FOREWORD

Peru's tax regime is always a key factor for any business considering moving into new markets. What is the corporate tax rate? Are there any incentives for overseas businesses? Are there double tax treaties in place? How will foreign source income be taxed?

Since 1994, the PKF network of independent member firms, administered by PKF International Limited, has produced the PKF Worldwide Tax Guide (WWTG) to provide international businesses with the answers to these key tax questions.

As you will appreciate, the production of the WWTG is a huge team effort and we would like to thank all tax experts within PKF member firms who gave up their time to contribute the vital information on their country's taxes that forms the heart of this publication.

The PKF Worldwide Tax Guide 2016/17 (WWTG) is an annual publication that provides an overview of the taxation and business regulation regimes of the world's most significant trading countries. In compiling this publication, member firms of the PKF network have based their summaries on information current on 30 April 2016, while also noting imminent changes where necessary.

On a country-by-country basis, each summary such as this one, addresses the major taxes applicable to business; how taxable income is determined; sundry other related taxation and business issues; and the country's personal tax regime. The final section of each country summary sets out the Double Tax Treaty and Non-Treaty rates of tax withholding relating to the payment of dividends, interest, royalties and other related payments.

While the WWTG should not be regarded as offering a complete explanation of the taxation issues in each country, we hope readers will use the publication as their first point of reference and then use the services of their local PKF member firm to provide specific information and advice.

Services provided by member firms include:

- Assurance & Advisory;
- Financial Planning / Wealth Management;
- Corporate Finance;
- Management Consultancy;
- IT Consultancy;
- Insolvency - Corporate and Personal;
- Taxation;
- Forensic Accounting; and,
- Hotel Consultancy.

In addition to the printed version of the WWTG, individual country taxation guides such as this are available in PDF format which can be downloaded from the PKF website at www.pkf.com.
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<table>
<thead>
<tr>
<th>City</th>
<th>Name</th>
<th>Contact information</th>
</tr>
</thead>
<tbody>
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</tbody>
</table>

### BASIC FACTS

- **Full name:** Republic of Peru
- **Capital:** Lima
- **Main languages:** Spanish, Quechua and Aymara
- **Population:** 31.2 Million (2015 estimate)
- **Major religion:** Roman Catholic
- **Monetary units:** Sol (PEN)
- **Internet domain:** .pe
- **Int. dialling code:** +51

### KEY TAX POINTS

- **Corporate Income Tax (CIT)** is currently payable at a regular rate of 28% but, for extractive industries such as Mining and Oil & Gas, the tax rate rises up to 30%. However, due to a Tax Reform enacted in 2014, such tax rate is subject to a downward trend, applying the 28% regular rate for fiscal years 2015 and 2016, falling to 27% for fiscal years 2017 and 2018, and 26% since 2019 onwards.
- **Dividends or other profit distribution forms, including remittance of profits from Peruvian branches or subsidiaries of foreign companies are subject to 6.8% of withholding Income Tax. Due to a Tax Reform enacted in 2014, this rate is subject to an upward trend, applying the 6.8% rate for years 2015 - 2016, rising to 8% rate for years 2017-2018 and a 9.3% rate from 2019 onwards**
- The tax year for a company is its accounting year, which ends on December 31st. Companies are required to make monthly prepayments to be offset with the definite Income Tax calculated by the end of the fiscal year.
- Companies must file their Annual Income Tax Return and pay any balance due up to the end of March each year.
- Peruvian VAT is imposed on the sale of goods, the supply of services in the country and the import of goods made at different stages of the economic cycle. Services rendered from abroad but economically used in Peru are levied with Peruvian VAT under the “reverse charge” mechanism. The general tax rate is 18%.
- Peruvian citizens domiciled in Peru are taxed on their worldwide income, regardless of where the income is generated or where it has been paid or the currency received for it. In the case of non-domiciled citizens, they are taxed only on their Peruvian-source income. Personal Income Tax is subject to a progressive tax rate of 8%, 14%, 17%, 20% and 30%, depending upon the level of income obtained within a fiscal year.

### A. TAXES PAYABLE

#### COMPANY TAX

Resident companies are taxed on its worldwide income. Any profits, including capital gains, are included within the taxable income of a corporation and taxed at the regular corporate rate. Resident
companies are those incorporated or established in Peru. Corporate Income Tax (CIT) is currently payable at a regular rate of 28%. However, due to a Tax Reform enacted in 2014, such tax rate is subject to a downward trend, applying the 28% regular rate for fiscal years 2015 and 2016, falling to 27% for fiscal years 2017 and 2018, and 26% since 2019 onwards.

The tax year for a company is the accounting year, which ends on December 31st. Companies are required to make monthly CIT prepayments to be offset with the definite Income Tax calculated by the end of the fiscal year. Prepayments should be calculated based upon one of the following methods:
(a) 1.5% of monthly net revenue; or,
(b) The monthly net revenue times a ratio between the income tax and the net revenue, both from the preceding year.

Companies must file their Annual Income Tax Return and pay any balance due up to the end of March or the first days of April each year. Mining companies are, in addition to their specific corporate rates of tax, subject to a royalty calculated on the gross sales relating to the transfer of mineral resources. The royalty is calculated in terms of a specific formula and, depending upon the operating margin, is in a range from 1% to 12%.

**CAPITAL GAINS TAX (CGT)**

Strictly speaking, CGT is not a tax in its own right but rather forms an integral part of Peruvian Income Tax legislation. As a general rule, capital gains are defined as any income obtained from capital assets disposal. Capital assets are those not intended to be traded within any business or company. Subject to any exclusions and exemptions, a taxable gain is calculated by taking the difference between the proceeds received on disposal of the asset and the base cost and then multiplying this amount by the tax rate (which varies depending upon the nature of the taxpayer).

**BRANCH PROFITS TAX**

Peruvian branches of foreign companies are subject to tax on Peruvian-source income only at the regular Corporate Income Tax (CIT) rate. Branch remittances are levied as dividends with the additional 6.8% tax rate.

**VALUE ADDED TAX (VAT)**

Peruvian VAT is imposed on the sale of goods, the supply of services in the country and the import of goods made at different stages of the economic cycle. The general tax rate is 18%. It is a monthly-basis tax operating under the debit-credit system, offsetting the tax paid on sales against the VAT paid on purchases. VAT credit does not have an expiration date. Services rendered from abroad but economically used in Peru are levied with Peruvian VAT under the "reverse charge" mechanism. Corporate reorganizations are not subject to Peruvian VAT.

Exports are zero-rated and very few exemptions exist. There are two exceptional systems for recovering the Peruvian VAT credit:
(1) Early Recovery: Companies at a pre-operative stage longer than two years with large projects may apply for early recovery of VAT, which allows them to obtain a VAT credit refund prior to starting operations. An investment agreement with the Ministry of the corresponding sector and a minimum investment of USD 5 Million are the main requisites to get access to this system;
(2) Definitive Recovery: This applies mainly to the mining, oil and gas industries. Thus, it benefits holders of mining claims which are not at the production stage and enter into an Exploration Investment Agreement with the Peruvian State, while those having entered into Service or Licence Agreements under the Hydrocarbons Law may request this during the exploration stage.

**FRINGE BENEFITS TAX**

Employees are taxed on the value of the fringe benefits they receive as determined in accordance with Peruvian Income Tax Law. The tax levied is in accordance with the tax rates applicable to individuals.
LOCAL TAXES:  
REAL ESTATE TAX

It is an annual-basis tax levied on the value of urban and rural properties. Lands, buildings and fixed and permanent facilities are deemed properties for Real Estate Tax purposes. The taxpayer status is determined as of January 1st each year and the payment will be made at the District Municipality where the property is located.

The rate is progressive and cumulative as detailed below:

<table>
<thead>
<tr>
<th>Real Estate Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Progressive Cumulative Scale</td>
</tr>
<tr>
<td>From 0 UIT to 15 UIT - (up to PEN 57,750)</td>
</tr>
<tr>
<td>From 15 UIT to 60 UIT - (up to PEN 231,000)</td>
</tr>
<tr>
<td>Beyond 60 UIT - (for the excess of PEN 231,000)</td>
</tr>
</tbody>
</table>

NOTE:
UIT = Annual Tax Unit. 2015 UIT = PEN 3,850.00

VEHICLE OWNERSHIP TAX

This is an annual tax levied on property consisting of cars, four-wheel drive and station wagons manufactured locally or imported during the three fiscal years following the year in which the vehicle was first registered with the Vehicle Property Registry. The Provincial Municipality within which jurisdiction the owner resides in will be the creditor administering and collecting the tax. The tax base is the original value of the acquisition, import or entry into the patrimony.

<table>
<thead>
<tr>
<th>Vehicle Ownership Tax¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate Applicable</td>
</tr>
</tbody>
</table>

NOTE:
1. Tax sum cannot be lower than 1.5% of the UIT effective as of January 1st of each tax year

REAL ESTATE TRANSFER TAX (ALCABALA)

This is a tax levied on the transfer of title of Real Estate located in urban or rural areas, either free-of-charge or onerous, as the case may be, including sales with ownership right reservation.

Taxable base is the transfer value of the property and is owed by the buyer, who shall pay the tax at the District Municipality where the property is located.

<table>
<thead>
<tr>
<th>Real Estate Transfer Tax (Alcabala)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Progressive Scale</td>
</tr>
<tr>
<td>From 0 UIT to 10 UIT - (up to PEN 38,500)¹</td>
</tr>
<tr>
<td>For the excess of 10 UIT</td>
</tr>
</tbody>
</table>

NOTE: 1. Exempted portion.
OTHER TAXES

TEMPORAL NET ASSETS TAX (ITAN)

Temporal Net Assets Tax (known by its Spanish acronym as ITAN) is at a rate of 0.4% levied on the Company's Net Assets with a value exceeding PEN 1,000,000.00, as assessed at 31 December of the previous year. The amount paid for the ITAN by the taxpayer is a credit to be offset with the Corporate Income Tax. If not totally offset, the remaining ITAN may be reimbursed by the Peruvian Tax Administration (SUNAT).

In the case of subsidiaries or branches of foreign companies, they can offset the ITAN obligation with the Income Tax amount paid in Peru, so as to use the whole income tax paid as a tax relief in its country of origin. Companies which are in pre-operative stages or have begun operations as from January 1st of the year for which the ITAN must be paid are exempted from ITAN.

TAX ON FINANCIAL TRANSACTIONS (ITF)

The Tax on Financial Transactions (known by its Spanish acronym ‘ITF’) levies transactions (deposits and withdrawals) made through the Peruvian financial system and is deductible as an expense for income tax purposes. Its rate is 0.005%. The ITF is a complementary measure of the so-called "bankarization" or banking usage which requires companies to pay any amounts exceeding USD 1,000 or PEN 3,500 through so-called "means of payment", which include account deposits, money orders, money transfers, payment orders, debit cards, or credit cards issued in the country and "not negotiable" checks. Otherwise, any cost or expense not performed using such methods shall not be recognised for tax purposes.

EXCISE TAX (ISC)

Excise Tax is levied on specific goods such as cigarettes, beer, liquor, soft drinks, fuel, vehicles, gambling/betting services and other luxury items. It is levied on the sale in the country of such goods at producer level and/or import of them. It is applied using three systems:

(a) Specific, which applies a fixed amount in Nuevos Soles per unit of measure;
(b) To the value, which is applied based on a percentage on the sale price;
(c) To the sale price, which involves applying a percentage of the suggested retail price.

CUSTOMS DUTIES

The import of goods into Peru is subject to payment of Customs Duties with ad valorem rates. Additionally, Value Added Tax, the Excise Tax, Antidumping rights, Compensation and others depending on the type of goods imported, are applied, as detailed below:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customs tariffs¹</td>
<td>0%, 6%, 11%</td>
</tr>
<tr>
<td>Value Added Tax²</td>
<td>18%</td>
</tr>
</tbody>
</table>

NOTES:
1 Rates are applied on CIF value and according to the imported good.
2 VAT is applied on CIF Value plus Customs tariffs. Depending upon the type of goods, Excise Tax is also applied.

Customs duties are subject to a refund system or drawback, which entitles the producers/exporters to apply for a refund of all or part of customs duties affecting imports of raw materials, inputs, intermediate goods, and part and pieces incorporated or used in the production process of exported goods, provided that the CIF value of imports of such goods does not exceed 50% of the FOB value of the exported product, and all additional requisites are met. The drawback rate applicable is
equivalent to 5% of the FOB value of the exported product. Notwithstanding, as of January 1st, 2015, the refund rate is 4% while the rate shall be reduced up to 3% since January 1st, 2016.

**B. DETERMINATION OF TAXABLE INCOME**

The taxable income of a company is determined by deducting expenditures and costs incurred in the production of income and other permitted expenses and allowances from the company's income.

**ALLOWANCES: PLANT, MACHINERY AND EQUIPMENT USED IN MANUFACTURE**

Depreciation is calculated using the straight-line method or any other system provided they do not exceed the maximum rate of depreciation and the cost of acquisition of fixed assets. The following are some of the rates allowed by Peruvian Income Tax Law:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Conditions for Annual Allowance</th>
<th>Annual Allowance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial Buildings and Constructions or improvements</td>
<td>Construction of buildings or improvements used wholly or mainly for carrying on process of producing income in the course of trade.</td>
<td>Straight-line at 5% of cost (Previously 3%)</td>
</tr>
<tr>
<td>New commercial buildings (other than residential accommodation) (Note 1)</td>
<td>This is a special depreciation regime for construction projects and buildings erected since 1 January 2009 and wholly or mainly used for the purpose of producing income in the course of trade.</td>
<td>Straight-line at 20% of cost</td>
</tr>
<tr>
<td>Cattle and fishing nets</td>
<td>Cattle either used for the purpose of producing income in the course of trade or reproduction.</td>
<td>Maximum 25% of cost</td>
</tr>
<tr>
<td>Equipment for Data processing</td>
<td>Hardware and any other equipment for data processing wholly or mainly used for the purpose of producing income in the course of trade.</td>
<td>Maximum 25% of cost</td>
</tr>
<tr>
<td>Machinery and equipment used for mining, oil and gas activities and construction, except furniture and fixed equipment</td>
<td>Machinery and equipment used at all exploration / exploitation stages in the mining and oil industries, wholly or mainly used for the purpose of producing income in the course of trade.</td>
<td>Maximum 20% of cost</td>
</tr>
<tr>
<td>Machinery and equipment purchased from January 1, 1991</td>
<td>Machinery and equipment wholly or mainly used for the purpose of producing income in the course of trade and purchased from 1 January 1991.</td>
<td>Maximum 10% of cost</td>
</tr>
<tr>
<td>Land transport vehicles (except railroads) and any kind of industrial oven</td>
<td>Land transport vehicles and any kind of ovens wholly or mainly used for the purpose of producing income in the course of trade.</td>
<td>Maximum 20% of cost</td>
</tr>
<tr>
<td>Other fixed assets (Note 2)</td>
<td>Other assets wholly or mainly used for the purpose of producing income in the course of trade.</td>
<td>Maximum 10% of cost</td>
</tr>
</tbody>
</table>

**NOTES:**
1. Pursuant to the provisions of Law 29342;
2. For limited-time intangibles (software, copyrights, patents, etc.) should be amortized over just
one tax year, or by the straight-line system for a ten year term.

**STOCK / INVENTORY**

All trading stock on hand at the end of the tax year must be added to income while all trading stock on hand at the beginning of the year ranks as a deduction. Inventories should be carried at cost and will be determined specifically or using the "first in, first out" method (FIFO), average cost method or the basic inventory. The "last in, first out" method (LIFO) of valuing trading stock is not permitted.

**RESEARCH AND DEVELOPMENT EXPENDITURE (R&D)**

Generally speaking, Corporate Income Tax is applied to taxable income, which is the accounting profit in the tax period after adjustments provided for by the Peruvian Income Tax Law. Exemptions are usually insignificant. Expenses are deductible to the extent incurred in producing taxable income, subject to certain restrictions and limitations. Pursuant to the provisions of Law N° 30309 and regulations, a new brand Research and Development Regime seeks to promote scientific research, technological development and innovation (known by its Spanish acronym I+D+i) by granting a tax deduction up to 175% over the costs incurred starting 2016. This piece of law is intended to involve a greater number of companies with I+D+i.

I+D+i Tax benefits involves research, technological development and innovation connected or not with the taxpayer’s business: a) A 175% tax deduction provided that the project is implemented directly by the taxpayer or through centers for scientific research, technological development and innovation domiciled in Peru; and b) A 150% tax credit when the centers for scientific research, technological development and innovation are not domiciled in Peru.

I+D+i projects should meet certain requirements in order to be eligible for the additional deduction: i) They should be assessed by public or private entities according to the nature of the project, ii) the project must be made directly by the taxpayer or by specialized I+D+i centers (National Council for Science and Technology - CONCYTEC) having the proper authorization, iii) taxpayers must control accounts for each project, and iv) the result of the project must be registered at the National Institute for the Defense of Competition and Intellectual-Property Protection (INDECOPI).

**INTELLECTUAL PROPERTY**

As stated above, deduction of limited-time intangibles (software, copyrights, patents, etc.) should be amortised over just one tax year or by the straight-line system for a ten-year term.

**INTEREST AND FINANCE CHARGES**

Interest paid and financial charges incurred in the production of income are deductible expenses for Income Tax purposes. Interest paid to non-residents (or related entities) is generally subject to withholding tax at a rate of 30%. For interest paid by Peruvian resident financial institutions for the use of credit lines in Peru, or unaffiliated foreign lenders, the withholding tax rate is 4.99%, subject to the following conditions:

- The proceeds of the loan are brought into Peru as foreign currency through local banks or are used to finance the import of goods;
- The proceeds of the loan are used for business purposes in Peru;
- The interest rate does not exceed the LIBOR prime rate plus three percentage points for loans obtained from the American money market (United States of America) and the LIBOR prime rate plus four percentage points for loans obtained from the European money market. Those additional points are designed to cover expenses, commissions and any other additional charges related to the loan.

If the first two conditions described above are satisfied and the interest rate exceeds the prime rate plus three points or the LIBOR plus four points, the excess interest is subject to withholding tax at the regular rate of 30%.
**TAX LOSSES**

Tax losses may be carried forward subject to the following two systems:
(a) Offset in full for a four-year term limit subsequent to the year in which it was generated
(b) Offset indefinitely during the subsequent years, only up to 50% of annual net income. No carry back is allowed.

**INTEREST RECEIVED**

Interest received (or accrued) is included in gross income of any corporation.

**C. FOREIGN SOURCED INCOME**

Peruvian resident individuals and corporations are subject to tax in Peru on their worldwide income. However, this general principle may be overridden by the provisions of a double taxation agreement.

**CREDIT FOR INCOME TAX PAID ABROAD**

Pursuant to the provisions of the Peruvian Income Tax Law, resident companies may credit foreign income taxes against its Peruvian tax liability, provided that they do not exceed the amount obtained by applying the average rate on foreign-source income or the effectively-paid tax from abroad.

Taxes paid from a foreign-source income are deductible against the Peruvian income tax, provided that the credit not used within the fiscal year is neither compensated in future years nor entitled for any reimbursement. Hence, tax credits are granted, within certain limits, in respect of foreign taxes paid over foreign-source income.

**D. CORPORATE GROUPS**

Group taxation is not applicable. There are no provisions for filing consolidated returns and relieving losses within a group.

**E. RELATED PARTY TRANSACTIONS**

**THIN CAPITALISATION**

Pursuant to the Peruvian Income Tax Law, interests paid by entities domiciled in Peru, to related entities or related companies over the "3" factor resulting from applying the "debt/equity" ratio on the taxpayer's net equity at the end of the previous year, shall not be deductible in determining the Income Tax.

**TRANSFER PRICING**

Peruvian Income Tax Law includes transfer pricing rules based on the arm's length principle according to the guidelines of the Organization for Economic Cooperation and Development (OECD). However, these rules do not apply solely to transactions between related parties but to transactions with offshore entities whose domicile are located in territories with low or no taxation (tax havens) and are applicable for purposes of Income Tax. The law provides the following transfer pricing methods:
- Comparable Uncontrolled Price Method;
- Resale Price Method;
- Increased Cost Method;
- Utility Partition Method;
- Residual Method of Utility Partition; and,
- Transactional Net Margin Method.

Peruvian Tax Administration requires special transfer pricing studies in which the taxpayer must prove...
how reasonable its transfer pricing policies are.

F. WITHHOLDING TAXES

Royalties and other source-based income are subject to withholding taxes as follows:

- A withholding tax applies at a 30% rate over interests paid in connection with the production of income.
- Interests paid by banks or financial institutions for the use of credit lines in Peru, or loans obtained from unaffiliated foreign lenders are subject to a 4.99% withholding tax, subject to certain conditions (see Interest and Finance Charges section).
- Dividends or other profit distribution forms, including remittance of profits from Peruvian branches or subsidiaries of foreign companies are subject to 6.8% of withholding Income Tax. Due to a Tax Reform enacted in 2014, this rate is subject to an upward trend, applying the 6.8% rate for years 2015 - 2016, an 8% rate for years 2017-2018 and a 9.3% rate from 2019 onwards.
- Royalties are subject to a 30% withholding tax.
- Technical assistance services economically used in Peru are subject to a 15% withholding income tax. For services whose full value exceeds 140 UIT (PEN 539,000) an audit report should be requested by the taxpayer (user of the technical assistance) to a well-known independent audit firm, certifying the technical assistance has been effectively provided. Living and travel allowance expenses incurred within the technical assistance are not subject to the reduced withholding tax rate. In case the taxpayer does not have this report, SUNAT will not recognize the reduced tax rate applying the regular rate: 30%.
- Digital services economically used in Peru are subject to a 30% withholding tax. In the event that they are rendered together with technical assistance, the amount for each of them shall be distinguished on an individual basis. If it is not possible, the transaction will be treated as appropriate to the essential or predominant operation.
- Property Leasing is subject to a 30% Withholding Tax, to be applied on income received by non-resident legal entities. A 5% Withholding Tax applies on income received by non-resident individuals.
- Pursuant to the provisions of Law N° 30341 (effective as of January 1st 2016), Capital gains from the sale of shares and other securities are exempted from Income Tax until December 31st 2018, provided that they were made through a centralized mechanism of negotiation overseen by the Superintendency of Securities, and complying with the following requirements:
  (i) Within a twelve-month period, the taxpayer and its related parties do not transfer the ownership of ten percent (10%) or more of total shares issued by the company or securities through one or several simultaneous or successive operations. Otherwise, the tax base is determined by considering all exempted transfers made within the previous twelve (12) months prior to the sale.
  (ii) It should be shares with “stock-market presence”, which means:
    • The number of days in which the daily amount traded has exceeded the minimum limit of four (4) UIT, considering the volume of transactions carried out within centralized trading mechanisms, in 180 working-days period before the disposal.
    • The determined number of days will be divided by one hundred and eighty (180) and multiplied by one hundred (100).
    • The result may not be less than the limit, which may not exceed 35%.

In case of some activities performed partly in Peru and partly abroad, by non-domiciled entities, including income generated by its subsidiaries or Permanent Establishments, the following schemes of withholding tax applies:

<table>
<thead>
<tr>
<th>Activity</th>
<th>% Gross Income Qualifying as Net Income from Peruvian Source</th>
<th>Effective Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air transport</td>
<td>1</td>
<td>0.3</td>
</tr>
<tr>
<td>Lease of vessels</td>
<td>80</td>
<td>8.0</td>
</tr>
<tr>
<td>Lease of aircrafts</td>
<td>60</td>
<td>6.0</td>
</tr>
</tbody>
</table>
### G. EXCHANGE CONTROL

Foreign-exchange controls have been eliminated. Consequently, transactions are carried out in a free market at prices set by supply and demand.

### H. PERSONAL TAX

Pursuant to the provisions of Peruvian Income Tax Law, Peruvian citizens domiciled in Peru are taxed on their worldwide income, regardless of where the income is generated or where it has been paid or the currency of receipt. In the case of non-domiciled citizens, they are taxed only on their Peruvian-source income. Foreign citizens are deemed to be domiciled for Income Tax purposes if they have been physically present in Peru for more than 183 days within a 12-month period.

For both cases, domicile status shall be determined at the beginning of each tax year. Changes regarding such condition that may occur during the fiscal year shall become effective from the beginning of the next fiscal year. For domiciled individuals, taxation on income from work either as independent contractor or as employees (fees, wages, salaries, etc.) shall be determined by applying a progressive cumulative rate based on the amount of income received during the tax year, as described in the following chart:

#### Progressive Cumulative Scale

<table>
<thead>
<tr>
<th>Income</th>
<th>Rate³</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 5 UIT</td>
<td>8%</td>
</tr>
<tr>
<td>For the excess of 5 UIT and up to 20 UIT</td>
<td>14%</td>
</tr>
<tr>
<td>For the excess of 20 UIT and up to 35 UIT</td>
<td>17%</td>
</tr>
<tr>
<td>For the excess of 35 UIT and up to 45 UIT</td>
<td>20%</td>
</tr>
<tr>
<td>Any excess of 45 UIT</td>
<td>30%</td>
</tr>
</tbody>
</table>

### DEEMED EMPLOYEES

Workers from labour brokers and personal service providers are considered employees for social benefit purposes. A labour broker is a legal entity which, for a fee, provides working staff for rendering personal services for the customer, or providing such personnel to the customer, paying the staff for their work. A personal service provider is a company where any service rendered on behalf of the entity to any client is made personally by any person who has a labour relationship and certain

<table>
<thead>
<tr>
<th>Activity</th>
<th>% Gross Income Qualifying as Net Income from Peruvian Source</th>
<th>Effective Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply of shipping containers</td>
<td>15</td>
<td>4.5</td>
</tr>
<tr>
<td>Transport containers demurrage</td>
<td>80</td>
<td>24.0</td>
</tr>
<tr>
<td>Insurance</td>
<td>7</td>
<td>2.1</td>
</tr>
<tr>
<td>International news agencies</td>
<td>10</td>
<td>3.0</td>
</tr>
<tr>
<td>Maritime transport</td>
<td>2</td>
<td>0.6</td>
</tr>
<tr>
<td>Motion picture distribution</td>
<td>20</td>
<td>6.0</td>
</tr>
<tr>
<td>Transfer of television broadcasting rights</td>
<td>20</td>
<td>6.0</td>
</tr>
<tr>
<td>Telecommunications services</td>
<td>5</td>
<td>1.5</td>
</tr>
</tbody>
</table>
provisions are met.

## I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

Peru has signed Double Taxation Agreements with Chile, Canada, Brazil, the countries of the Andean Community (known by its Spanish Acronym CAN, comprising Bolivia, Colombia, Ecuador, and Peru) and recently Mexico, South Korea, Switzerland and Portugal. In addition to this network, negotiations are underway for signing Treaties with France, Italy, Sweden, The Netherlands, the United Kingdom, Japan, Qatar and the United Arab Emirates.

<table>
<thead>
<tr>
<th></th>
<th>Royalties (%)</th>
<th>Dividends (%)</th>
<th>Interest (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-treaty countries:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>30</td>
<td>6.8</td>
<td>30 / 4.99 (1)</td>
</tr>
<tr>
<td><strong>Treaty countries:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Andean Community (2)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Brazil</td>
<td>15</td>
<td>10/15 (3)</td>
<td>15</td>
</tr>
<tr>
<td>Canada</td>
<td>15</td>
<td>10/15 (3)</td>
<td>15</td>
</tr>
<tr>
<td>Chile</td>
<td>15</td>
<td>10/15 (3)</td>
<td>15</td>
</tr>
<tr>
<td>Mexico</td>
<td>15</td>
<td>10/15 (3)</td>
<td>15</td>
</tr>
<tr>
<td>Switzerland</td>
<td>10/15</td>
<td>10/15 (3)</td>
<td>10/15</td>
</tr>
<tr>
<td>Portugal</td>
<td>10/15</td>
<td>10/15 (3)</td>
<td>10/15</td>
</tr>
<tr>
<td>South Korea</td>
<td>10/15</td>
<td>10</td>
<td>15</td>
</tr>
</tbody>
</table>

Notes:
1. Tax Rate applied to foreign banks and also under certain conditions.
2. The Andean Community Treaty levies income under the source principle.
3. The rates are minimum and maximum. The lesser applies for related entities under certain conditions.