Recent developments:
For the latest tax developments relating to Peru, see Deloitte tax@hand.

Investment basics:
Currency – Sol (PEN). Peru uses the "tax unit" (UIT), a figure set annually by the tax authorities, to determine applicable rates and deductions, among other uses. The UIT for 2019 is PEN 4,200).

Foreign exchange control – No restrictions are imposed on the import or export of capital. Funds may be repatriated in any currency, and both residents and nonresidents can hold bank accounts in any currency.

Accounting principles/financial statements – IAS/IFRS applies. Financial statements must be prepared annually.

Principal business entities – These are the corporation (SA); closed corporation (SAC); public corporation (SAA); limited liability company (SRL); and branch, agency or other permanent establishment (PE) of a sole proprietorship, corporation or entity of any nature incorporated abroad. New regulations broadening the concept of a PE entered into force on 1 January 2019.

Corporate taxation:
Residence – An entity is considered resident for tax purposes if it is incorporated in Peru.

Basis – Resident corporations are taxed on worldwide income. Nonresident corporations and branches of foreign entities are taxed only on Peruvian-source income. Foreign-source income derived by residents is subject to corporation tax in the same way as Peruvian-source income, but it is calculated separately. Branches are taxed at the corporation tax rate, plus a remittance tax. Subsidiaries are taxed at the normal corporation tax rate.

Taxable income – Taxable income comprises all income derived by a company, including capital gains. Normal business expenses may be deducted in computing taxable income.

Taxation of dividends – Dividend distributions between resident entities are not taxed. Foreign dividends received by a Peruvian entity are included in taxable income and are subject to the normal corporate tax rate, but with a tax credit for foreign tax paid on the dividends. Dividends and other profit distributions, as well as branch remittances of net profits abroad, are subject to withholding tax when paid to resident and nonresident individuals and nonresident entities (see “Withholding tax,” below).

Capital gains – Capital gains generally are included as income and taxed at the normal corporate rate.

Losses – A taxpayer has the option to carry forward all (Peruvian-source) net operating losses for four years, or to carry the losses forward indefinitely but to offset only up to 50% of the taxpayer’s taxable income for each subsequent year. The carryback of losses is not permitted.

Rate – The standard corporate income tax rate is 29.5%. Different corporate income tax rates may apply to certain activities under special regimes (e.g. farming). The income tax rate for investors in the mining and hydrocarbon industries (with the exception of natural gas) that enter into tax stability agreements is stabilized at the tax rate in force plus two additional percentage points (i.e. 31.5% for agreements signed during 2017 and onward).
Surtax – No
Alternative minimum tax – No
Foreign tax credit – A tax credit is available for income tax paid on foreign-source income and is equal to the lesser of the actual foreign tax paid or the Peruvian tax liability on the income. Excess credits may not be carried forward.
A special method applies for calculating the foreign tax credit for income tax paid abroad arising from dividends distributed by nonresident entities. In addition to the tax credit for the income tax paid or withheld abroad on dividends or profit distributions (a direct credit), a credit is available for the corporate income tax paid by the nonresident company distributing the dividends (an indirect credit). Certain conditions must be fulfilled to qualify for the indirect credit.
Participation exemption – No
Holding company regime – No
Incentives – Investors in large mining, oil or gas operations may conclude tax stability agreements with the government for periods of 10 to 15 years.

Withholding tax:
Dividends – Dividends paid to a nonresident entity or to an individual (whether or not resident) are subject to a 5% withholding tax. The 5% rate is applicable only to dividend distributions of profits earned on or after 1 January 2017. Dividend distributions of profits earned before 1 January 2015 are subject to a 4.1% withholding tax, and dividend distributions of profits earned from 1 January 2015 until 31 December 2016 are subject to a 6.8% withholding tax.
Interest – Interest payments made to a nonresident unrelated party that satisfies certain requirements are subject to a 4.99% withholding tax; otherwise, the rate is 30%.
Royalties – Royalties paid by a Peruvian resident are considered Peruvian-source income and are subject to a 30% withholding tax.
Technical service fees – Fees that qualify as fees for technical assistance are subject to a 15% withholding tax, regardless of whether the services are provided in Peru. Domestic taxpayers must keep a report issued by an audit firm certifying that the technical assistance actually was rendered by the nonresident entity if the total amount of the services provided exceeds 140 tax units (approximately USD 178,000).
Branch remittance tax – The remittance of net profits abroad is subject to a 5% withholding tax.
Branches of foreign companies are subject to the 29.5% standard rate of corporate income tax, plus the 5% tax on the remittance.
Other – The direct or indirect transfer of shares of a Peruvian entity by a nonresident is subject to withholding tax at a rate of 30% or 5% (the 5% rate is applicable if the shares are listed on the Peruvian stock exchange market and they are sold through that mechanism).
Other taxes on corporations:
Capital duty – No
Payroll tax – No
Real property tax – The municipal authorities levy real property tax at progressive tax rates of 0.2%, 0.6% and 1%, depending on the value of the property. The tax is deductible for income tax purposes.
Social security – An employer pays a 9% social security contribution for its employees.
Stamp duty – No
Transfer tax – Transfers of buildings (real estate property) are subject to a 3% transfer tax, with the first 10 tax units being exempt.
Other – A temporary net assets tax is imposed on the value of total assets exceeding PEN 1 million, at a rate of 0.4%.
A financial transactions tax is imposed, primarily on debit and credit transactions with Peruvian bank accounts, at a rate of 0.005%.
A transaction that exceeds the amount of USD 1,000 must be paid via check or other verifiable means of payment.
Anti-avoidance rules:
Transfer pricing – Transactions between related parties; or between a Peruvian taxpayer and an entity in a tax haven jurisdiction, an entity that is resident in a noncooperative jurisdiction or an entity whose income is subject to a preferential tax regime must be carried out at arm’s length prices. If the price agreed upon is not arm’s length, the tax authorities may adjust the price for income tax purposes only. Jurisdictions that are deemed to be tax havens or noncooperative jurisdictions are set out in a list issued by the tax authorities. Transfer pricing documentation is required.
Certain taxpayers are required to submit a local file and a master file, as well as a country-by-country report, in accordance with BEPS action 13.
In addition, a “benefit test” must be fulfilled to deduct expenses arising from transactions with related parties.
**Thin capitalization** – Interest paid by resident taxpayers may not be deducted to the extent that a debt-to-equity ratio of 3:1 is exceeded. However, the interest is not recharacterized as a dividend.

On 1 January 2021, the 3:1 debt-to-equity ratio will be replaced with a rule under which interest will be nondeductible to the extent that it exceeds 30% of the entity’s EBITDA (earnings before interest, taxes, depreciation and amortization) of the previous fiscal year; however, interest exceeding this limit will be able to be carried forward and deducted in the following four fiscal years.

Under a transition rule, interest arising from debts incurred or modified up to 13 September 2018 will be subject to the rules applicable before the issuance of the decree until 31 December 2020.

**Controlled foreign companies** – Resident taxpayers that own nonresident entities established in tax havens or in countries where the income tax rate is equal to or less than 75% of the income tax rate in Peru are taxed on the passive income (dividends, interest, royalties, etc.) derived by the CFC. A resident taxpayer holds a CFC when, individually or jointly with a related party, it owns more than 50% of the capital of the CFC and certain other conditions are satisfied.

**Disclosure requirements** – No, other than transfer pricing documentation (see “Transfer pricing”).

**Other** – A deemed dividend rule applies for credits granted to shareholders. The rule is intended to avoid the remittance of profits to shareholders in the form of a credit without paying the applicable tax in Peru.

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**Compliance for corporations:**

**Tax year** – Calendar year (no exceptions)

**Consolidated returns** – Consolidated returns are not permitted; each company must file a separate return.

**Filing requirements** – Companies are required to make 12 monthly advance payments of income tax based on monthly taxable income. An annual self-assessment tax return must be filed and final tax must be paid by the first week in April following the end of the tax year.

**Penalties** – Penalties apply for late filing or failure to file.

**Rulings** – A private binding ruling regime is available.

**Personal taxation:**

**Basis** – Residents are taxed on worldwide income and nonresidents are taxed only on Peruvian-source income.

**Residence** – Peruvian individuals living in the country and foreign individuals who are present in Peru for more than 183 calendar days in any 12-month period are deemed to be resident for tax purposes. All individuals who qualify as resident on 1 January are subject to income tax for that fiscal year; any changes in residence status after that date will take effect for the next fiscal year.

**Filing status** – Spouses generally must file their tax returns individually, but can elect to file jointly (although there is no benefit in doing so).

**Taxable income** – Taxable income is divided into specific categories: income from employment, income from independent personal services and capital income (interest, royalties, capital gains and income from the leasing of assets). Business income earned by an individual is subject to the corporate tax regime.

**Capital gains** – Capital gains are taxed at a rate of 5%. Gains derived by a nonresident from the transfer of securities of a Peruvian entity outside the country are subject to withholding tax at a 30% rate; the rate is 5% for transfers in Peru, as long the transaction is carried out through the Lima stock exchange. Gains derived by a nonresident from the transfer of real property located in Peru are subject to withholding tax at a 5% rate.

**Deductions and allowances** – An individual is allowed a deemed deduction from capital income and employment income. Also, a maximum of 3 tax units may be deducted for amounts paid for the lease and/or sublease of real estate property; interest on mortgage loans for a first house; professional fees of doctors and dentists; services rendered in the country that qualify as “fourth category” income; and contributions to social security for health (ESSALUD) that are made for domestic workers.

**Rates** – Progressive rates apply to employment income and foreign-source income, according to the following schedule: 8% up to the first 5 tax units; 14% for 6-20 tax units; 17% for 21-35 tax units; 20% for 36-45 tax units; and 30% on the excess. Nonresident individuals are subject to different rates, depending on the type of income.

**Other taxes on individuals:**

**Capital duty** – No

**Stamp duty** – No

**Capital acquisitions tax** – No

**Real property tax** – Tax is imposed on the total value of real property owned by a person. See “Real property tax” under “Other taxes on corporations.”

**Inheritance/estate tax** – No

**Net wealth/net worth tax** – No

**Social security** – Only the employer is required to contribute, and it pays 9% of gross salary on behalf of the employee.
Compliance for individuals:

**Tax year** – Calendar year (no exceptions)

**Filing and payment** – An annual income tax return must be filed within three months of the end of the tax year.

**Penalties** – Penalties apply for late filling or failure to file.

Value added tax:

**Taxable transactions** – VAT is levied on the sale of goods, the provision and use of services, construction contracts, the first sale of real estate by a contractor and imports. Companies at the preoperational stage may apply for an early recovery of VAT and, under certain conditions, oil, gas and mining companies may apply for a definitive recovery of VAT.

**Rates** – 18%

**Registration** – Taxpayers are required to keep accounting books (such as purchase and sales books).

**Filing and payment** – VAT returns must be filed monthly.

Source of tax law: Income Tax Law, VAT Law and the Tax Code

**Tax treaties**: Peru has seven bilateral tax treaties in effect (Brazil, Canada, Chile, Korea (ROK), Mexico, Portugal and Switzerland) and an agreement with the Andean Community. For further information on Peru’s tax treaty network, visit Deloitte International Tax Source. Peru signed the OECD multilateral instrument (MLI) on 27 June 2018.

Tax authorities: Tax Administration (SUNAT), Tax Court (Tribunal Fiscal)

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