specific Program to Support the Technological Development of the Semiconductor Industry (PADIS), created by Law No. 11,484 of May 31, 2007, and regulated by Decree No. 6,233, of October 11, 2007. It can be applied to the solar chain photovoltaic cells (NCM 8541.40.16) and photovoltaic modules (NCM 8541.40.32), including silicon bars and their purification, subject to the conditions of the legislation.

TAX BENEFITS

The Special Incentive Plan for the Development of Infrastructure (REIDI) was instituted through Law No. 11,488 of June 15, 2007, and benefits from the suspension of the requirement of Contribution to the Social Integration and Training Program for the Property of Officials (PIS / PASEP), and the Contribution for the Financing of Social Security (COFINS). This applies to goods and services projects for the implementation of infrastructure in the sectors of transportation, ports, energy, basic sanitation and irrigation. Further, Agreement CONFAZ 101/97 gives ICMS incentives for photovoltaic modules and cells, provided always that there is a 0% IPI rate or exemption for these products, valid for national and imported products.

..... Brazil is one of the countries in which the renewable energy sector holds great importance and health, at a worldwide level



³ <https://www.expansion.com/blogs/economia-casaamerica/2020/02/04/brasil-como-sinonimo-de-inversion-en.html>



The income tax rate differentiates for projects classified under PADIS — there is a 100% reduction in income tax and additional rates applied to operating profit. The amount of tax not paid due to the reduction cannot be distributed to the partners and will constitute a capital reserve for the legal entity, which can only be used to absorb losses or increase capital.

The use of accelerated depreciation should only be for tax purposes, and therefore, adjusted in the tax books, as it differs from accounting depreciation which takes into account the expected useful life of the assets of the entity, ie, it is up to the company to analyze how long the asset will generate economic benefits, without the need for an expert report to define such rates. Companies can enjoy total depreciation in the month of acquisition. (Law No. 11,196 / 2005, Article 17, item III, and RIR / 2018, Article 326.)

The benefit consists of the exclusion of the net profit in the calculation of the actual profit, and the basis of calculation of the CSLL of the difference between the amount of the charge resulting from the annual depreciation rates (established by the Federal Revenue in Regulatory Instruction No. 162/98, with the inclusions determined according to Regulatory Instruction SRF 130/99), and the amount of the charge recorded due to the annual depreciation rates established by the specific legislation applicable to the sector.

The difference between the amount of the recorded charges and those allowed by the Federal Income Regulation Law will be controlled in the book for the calculation of the taxable income. Total accumulated depreciation, including accounting and tax depreciation, may not exceed the cost of the depreciated asset.

Regarding total exemption or reduction of VAT paid, we refer to the CONFAZ 101/97 agreement—stating ICMS incentives for photovoltaic modules and cells, and valid for domestic and imported products. provided always that there is a 0% IPI rate or exemption for these products.

If the company is part of PADIS and imports photovoltaic cells (NCM 8541.40.16) and photovoltaic modules (NCM 8541.40.32) reductions of 0% are granted in the rates of Import Tax (II), Tax on Industrialized Products (IPI), however it is necessary to verify the legislation for other NCM.

These laws and plans clearly offer great incentives to companies looking to invest in Brazil's renewable energies sector, and will surely lead to Brazil being confirmed as industry leader in LATAM.





Chile: looking ahead with optimism

As the title above states, Chile is optimistic when it comes to the development of renewable energies. According to a report published by the Chilean Association of Renewable Energy and Supply, in October 2019 NCRE reached 5,828 megawatts (MW) of installed capacity, constituting 23% of all the electricity generated in the country⁴.



LEGAL FRAMEWORK

The general legal framework for Chile's energy sector is defined by the Non-Conventional Renewable Energy Law, approved in 2008; an important time in the history of renewable energies in Chile. The main function of the law was designed as Chile's main mechanism in order to encourage the development of renewable energy investments, and provide a standard to achieve.

The Chilean government has published a series of national policy documents describing its vision for energy, which started in 2012. The National Energy Strategy 2012-2030 was followed by the Energy Agenda 2014-18 (published in May 2014), a document entitled "Energy 2050" (published in December 2015) and Energy Roadmap 2018-22 (published in May 2018).

TAX BENEFITS

In Chile, Laws 20.365 and 20.897 are currently in force, which provide special tax exemptions for solar thermal systems. These are just some of the remaining operational tax advantages:

- The income tax rate is 27% of the taxable base.

- There is a benefit of accelerated depreciation until 2025.
- With regard to the PPM tax (advance to companies), the amount of the investment in the fixed assets of the business can be reduced.
- Companies can ask for the return of CF-VAT for the construction or purchase of their independent renewable energy systems which are not yet in operation.

Regarding customs taxes, at the moment there is nothing specific for the sector, so the general rules apply; that is, Ad valorem tax (which does not apply if Chile has a free trade agreement with the country that imports its goods).

It is important to point out additional benefits not directly addressed to the sector, but which could be considered applicable, due to the type of investment required; such as The Tax Incentive Law for Research and Development, which allows companies a first class tax reduction, equivalent to 35% of the accepted and certified expenditure for this concept. (The rest of the amount invested in Research and Development activities are accepted as a necessary expense for the generation of income.)

⁴ <https://www.revistaei.cl/2019/11/29/el-salto-de-las-energias-renovables-en-chile-bate-todos-los-records-proyectados/>





Colombia: towards leadership in the renewable energies field

Colombia is ranked 25th in the World Economic Forum's Energy Transition Index, occupying the second position in Latin America. The country is currently immersed in the National Development Plan 2018-2022, which includes measures to reduce the dependence on traditional forms of energy. This plan also includes an objective for instituting a competitive tax environment, although the work in this field began some time ago.

LEGAL FRAMEWORK

On May 13, 2014, Law 1715 established the general framework in Colombia to achieve the development and greater use of non-conventional energy sources, mainly those of a renewable nature. Similarly, efforts were made to integrate renewables into the Colombian energy system through the electricity market, participation in non-interconnected areas, and other energy uses as a necessary mean for sustainable economic development, reduction of greenhouse gas emissions and security of energy supply.

TAX BENEFITS

Law 1715 of 2014 established tax incentives for taxpayers who generate renewable energy for sale or self-consumption, including:

- A special deduction, equal to 50% of the amount of investments in renewable or efficient energy (even for investments made through financial leases with non-revocable purchase options). These investments can include, for example, research and technological development activities, preliminary formulation,





financing, economic and environmental studies, acquisition of equipment, elements, machinery and assemblage. The value to be deducted for this may not exceed 50% of the taxpayer's liquid income, determined before subtracting the value of the investment.

- Accelerated depreciation of assets (limited to an annual rate of 20%).
- An exclusion of VAT on certain goods and services.
- An exemption from customs duties for goods not manufactured locally.

Subsequently, Law 1955 of 2019 established that taxpayers may claim the special deduction over a period of 15 years, starting in the tax year after the project begins to operate. This increased the benefit initially granted, since, the deduction previously could be claimed for just five years.

In addition, Law 1955 and Legislative Decree 2106 of 2019 authorized the Colombian National Energy Authority (UPME) to certify that investments are eligible for the incentives. Previously, environmental authorities also had to certify investments in renewable or efficient energy projects.

However, on June 10 , 2020, Decree 829 was issued, which gives a greater scope to the benefits, and establishing the requirements and approvals by the regulatory bodies in the same way.

The scope of the incentives is as follows:

- Investments that qualify as renewable energy investments have been expanded to include plant expansion activities and process improvements.
- The required legal studies have been added to the list of activities that are valid investments.
- Included within the concept of efficient energies, and subject to the benefit of the special deduction, are project examples such as the change from fossil fuels to renewable energies in the transport sector, or the substitution of traditional fuels with biofuels in the industrial sector.

- With respect to VAT once the taxpayer receives certification from the UPME, the exclusion of VAT will apply at the time the goods are imported, as well as when local purchases are made. When the certification is issued after the importation of goods or the acquisition of local goods and services, the updated regulations allow the investor to request a refund of the VAT paid.

It is worth noting that, before granting these tax benefits, the tax administration and the environmental regulatory bodies must establish:

- Payment of a fee to the UPME in order to assess that the investments are eligible for the incentives, at the time they are submitted for certification.
- If the project has the potential to produce energy of more than 1 MW, the taxpayer must register the project with the UPME in the energy project registry before the taxpayer submits the application for the tax incentives.
- The UPME will issue a resolution that establishes the procedure for claiming the incentives within three months from the date the decree becomes effective (June 10, 2020).
- Verification by the tax authorities that the holders of financial leasing contracts exercise the purchase option at the end of the contract.
- Project assets are not sold before their useful life is completed.
- In case the taxpayer does not meet all the legal requirements for the deduction incentive, a recapture of the incentive is recognized in the tax return.

On May 13, 2014, Law 1715 established the general framework in Colombia to achieve the development and greater use of non-conventional energy sources, mainly those of a renewable nature



Ecuador: an essential sector for development

Renewable energies are a priority for the Ecuadorian state. Since the establishment of the Organic Production Code in 2010, some tax benefits have been enabled for new investments made in the renewable energy sector, as well as in some others considered a priority. These benefits were consolidated in some normative instruments, of which the most important is the Law for the Promotion of Production and its Regulations. The use of renewable energies has been consolidated in Ecuador over time, due to the tangible environmental and economic benefits they offer to society, and to those who have invested technological infrastructure for its development.

LEGAL FRAMEWORK

International agreements, ODS and other international mechanisms demand a greater responsibility with the environment and the planet, and therefore the use of technologies for the generation of clean energies is being promoted, so that each nation of the planet generates economic and tax incentives to motivate their use.

The Ecuadorian government has issued several legal instruments through reforms and new articles which incorporate important legislation related to renewable energy. These include the Organic Code of Production or the Law of Production Promotion and its Regulations, enabling economic and tax benefits for investments in renewable energy projects.

TAX BENEFITS

The tax regulations have established an exemption in the payment of income tax and its advance for 12 years, counting from the first year in which income is generated directly, and only to new productive investment in renewable energy projects located outside the urban areas of Quito and Guayaquil.

• The Ecuadorian government has issued several legal instruments that include economic and tax benefits for investments in renewable energy projects

Investments in renewable energy projects made in the urban areas of Quito and Guayaquil are eligible for the same exemption for a period of 8 years.

Furthermore, an additional 100% deduction has been defined for the depreciation and amortization of equipment, machinery, technologies, intended to or for:

- Implementation of cleaner production mechanisms.
- Mechanisms to generate energy from renewable sources (solar, wind or similar) or to reduce the environmental impact of the productive activity.
- Reduction of greenhouse gas emissions.

To have access to these exemptions, the investments, must not be necessary to comply with the provisions of the competent environmental authority to reduce the impact of a work or as a requirement or condition for the issuance of the corresponding environmental license, file or permit. In any case, there must be an explicit authorization by the competent authority.

This additional expense which is foreseen via tax reconciliation of income tax may not exceed a value equivalent to 5% of total income. This additional deduction incentive will not constitute accelerated depreciation.

"Clean production" would be understood as the production and use of goods and services that respond to basic needs and lead to a better



quality of life, while minimizing the use of natural resources, toxic materials, emissions and waste pollutants without compromising the needs of future generations.

It should also be noted that solar panels currently charge 0% VAT. Ecuador also has legislation on the release of customs duties when importing equipment related to photovoltaic power generation, in order to lower costs, which

generates much interest as the benefit of using this type of energy becomes further understood.

Regarding the ISD (Tax on the Exit of Foreign Currency), payments on the import of machinery and equipment related to renewable energy projects are exonerated. It must be analyzed on a case-by-case basis and it is mandatory to have the authorization of the competent authority to benefit from the exoneration.





Mexico: the country's moment of transition

Mexico is currently in a moment of transition in terms of renewable energies and future development. The country, which was once called the “champion of renewable energies”, is now betting more on other types of sources. This, however, does not prevent Mexico from having specific fiscal regulations.

LEGAL FRAMEWORK

Due to the importance of renewable energies and their development in the future, Mexico has a law for the use of renewable energies and financing of the energy transition. This law aims to regulate the use of renewable energy sources and clean technologies to generate electricity for purposes other than the provision of public electricity services, as well as to establish the national strategy and instruments for financing the energy transition.

TAX BENEFITS

A 100% tax deduction on the purchase of machinery and equipment used in the generation of renewable sources or efficient cogeneration of electricity.

Article 34 fraction XIII of the Income Tax Law (LISR) states that 100% may be deducted in the purchase of machinery and equipment used in the generation of renewable sources or efficient electricity cogeneration, provided that the equipment is in use or functioning for a minimum period of 5 years immediately following the fiscal year in which the deduction is made.

For the purposes of this article, SRPL establishes that renewable sources are those that, by their nature or through appropriate use, are considered inexhaustible, such as; solar energy in all its forms; wind energy; hydraulic energy, both kinetic and potential, of any natural or artificial body of water; ocean energy in its various forms; geothermal energy, and energy from biomass or waste. Likewise, generation is

considered to be the successive conversion of energy from renewable sources into other forms of energy.

Article 77-A fraction XIII of the Income Tax Law (LISR) establishes that companies dedicated exclusively to the generation of energy from renewable sources or efficient electricity cogeneration systems, in the year in which they apply the deduction provided for in Article 34, fraction XIII of the LISR, which will be calculated under the same terms as the net tax profit account provided for in Article 77 of said Law.

For purposes of calculating the profit account for investment in renewable energies, instead of the net tax profit for the year referred to in Article 77, the profit for investment in renewable energies for the year should be added. The distribution of dividends will be applied during the useful life of the asset and until the fiscal year in which the tax profit is determined. In addition, an accumulated record of dividends is kept and will be deducted from the UFIN balance until it is over.

The Tax Code of Mexico City establishes that companies that prove they have started operations in high technology sectors will be entitled to a reduction equivalent to 55% of the Payroll Tax, 30% of the Property Tax and 80% of the Tax on the Acquisition of Real Estate.

In order to obtain the reduction, companies must present a certificate from the Ministry of Economic Development, stating that the company has the innovation and development of high technology goods and services in areas such as new energy technologies and renewable energies as its corporate purpose.





Peru: with an eye on the future

According to ICEX data , in 2017 non-conventional renewable energies constituted 2.7% of Peru's energy matrix. Although there is still a long way to go and many possibilities for the future, the Andean country's efforts in this field are long-standing. In order to diversify the country's energy matrix, the government stated in 2008 that NCRE generation for the National Interconnected Electric System (SEIN) should represent a target percentage of 5% of total electricity generated annually.

Peru as a country encourages private investment and is very open to foreign capital. There is no discriminatory treatment towards non-nationals and the nation's legal system guarantees privacy of property, free competition and free repatriation of profits. Likewise, Peru has adhered to the OECD Declaration on International Investment and Multinational Enterprises and also has a close bilateral relationship with the US, having adopted a Trade Promotion Agreement in 2006.

LEGAL FRAMEWORK

Renewable energy is explicitly supported by the Peruvian government under DL 1002. The national renewable energy objective is to reach 5% of energy provided by non- conventional

renewable sources. In addition, fiscal stability agreements are available to companies that invest at least \$5 million over two years, (except in mining and hydrocarbons, where the required amount is at least \$10 million).

TAX BENEFITS

The tax benefits to which NCRE investment companies are entitled include:

Accelerated depreciation: Investments may be depreciated up to 5 years (renewable energy resources) Legislative Decree No. 1002 and No. 1058. The activity of electricity generation based on water resources or other renewable resources, such as wind, solar, geothermal, biomass or tidal energy, will enjoy the regime of accelerated depreciation for income tax purposes.





This regime shall be applicable to the plants that enter into commercial operation as of the effective date of this Legislative Decree. The accelerated depreciation shall be applicable to the machinery, equipment and civil works necessary for the installation and operation of the plant, which are acquired and/or built as of the effective date of this Legislative Decree.

For such purposes, the annual depreciation rate shall not exceed 20% as a global annual rate. The rate may be varied annually by the holder of the generation, prior notice to the National Superintendence of Tax Administration (SUNAT) without exceeding the limit indicated above, except in cases where the Income Tax Law itself authorizes higher global percentages.

VAT recovery: The recovery of the IGV which allows the refund of the tax imposed on imports and/or local acquisitions of new capital goods, new intermediate goods and services and construction contracts, carried out in the pre-production stage. However, this regime presupposes the existence and execution of an investment project whose object will consist of carrying out operations taxed with the IGV. "Previous analysis of the operation and fulfilling the requirements of the standard". Additionally, Law No. 30296 "Special Regime for Early Recovery of the IGV" consists on the

refund of the tax credit generated in imports and/or local acquisitions of new capital goods, made by taxpayers whose annual sales levels are up to 300 UIT and who carry out productive activities of goods and services taxed with the General Sales Tax or exports. These also must be registered as a micro or small business in the REMYPE, referred to in the Single Ordered Text of the Law for the Promotion of Productive Development and Business Growth, approved by Supreme Decree No. 013-2013-PRODUCE and Supreme Decree No. 276-2018-EF.

The tax credit subject to the law referred to in the preceding paragraph shall be that which has not been exhausted in a period of at least three (3) consecutive months following the date of entry in the purchase register.

To take full advantage of this regime, taxpayers must fulfill the requirements established by the regulations, including a minimum period of permanence in the Single Taxpayers' Registry, as well as compliance with tax obligations.

Provisions for tax reduction: Companies can take advantage of the regime of suspension or modification of monthly rent payments, which will allow them to reduce the rate payable for monthly rent payments, subject to approval by SUNAT.





Acronym Index:

· COP 25	United Nations Climate Change Conference in 2019.
· CONFAZ	Brazil. National Finance Planning Council.
· COFINS	Brazil. Contribution for the financing of social security.
· CSLL	Brazil. Social contribution on profits (Contribuição Social sobre o Lucro Líquido).
· CUFIN	Mexico. Net Income Tax Account.
· ICMS	Brazil. Tax on operations related to the circulation of goods and services of interstate and intermunicipal transport and communications (Imposto sobre Operações Relativas à Circulação de Mercadorias e Serviços de Transporte Interestadual e Intermunicipal e de Comunicações).
· IPI	Brazil. Tax on industrialized products.
· ISD	Ecuador. Tax on Foreign Currency Outflows.
· ISR	Mexico. Income Tax.
· LISR	Mexico. Income Tax Law.
· NCM	MERCOSUR Common Nomenclature.
· NCRE	Non-conventional renewable energies.
· ODS	Sustainable Development Goals issued by the United Nations Organization - UN in September 2015, as part of the 2030 agenda.
· PADIS	Brazil. Technological Development Support Program (Programa de Apoio ao Desenvolvimento Tecnológico).
· PIS/PASEP	Brazil. Social Integration Program and training for 'employee ownership.
· REIDI	Brazil. Special incentive plan for infrastructure development (RRegime Especial de Incentivos para o Desenvolvimento da Infraestrutura).
· REMYPE	Peru. Registration of medium and small companies.
· REPES	Brazil. Special tax regime for the IT services export platform (Regime Especial de Tributação para a Plataforma de Exportação de Serviços de Tecnologia da Informação).
· RIR	Brazil. Income Tax Regulations.
· SRF	Brazil. Federal Tax Service (Secretaria da Receita Federal).
· UPME	Colombia. Planning Unit for Mining and Energy.
· UIT	Peru. Taxation Unit.
· VAT	Value Added Tax.



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