



Main taxes applicable to business activities

TAX		APPLICABLE RATE
1. Income Tax	A. Corporate Income Tax	28.0% (2015-2016) 27.0% (2017-2018) 26.0% (from 2019 onwards)
		Agriculture and agribusiness 15%
	B. Dividends	6.8% (2015-2016) 8.0% (2017-2018) 9.3% (from 2019 onwards)
	C. Royalties	30.0%
	D. Interest rate on loans from abroad	4.9%
2. Value Added Tax (VAT)		18.0%
3. Financial Transactions Tax		0.005%
4. Temporary Tax on Net Assets (in excess of S/. 1,000,000.00)		0.4%

1. Income tax

It is determined annually taking into account incomes obtained during the course of a taxable year (January 1st through December 31st).

Even though Income Tax is paid annually, depending on the category, a monthly payment on account or tax withholding may apply. These payments are considered as advance payments of the Annual Income Tax to be used as a credit against the Income Tax determined in the Annual Affidavit.



A. Corporate income tax

Known as third category income, it taxes income earned by individuals or legal entities while carrying out corporate or business activities. It mainly taxes income derived from regular business activities. In the case of legal entities, all income or gains are levied with this tax. For years 2015-2016, the rate is 28%, for years 2017-2018 the applicable tax rate will be 27% and from 2019 onwards the rate will be 26%.



B. Income tax on dividends

Dividends and other profit distributions, as well as Peruvian branches remittances of net profits are subject to a withholding tax when paid to domiciled and non-domiciled individual, as well to non-domiciled legal entities. For years 2015-2016, the rate is 6.8%, for years 2017-2018 the applicable tax rate will be 8% and from 2019 onwards the rate will be 9.3%.

Dividends distribution between domiciled companies is not taxed. However, foreign dividends from abroad received by a Peruvian legal entity are included in their taxable income and are subject to the corporate tax rates mentioned in paragraph A. In the case of taxpayers falling within promotional laws (Investment in the Amazon, Agricultural Sector, Highland zones and Law and Special Development Zones (ZED) laws), the rate will be 4.1% if they keep in effect the tax regimes provided for in that legislation.

C. Income tax on royalties

A royalty is considered as a Peruvian source income when the goods or rights which granted this payment are economically used in the country or when royalties are paid by a domiciled individual or entity.



- If the royalty is received by an individual: It is considered a second category income with a rate of 6.25% on the net income (domiciled individual) or with a rate of 30% on the amount of the royalty (non-domiciled individual).

- If the royalty is received by legal entities (domiciled and non-domiciled): It is considered a third category income. See paragraph A.



D. Corporate income tax

In the case of interest paid to non-domiciled legal entities for the use of external credits, the tax rate is 4.99%, subject to the following conditions:

- The proceeds of the loan are brought into Peru as foreign currency through the local financial system.
- The credit does not generate an annual interest calculated on the outstanding amount, which exceeds the prevailing prime rate of the place of origin, plus three percentage points. Those points cover expenses, commissions and any


2. Value Added Tax - VAT

In Peru the Value-Added Tax is called Impuesto General a las Ventas – IGV (General Sales Tax). Its overall applicable rate is 18% which comprises a 16% of Value-Added Tax plus 2% of Municipal Promotion Tax. This tax is applied on:

- The sale of movable goods within Peru
- The supply of services within Peru
- Construction contracts
- The first sale of real estate performed by its constructors
- Import of goods

Exemptions:

Supreme Decree N° 055-99-EF has exempted certain goods and services from the VAT. These exemptions are in force until December 31st, 2018 (See Law N° 30404) and are listed on Appendix I (Sales and Import Operations) and Appendix II (Services) of the aforementioned law visit www.sunat.gob.pe/legislacion/igu/ley/apendice.htm



Main non-taxable goods and services:

- Leasing of movable goods and real estate property (only for individuals with first and second category incomes)
- Transference of goods with respect to companies' reorganization
- Transference of goods to educative institutions
- Games of chance¹
- Import of goods donated to religious institutions

3. Tax on Financial Transactions

This tax levies transactions (deposits and withdrawals) -made through the Peruvian Financial System²- is deductible as an expense for Income Tax purposes. Its rate is 0.005%.

4. Temporary tax on Net Assets

This tax on equity levies net assets as a manifestation of taxable capacity. It can be used as a credit against payments and regularization of Income Tax. It is paid by all taxpayers who generate third category Income Tax, who have begun operations prior to January 1st of the current fiscal year, and whose a value of net assets December 31st (of the previous year) exceeds S/. 1 000 000. The rate is 0.4% of the net value of assets in excess of S/. 1 000 000.

¹ Games of chance, such as lotteries, bingos, raffles, equestrian events are taxed with an Excise Tax. In the case of lotteries, bingos, raffles the rate is 10% and in the case of equestrian events there is a rate of 2%. On the other hand, regarding casinos and slot machines a special tax applies to the organizers, importers and related companies of those selling goods for this activity. This tax is regulated by Law N° 27153, with a rate of 12% on the tax base.

² In order to be recognized for tax purposes, any payment exceeding US\$ 1,000 or S/. 3,500 has to be done through bank means of payment (account deposits, money orders, money transfers, payment orders, debit cards or credit cards issued in the country and "not negotiable" checks). Please refer to Law N° 28194.

Double Taxation Treaties



■ Countries which Peru has signed agreements to avoid international double taxation

All these treaties are based on the principle of worldwide income, except for the treaty with the Andean Community.

By applying the worldwide income principle, the signatory countries agree that when the taxpayer has incomes from two or more countries, only one of them is in charge of collecting the tax; or both make a shared taxation and collect each, a percentage of said tax.

In order to use this mechanism, the individual or legal entity has to accredit its residency through a certificate issued by the competent Tax Administration (Residency Certificate).

On the other hand, in the case of the agreement signed by the Andean Community is not relevant the taxpayer's residence, but the location of the income's productive source.

Peruvian Tax System considers tax incentives by economic activity, by geographic location and custom related. To learn more about these incentives, visit ProInversión's web page:
www.investinperu.pe/taxregime

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