

# Peru

## 1. Government requirements

### Registration requirements

#### T-Registro report (new hires and leave details)

The company must register new hires and leave details in T-Registro. This system contains information related to employers, employees, pensioners, service providers, interns, third-party staff and beneficiaries. T-Registro is administered by the tax authority Superintendencia Nacional de Aduanas y de Administración Tributaria (SUNAT).

For new hires, the employee must provide his or her ID, address and proof of studies, etc. In addition, the company needs to declare information including the commencement date of the new employee, position held, type of contract and workdays.

For details on leave, the company must register the date and the reason for absence (such as vacations, maternity leave, sickness, etc.).

#### AFPnet (pension)

AFPnet is a free service that the Pension Fund Administrators' Association offers to all employers so they can prepare, declare and pay their contributions to Pension Fund Administrators (AFPs or PPS) in a very simple way.

Companies setting up in Peru must join AFPnet. The legal representative should sign a form which must be submitted to any local Pension Fund Administrator or AFP – these are currently Prima, Profuturo, Habitat, and Integra.

### Ongoing compliance requirements

#### Individual income tax for residents

A progressive tax rate, with an initial deduction of seven tax units (for 2021, a tax unit (UIT) is equivalent to PEN4,400), is applicable to the salary received by dependent employees (for services rendered in Peru) and is withheld by the employer through the payroll system. The progressive tax rate is as follows:

- Up to 5 UIT: 8%
- 5 UIT–20 UIT: 14%
- 20 UIT–35 UIT: 17%
- 35 UIT–45 UIT: 20%
- More than 45 UIT: 30%

In December, a year-end adjustment is made to adjust for any excess or deficit in payment.

Note that as of 2017, employees can deduct three additional tax units (related to personal expenses) if they submit an annual tax return. The tax authority will refund the amount overpaid.

#### Individual income tax for nonresidents

Foreign employees are only taxed on their Peruvian source income (i.e., income earned for work in Peru, whether paid in the country or abroad). A tax rate of 30% is applied to this income, without any deductions.

## **Social security contribution — ESSALUD**

The Social Health System or ESSALUD is the entity of the Government in charge of providing health care coverage to insured employees and their dependents through a range of benefits covered by health care contributions, as well as through other personal risk insurance. Given that employers must cover their employees' health care, companies must pay a contribution equivalent to 9% of employees' salaries. The contribution is declared and paid through an electronic declaration program Telematic declaration program (PLAME).

If the employer provides health care coverage through private health care provider (called EPS), they can request a credit of up to 25% of the 9% contribution.

## **Government Pension System (GPS)**

The GPS provides benefits in case of retirement, death or disability for employees who have joined this plan. Enrollment is mandatory for all company employees irrespective of the term of their employment agreement or the number of hours worked per day, week or month, provided and they are not enrolled in a private pension system (PPS).

The employer is responsible for deducting each employee's contribution – an amount equivalent to 13% of their salary – from the payroll and paying this to the GPS, through PLAME.

# **2. Pension requirements**

## **Registration requirements**

### **GPS**

Registration is not required.

### **PPS**

The company must register a new employee with the Pension Fund Administrator or their chosen AFP. This should be done within the first few days of the employee starting work.

Ongoing compliance requirements

### **GPS**

GPS contributions must be paid to the tax authority through PLAME. Payments are made on a monthly basis, and the date depends on the last number of the company's tax ID, according to the schedule established by the tax authority.

### **PPS**

This is an alternative to the GPS. Under the PPS, Pension Fund Administrators (AFPs), manage the contributions of employees who have enrolled in this plan through individual capitalization accounts, granting benefits for retirement, disability and survival.

Contributions to the PPS comprise:

- Ten percent of the employee's insurable remuneration
- A percentage of the insurable remuneration used to finance the benefits granted for disability, survival and burial expenses
- Amounts and percentages charged by the AFP in respect of the services they provide

The employer withholds a percentage of the employee's monthly salary and pays it within the first five working days of the following month. The declaration should be made via the AFPnet system.

### **3. Employment obligations**

#### **Workdays and rest time**

Working hours shall not exceed 8 hours per day or 48 hours per week, excluding the day off (rest time). Atypical working hours are allowed, for example, 14 days of work per one week of rest.

#### **Overtime**

Employees who work overtime receive an additional rate. In accordance with the law, for the first two hours, the rate is equivalent to 25% of the hourly salary and for the following hours, it is 35%. If the employee works on holidays or on his or her days off, the rate is 100%.

#### **Vacation leave**

Employees are entitled to take vacation after each year of service.

The vacation leave is equivalent to 30 days, and the employee must use this within the year following the year in which he or she acquired the right, otherwise, the employer will pay a penalty equivalent to one month's salary. Certain personnel, who have decision-making power, (e.g., management personnel) are not subject to the severance payment.

#### **Bonuses**

Employees are entitled to two bonuses per year. The first is paid in July and the second in December, each bonus is equivalent to one month's regular salary.

Employees are also entitled to an additional extraordinary bonus equal to 9% or 6.75% (if they are affiliated with a private health entity) of the bonuses paid in July and December.

#### **Compensation for Time of Services (CTS)**

This compensation is equivalent to approximately 1.16 of a month's salary per year. It must be deposited, 50% in May and 50% in November, into the financial entity chosen by the employee.

The employee can withdraw up to 100% of the excess of four monthly gross salaries from his or her Compensation for Time of Services (CTS) account. The remaining amount will be available to the employee once the labor relationship has been terminated.

#### **Profit sharing**

This benefit is calculated on the employer's taxable income. The amount to be distributed annually is between 5% and 10% of taxable income, depending on the activity of the employer.

Employees can only receive a maximum of 18 monthly salaries as profit shares. If there is an excess, it must be paid to a special fund managed by the Government called the National Fund for Labor Training and Employment Promotion (known as "FONDOEMPLERO" in Spanish).

Profit sharing is paid only in companies that have more than 20 employees.

#### **Family allowance**

This benefit is equivalent to 10% of the minimum salary (RMV).

The allowance is paid on a monthly basis and is applicable only to employees with one or more children under 18 years. In the event that the child reaches the age of majority and is undertaking higher or university studies, this will be extended until the end of said studies, up to a maximum of six years after reaching said age of majority

### **Basic salary (RMV)**

According to the political constitution of Peru, the Government establishes the minimum basic salary (known as RMV) that employees must receive. Monthly salaries cannot be lower than this.

## **4. Payroll requirements**

### **Payslips**

The employer must issue and give a payslip containing payment information to employees. Employers can use electronic signatures in payslips and other labor documents. Payslips must be given to employees on the third working day after payment.

### **Telematic declaration program (PLAME)**

PLAME is a system used to declared payroll taxes (individual income tax, social security contributions, national pension contributions, etc.) to the tax authority (SUNAT). The system contains information related to employers, employees, pensioners, service providers, interns, third-party staff, and beneficiaries.

### **Certificate of individual income tax**

The employer is also required to issue a certificate of income tax withheld to employees before 31 January of the next calendar year. The certificate must include all the income received by the employee and the total amount of tax withheld from this compensation during the calendar year.

### **Annual certificate of pension fund**

The employer is also required to issue a certificate of pension contributions withheld to employees before 31 January of the next calendar year. The certificate must include all the income received by the employee and the total amount of pension contributions withheld from this compensation during the calendar year.

### **Payment**

Payment can be made in cash or in kind. Payments must be made directly to the employee and must be registered in PLAME

### **Payment frequency**

Payment can be made weekly, fortnightly or monthly.

## **5. Banking requirements related to payroll**

Payment of taxes must be made in the local currency, called "Sol".

Payroll payment must be made through a local bank account and payments can be made via:

- Check or cash
- Electronic funds transfer (EFT) or bank transfer

Inter-bank transfers can be made through the platform of the financial institution.

During a labor inspection, the employer must prove that payments have been made to the employee, so it is recommended to use banking methods that record the deposits.



