



**Doing Business
in Peru 2017**

Doing Business in Peru

2017



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Introduction

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Peru has had an outstanding sustained growth in macroeconomics. Several consecutive governments have worked consistently to consolidate a legal framework open to the world and to foreign and domestic investment. Although its growth rate has been affected by the recent international downturn, Peru remains as growing.

The way how business is conducted in Peru has also evolved. Due to the commercial agreements it has executed, Peru has gained access to regional and international markets, thus boosting the various sectors of its economy. Peru's participation in the Pacific Alliance is a clear sign that it is committed not only to maintaining growth, development and competitiveness of its economy, but also moving towards their regional integration.

It is essential that all current and potential investors understand the laws, systems, guarantees and other ins and outs of Peru's regulations. As in any emerging country, Peru's legal framework constantly evolves and investors need to identify all relevant aspects in order to make or maintain their investments.

We are committed to Peru, its development and investments. Therefore, at Estudio Echecopar, a member firm of Baker & McKenzie International, we are pleased to introduce the 2017 Doing Business in Peru guide, a tool that we trust will offer useful and current information to all investors on different topics that should be taken into account to start doing business in our country.



Economic Scenario

Economic Overview

In the past few years, Peru was undergoing a sustained and remarkable economic development, and became one of the countries with more rapid growth worldwide, while keeping a very low inflation rate, until such pace was dramatically affected in 2014 by international circumstances, rather than local factors.

The successful growth of Peru is based in solid economic policies introduced by the different democratically-elected governments, sustained productivity growth, private investment as growth driver, and Peru's integration into the world economy. These factors helped to reduce poverty and strengthen the middle class, turning the country into one of the best places to invest in Latin America.

The macroeconomic development of Peru during the 2003-2013 decade was impressive, with a real Gross Domestic Product (GDP) annual growth rate that averaged 6.6% (the highest rate in Latin America); nevertheless, the fears materialized in 2014, when the growth rate hardly reached 2.4%, and since then, retaking a modest growth that has not been able to overcome the 4.0%. Such slowdown was caused by external factors that lead to a decrease in real exports and foreign capital flows, as well as a reduction in the price of ores exported by Peru. But it was also the result of internal factors, such as the almost lack of growth of private and public investments as well as the lower growth of domestic consumption.

Over two years have passed and some of the factors affecting the economy of Peru still exist to which we could add the effects of the BREXIT of the Eurozone, the beginning of a new government in the United States, and the crisis of corruption in the country related to the scandal of Brazilian construction companies with reach in several other countries, all of which generates uncertainty and triggers more caution among investors. Only the corruption problem that is under investigation, according to the statements of the Economy Minister, would affect the growth of the country up to 1 p.p. Thus, while the Government estimated a GDP growth at 4.5% and the International



Monetary Fund (IMF) a 4.0%, it seems that this would not exceed the 3.5% in 2017.

Among the Risk factors that remain during the last years we have:

- The Eurozone, with a very poor economic growth and a complicated political scenario compounded by the BREXIT, may hardly boost growth.
- China's economic slowdown impacts on the demand for commodities. This country is undergoing a transition from an industrial model to a service economy.
- The fall in raw materials prices, which represent around 60% of total exports.
- South America is almost in stagnation, although with the hope that the new governments that are being chosen will have a better orientation towards a free market economy. Brazil, the major economy in the region, is suffering its most severe crisis in years, worsened by the allegations of government corruption.
- The recovery of USA is currently the only growth driver in the world; however, the impact of the new governments' policies on international trade is still uncertain.

Indeed, the world growth slowdown is impacting on the economic development of Latin America, including Peru, which is directly affected by the changes in ore prices. Since 2012, prices have experienced sharp downward corrections, adversely affecting exports, and as a result, tax collection by the Peruvian government. In 2015, this trend was slightly offset by the devaluation of the Peruvian currency, the Sol, by 14.4% against the US dollar. During 2016, this currency has kept its level, closing the period at S / 3.36 per USD, and is projected to close the 2017 at S/ 3.45.

Nevertheless, Peru still has sound economic tools to cope with external risks, including: its Net International Reserves (NIR) of USD

62 billion (as of year-end 2016) represent 32% of the GDP and equal 21 months of imports, its Public Debt represents the 25% of the GDP, and it has one of the lowest Country Risk rate in the region, thus maintaining the investment grade rating in each of the five sovereign risk rating agencies : Standard & Poor's, Moody's, Fitch, DBRS and NICE with stable perspective in all of them which contributes to a sustained growth rate and lower costs for business financing. Inflation in 2016 was 3.2% lower than the 4.4% of 2015, which was the highest rate in the last four years. For 2017 an inflation of 3,0% is expected, continuing the downward trend, as long as the oil international price remains at its minimum historical levels.

There are major public and private investment projects, which have short and medium term maturities, especially in infrastructure, which is essential for ensuring the economic growth. Only four projects that will be under construction will require an investment above USD 1 billion in 2017. Public and private investments are expected to grow between 4,0% and 5,0%, so they can recover the accumulative decline of the last three years.

On the other hand, it is expected that private consumption will not show important changes and will rise by 3,5%, the same rate of the past two years.

The sector with a higher expected growth is Fishing, after regularizing the conditions of the sea over the changes suffered by the El Niño Phenomenon, followed in a next level by Services, Metallic Mining and Commerce. On the contrary, the ones that will grow less would be Hydrocarbons and Non-Primary Manufacturing.

The main challenge for the government of President Pedro Pablo Kuczynski is to revive the confidence of the businessmen and speed up the deadlines for the capital injection. Thus, he has issued an important package of rules that mainly seek to speed up the investments, provide tax facilities, promote administrative simplification and are oriented towards citizen security and the fight against corruption.



All these measures promoted by the government are aimed at maintaining a favorable investment environment, which is the key growth driver of Peru. Armed with these actions, Peru is expected to successfully go through this difficult year, as the 2017 is presented, and recover a remarkable development for the period 2018-2020. Peru remains as one of the major economies in Latin America taking the lead on growth in the region, for which the FMI projects a GDP growth of 1.2% average. Its economic foundations are solid and Peru has the necessary money and tax tools to overcome any setback that may occur.

The Role of the State



As from the General Law for the Growth of Private Investment, Legislative Decree N° 757 passed in November 1991 all forms of reserving of economic activities for the state were eliminated and banned. These reserves only hold for reasons of public interest or national security and must be approved by the Congress. Equal conditions for public and private activity were established.

According to the Peruvian Constitution the State can perform business activities only in a subsidiary manner and when authorized by law, for reasons of public interest or national need.

The State has the mission of supervising and favoring free competition and of repressing any conduct that restricts it. In addition, it must also fight against any practice that limits it and against the abuse of dominant positions or monopolies. No law or agreement may authorize or establish monopolies.

Promotion of Private Investment



General Guarantees for Investment

The Peruvian constitutional and legal framework opens the economy to private investment, which is practiced in the context of a social market economy. It also promotes competition and ensures foreign investment in any type of company.

It provides that prices are governed by the law of supply and demand, indicating that the only prices that are administratively regulated are tariffs for public services in accordance with what may be established by an Act of Congress.

It also recognizes the freedom of trade and industry and of exports and imports.

Since the early 1990s, investment guarantees were introduced such as the right to freedom of ownership and disposition of foreign currency, and repatriation of capital and dividends to all natural and legal persons, both national and foreign.

It is also guaranteed that there shall be no discrimination or differential treatment in foreign exchange, prices, customs tariffs or duties among investors based on sectors or types of activity or geographic location, nor between natural or legal persons, domestic or foreign.

In addition, there is a legal stability regime for rights as an investor and in fiscal and labor matters.

Guarantees for Foreign Investment

Article 63 of the Constitution of 1993 stipulates that foreign investors have the same rights as domestic investors.

Investors are guaranteed the right to freely transfer abroad, in freely converted currency and without any authorization whatsoever, the whole of their capital, dividends, profits, royalties and consideration for the use and transfer of technologies and elements of industrial property. Where appropriate to convert national currency to foreign



currency, they shall be entitled to the most favorable exchange rate. Investor rights can be stabilized by legal stability agreements, meeting the requirements established by law.

No authorization is required for foreign investments, which may only be subject to subsequent registration.

The only restriction on foreigners allowed by the constitution is that they cannot acquire or possess, within 50 kilometers of the border, mines, lands, forests, water, fuels and energy sources, unless an exception is declared by Supreme Decree based on a public necessity or national interest.

Thereby, for Hydrocarbon projects, its Organic Law considers the exploration and exploitation of hydrocarbons to be of public necessity and national interest; therefore, these activities are exempt from the above mentioned restriction.

Privatizations and Concessions

In 1991, the Peruvian government established a framework to promote private investment in public companies. In line with the constitutional definition, that the State may only perform the business activity in a subsidiary manner, a privatization project was implemented, the consequence of which was the transfer of many public companies to the private sector.

As a result, all telecommunications companies, banks, and production sectors in general in which the State participated were transferred to the private sector.

Since 2008, Peru has a legal regime for public private partnerships (APP, as its Spanish acronym or PPP in english) promoting the private investment in projects of infrastructure and public services through the granting of concessions.

This legal framework has recently been modified by Legislative Decree N° 1224 which came into form on December 2015 and later by Legislative Decree N° 1251, the same that will come into force as soon as its regulations are published, which must occur in the maximum term of 60 working days counted from December 1st, 2016.

This standards, maintaining the principles that have enabled the development of the promotion of private investment processes in Peru allows in general for an unified regulatory framework in the three levels of government, that contributes to the revitalization of the economy and competitiveness, regulating comprehensively the different modalities of intervention of private investment through public private partnerships and projects in assets.

According to the applicable legislation, Public Private Partnerships are those modalities of participation of private investment in which experience, knowledge, equipment, technology is incorporated, and risks and resources are distributed, preferably private, in order to create, develop, improve, operate or maintain public infrastructure and / or provide public services under the contractual mechanisms permitted by the current legal framework.

PPPs can be originated by state or private initiative and may be aimed at implementing projects such as: transport infrastructure (ports, airports, roads), sanitation, energy and hydrocarbon projects, telecommunications, tourism, education, health, among others.

PPPs may or may not require co-financing by the State, investments or the granting of state guarantees.

On the other hand, investment promotion regulations regulate projects in assets, which are executed on public assets, by disposing of them (transfer, exchange) or by subscribing contracts of assignment in use, lease, usufruct, surface or other modalities allowed by law. Asset Projects can not commit public resources or transfer risks to the government.



Promotion of these type of projects can be done through the different state offices in charge of promoting private investment, which includes investment committees from each ministry, regional or local governments - according to the ownership of the project - or, for national projects the Private Investment Promotion Agency - Proinversion (www.proinversion.gob.pe)

On private initiatives, if no other investors show interest in the project in the period given by the regulation, this may be awarded directly to a bidder. If other investors show interest then a public tender process is initiated and if another offer is better than the one proposed, the investor that owns the private initiative can match the offer. Finally, if another bidder wins the bid the bidder that proposed the initiative is entitled to reimbursement of expenses.

Some of the most remarkable concessions granted under this legal regulation are the concession for the construction and operation of the Transmantaro national electrical interconnection line, the concession of the telecommunications PCS Band, National Red Ridge of Optic Fiber, operation of the Lima International Airport Jorge Chavez, Chinchero Airport in Cuzco, concession of the Trans-oceanic Highway, Section 2 of Mountain range Longitudinal Highway, concessions of the Callao and Paita seaports, as well as the Lima Metro Line 2.

Important concessions have also materialized as a consequence of private initiatives. Most significant examples are the concession for the execution of the Taboada wastewater treatment plant by Proinversion and especially the concession granted to a private company for the construction and operation of an express way for the city of Lima under the name "Linea Amarilla" (Yellow Line) which was granted by the Municipality of Lima and the mineral port terminal at Callao.

Legal Stability Agreements

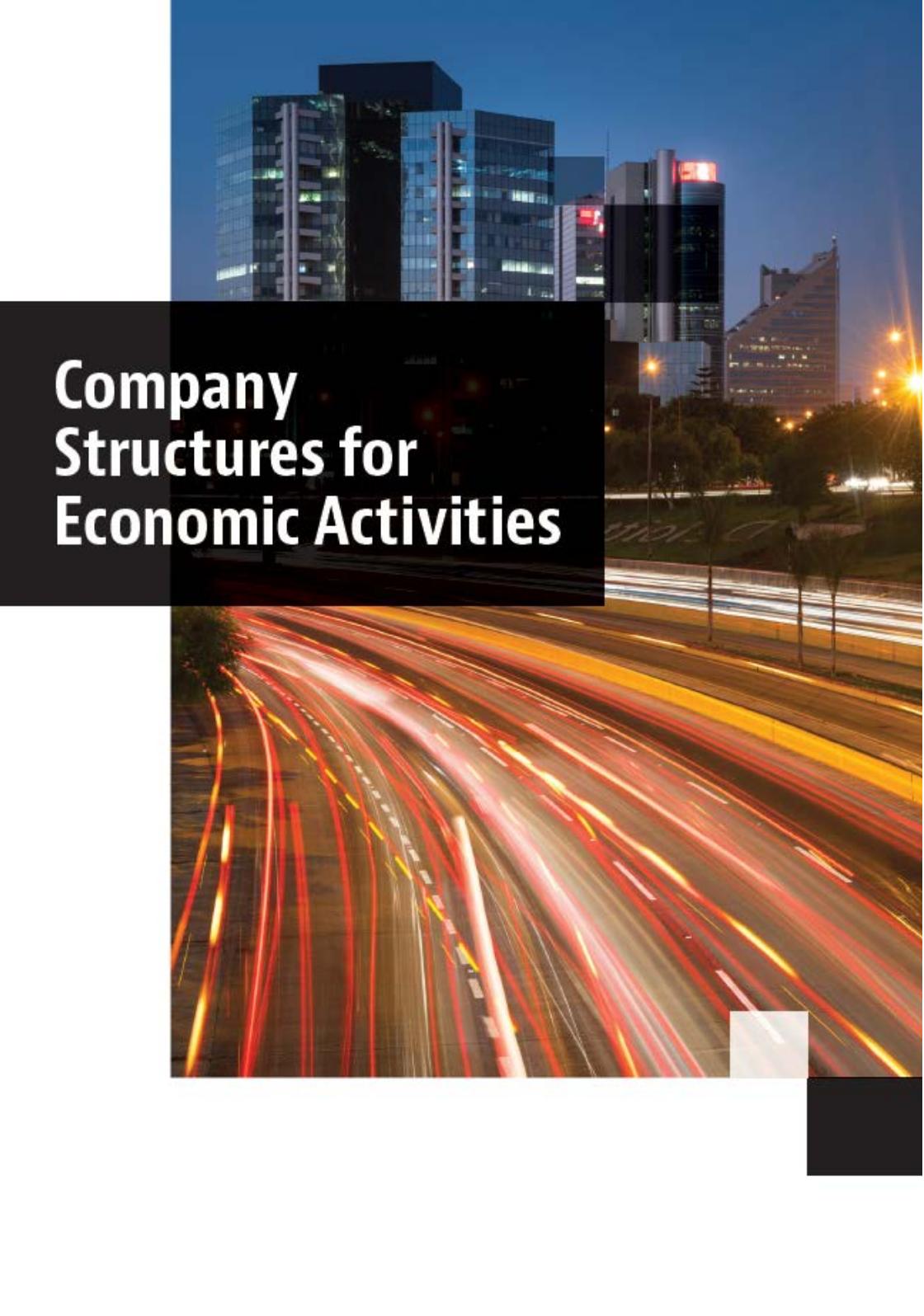
Proinversion enters into legal stability agreements with investors on behalf of the Peruvian state. The legal stability agreements have the rank and force of law and stabilize the granted rights for 10 years from their subscription dates.

Among the rights that are stabilized are the following:

- Income tax regime.
- The regime of free disposition of currencies.
- The right to remit abroad the total capital and dividends of the company.
- The right to the most favorable exchange rate.
- The right not to be discriminated.
- Workers hiring regime.
- Export-oriented regimes, such as temporary admission, duty-free zones, and the like.

In order to be eligible for a legal stability contract, a minimum investment of USD 5 million is required in all sectors, except for the mining and hydrocarbons sectors, which require a minimum investment of USD 10 million.

Legal stability expires if the investment is not made within the prescribed period, which cannot exceed two years from the execution of the agreement. It also expires if the investment is not registered on time or the agreement is transferred without the consent of Proinversion. In the case of Concession Contracts, the term of legal stability will last for the duration of the said concession contract. The Organic Law of Municipalities (Law 27972) dated May 27 2002, establishes that the Municipalities may enter into municipal tax stability agreements.



Company Structures for Economic Activities

Types of Company

The General Law for the Growth of Private Investment, approved by Legislative Decree N° 757 in November 1991, recognizes the investors' freedom to incorporate at their discretion, in order to conduct economic activities.

Only for activities related to the banking system may the law establish the obligation to adopt a certain form of company. In the mining sector, it is provided that when two or more persons are holders of a mining concession, they must incorporate a legal entity that becomes the sole holder of said concession; otherwise, the Ministry of Energy and Mines will incorporate *ex-officio* a *limited liability mining company* governed by mining legislation.

The legal framework fully recognizes the existence and capacity of foreign legal entities to exercise in Peru, all actions and rights, that may correspond to them on a non customary basis.

In order for them to exercise all acts included in their corporate purpose on a customary basis, they shall adhere to the Peruvian law. This supposes that they must at least be recorded in the Public Registry indicating a domicile and a legal representative. The representative shall be Peruvian or any foreign citizen but it is required to have formal residence in Peru.

Some sectors may require local incorporation or opening a branch in Peru.

The General Corporations Law (GCL) governs the different types of enterprises investors may use to carry out their business in Peru. The three legal types most commonly used by investors are corporations, limited liability companies, and branches (which do not qualify as legal entities different than the headquarters). The abovementioned law governs three special types of corporation: the ordinary corporation ("*Sociedad Anonima* - S.A."), the closely held corporation ("*Sociedad*



Anonima Cerrada – S.A.C.”) and the public corporation (“*Sociedad Anonima Abierta – S.A.A.*”).

The shareholders or stockholders of any kind of company may enter into shareholders agreements among them or that may involve third parties with the purpose of regulating their rights and obligations in the company, to establish investment commitments, minimum periods of permanence in the company, voting pool agreements, etc.

Corporations

The ordinary corporation is the most widely used form of running a business in Peru. It is eminently capitalist, it offers limited liability, and it is structured to allow the separation of management from ownership. A minimum of two shareholders, whether if they are individuals or legal entities, is required to incorporate a company. The share capital shall be divided into transferable titles known as shares. The transfer of shares is free, unless the shareholders agree otherwise.

Regarding the capital stock of the corporation, the law does not establish a minimum amount of capital. Nevertheless, some industries –for example the financial system– establish some minimum capital requirements. The initial capital contribution for incorporation must be deposited in a local bank.

General Shareholder’s Meetings, Board of Directors and General Management are the bodies involved in corporate governance. Bylaws shall be contained in a public deed and recorded in the Public Registry.

Furthermore, Peruvian Law stipulates that there are two special types of corporations; therefore, the rules of the ordinary corporation shall also be applicable to closely held corporations and public corporations where no special rules are in place.

Closely Held Corporations

Close corporations resemble limited liability companies (see 4.5). They require a minimum of two and a maximum of twenty shareholders.

It establishes certain limitations regarding the transfer of shares, such as Right of First Refusal (unless otherwise agreed), and even in some cases the corporation's consent (which should be agreed upon in the by-laws).

Shares cannot be listed on a Stock Exchange. These types of companies may or may not have a Board of Directors, depending on the provisions set forth in the by-laws. Similarly, this form of corporation allows virtual Shareholders' Meetings. It is an ideal corporate structure for small businesses or those with a small number of shareholders.

Public Corporations

A corporation is deemed public when it complies with at least one of the following conditions:

- The company has made a Public Offering of shares or convertible bonds.
- The company has over seven hundred and fifty (750) shareholders.
- Over thirty five percent (35%) of the company's share capital is owned by one hundred seventy five (175) or more shareholders, except those shareholders whose individual holding is less than two per thousand (0.2%) or exceeds five percent (5%) of the company's share capital.
- Incorporates as such.
- All the voting shareholders unanimously approve the adaptation to said system.



A public corporation must list all its shares on the Stock Exchange. Moreover, it is subject to regulation by the Superintendency of Securities Market (SMV).

Limited Liability Companies

Incorporation as a limited liability company requires a minimum of two and a maximum of twenty partners. Limited liability companies neither issue shares (the capital is represented by quotas) nor have a Board of Directors. The procedures for incorporating are the same as for an ordinary corporation. The Right of First Refusal is mandatory for this type of company.

Branches of Foreign Corporations

Establishing a branch in Peru is similar to incorporating. It requires formalizing through the execution of a public deed in Peru, which must at least contain a certificate of good standing for the parent company; copy of the by-laws of the parent company; corporate resolution indicating the following: share capital that the parent company allocates for the branch's operation; the purpose of the branch, business and operations to be conducted; statement that such activities are included in the purpose of the parent company; domicile of the branch in Peru; appointment of at least one legal representative in the country; powers granted to the legal representative; its adherence to Peruvian laws for the purpose of holding the parent company liable for the branch operations in Peru.

The Peruvian Consul nearest to jurisdiction of the headquarters must legalize these documents and the Ministry of Foreign Affairs in Lima, Peru, must certify the Consul's signature. If the head company is incorporated in a jurisdiction which is a member of The Hague Convention of 1961, these documents shall be appropriately apostilled instead.

Companies Reorganization Proceedings

Regarding mergers and acquisitions, according to the Peruvian law, there is a variety of legal procedures for a company's reorganization. These mechanisms are applicable to all corporations and also other legal entities regulated by the Peruvian law. The following are the key mechanisms in order to reorganize a company:

- Mergers (two or more companies combine in order to create a new independent company or one company absorbs the entire business of the other company and this target company ceases to exist);
- The simple reorganization (the segregation of assets and liabilities, and/or business lines in order to transfer them to a subsidiary company);
- The spin off (the segregation of assets and liabilities, and/or business lines in order to transfer them to another company or to incorporate a new company, or a complete split of the company being spun-off in two or more new companies) and
- The transformation (the transformation of one company into another form or type of company or even into another kind of legal entity).

Power Structure

To enhance their performance, the different corporate structures and business combinations recognized by the Peruvian legal system require an efficient power structure. As governing bodies, the Board of Directors and the General Manager are recognized by the GCL with sufficient powers of representation and management prerogatives to achieve its corporate purpose. Since January 2017, the GCL has also conferred the General Manager powers of disposal and encumbrance with respect to the assets and rights of the company, being able to enter into all types of civil, banking, mercantile or corporate contracts provided for in the laws of the matter; to sign and execute all types of



securities transactions without reservation or limitation; unless otherwise duly and expressly stated.

Nevertheless, market requirements frequently demand the registration of specific power structures.

Powers become an essential factor for foreign corporations present in the Peruvian market through branches and subsidiaries.

They are equally important for corporations established abroad which lack legal representation in the Peruvian territory. Any proper attempt to start business activities will require the creation of a power structure and the appointment of a representative.

To validly appoint an attorney-in-fact from abroad, the Peruvian legal system demands a precise legalization sequence before relevant authorities, such as the Ministry of Foreign Relations, Consulates, Chambers of Commerce, and others. Alternatively, all documents duly apostilled will be valid in Peru.

Associative Agreements

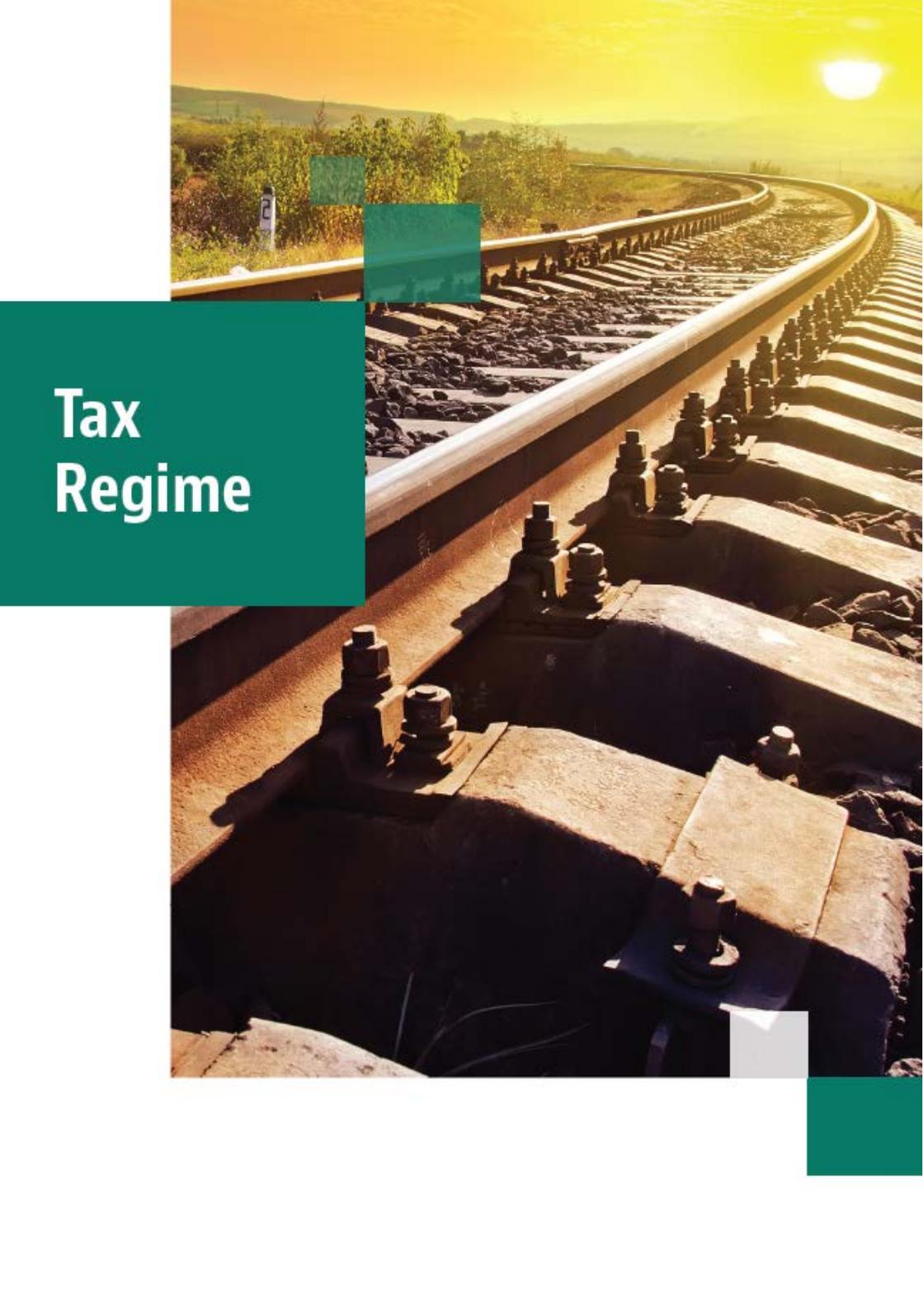
Associative agreements are those that create and govern participation and integration relationships for a certain business activity of common interest to the participants. The associative contract does not constitute a legal entity. It must be established in writing and it need not be recorded in the Public Registry.

Associative contracts may be: Association in participation (*contratos de asociación en participación*) and consortium agreements (*contratos de consorcio*). In an association in participation the managing partner grants the contributing partners, a participating interest in the earnings or profits of one or more businesses or enterprises belonging to the managing partner in exchange for a specified contribution. In a consortium, two or more parties become partners and have an active and direct participation in a specified business or company, for the purpose of obtaining an economic profit.

Joint Venture

Even though joint ventures are not contemplated in the domestic regulation, these contractual forms have widely spread within the main domestic economic sectors. A joint venture generates a legally binding relationship between two or more individuals or legal entities willing to develop a certain economic activity for a specific period of time.

Unlike other partnership agreements, this form may generate an independent legal entity. Without an exact and final definition, a joint venture is a very versatile legal form, which may be adapted to a variety of situations.



Tax Regime

General Standards

The Framework Law on Private Activity Growth approved by Legislative Decree N° 757, in November 1991, develops the constitutional principles of legality and publicity in tax matters. In particular, it sets limits on the capacity of regional and local governments to create, modify or delete taxes.

International Agreements

Peru has signed double tax treaties currently in force with Brazil, Canada, Chile, Korea, Mexico, Portugal, Switzerland, and with the member countries of the Andean Community (i.e., Bolivia, Colombia, and Ecuador).

Peru has signed a double tax treaty with Spain, which is not expected to be approved by Peruvian Congress--and thus enter into force--in the near future.

Single Taxpayers Registration or Tax ID (RUC)

Any subsidiary or branch incorporated or established in the country must obtain its Single Taxpayers Registration or Taxpayer ID (*Registro Unico de Contribuyentes* - RUC) number.

However, though from the point of view of company law there are no restrictions to the general manager being a foreign individual, the Tax Administration requires that the general manager of a Peruvian company be a Peruvian citizen, or a foreign citizen but with an immigration card. The purpose of this requirement is that such person may be registered as the legal representative of the company in the Single Registry of Taxpayers.

Income Tax

Companies incorporated in Peru are subject to income tax, both from domestic and foreign source income. The fiscal year ends on



December 31st. There are no exceptions. The tax return is normally filed by March 31st of each year.

Monthly payments are generally required to be made based on the estimated annual tax.

There is currently no inflation adjustment of accounting for tax purposes.

Expenses incurred to generate income or maintain their source in terms of productivity are deductible for income tax purposes.

All expenses, except for some special cases (such as interest on loans) arising from transactions directly or indirectly carried out with residents in tax havens are not deductible for tax purposes.

Depending on the system elected by the taxpayer, losses can be carried forward for a maximum of four consecutive years, from the year following that in which they are incurred, or until the aforementioned losses are fully offset, in which case the amount of the annual offset is limited to 50% of the net taxable income of each respective year.

For purposes of the Income Tax ("IT") Law, capital gains are those derived from the sale of goods that are not intended to be marketed within the scope of a line of business of the company (i.e., as opposed to business income).

In general, the capital gain derived by non-Peruvian tax resident investors, from the sale of securities (i.e., stock, bonds, etc.) issued by companies incorporated in Peru, shall be subject to Peruvian Income Tax. The Income Tax rate applicable to the aforementioned capital gain shall be 5% or 30%, depending on whether the sale is made within or outside the Lima Stock Exchange, respectively. If the seller is a Peruvian tax resident, the Income Tax rate mentioned above shall be 5% or 29.5%, depending on whether the seller is an individual or a company, respectively.

Capital gains derived from the sale of shares listed on the Lima Stock Exchange are exempt from Income Tax until December 31st 2019, provided that (i) 10% or more of the total shares issued by the respective company (or securities representing such shares) has not been transferred in the previous 12 months and (ii) that such shares qualify as having “stock market presence”, as defined in the relevant law establishing such provisions.

Capital Gains derived from the transfer of securities in general are also exempt from the Income Tax until December 31st, 2019, provided that (i) the transfers take place through Lima Stock Exchange and (ii) the securities qualify as having stock presence, under applicable law. Common shares, investment shares, American Depositary Receipts (ADR) and Global Depositary Receipts (GDR) must additionally fulfill the condition of not transferring more than 10% of the securities issued by the company in a period of 12 months.

The capital gain derived by Peruvian tax resident individuals from the sale of securities issued by a foreign company is subject to 8%, 14%, 17%, 20%, and 30% progressive Income Tax rates. However, if the securities issued by the foreign company are registered in the Peruvian Public Registry of Securities and the sale is made: (i) through a centralized negotiation mechanism of the country; or (ii) foreign trading mechanisms subject to an integration agreement (currently, there are agreements with Chile, Colombia, and Mexico), the applicable IT rate shall be 6,25%. Companies incorporated in Peru shall be subject to the regular 29.5% Income Tax rate on the aforementioned capital gain.

The capital gain derived from the indirect sale of shares representing the equity of a company incorporated in Peru is considered Peruvian source income.

An indirect sale occurs when the stock of a foreign company owning stock in a company incorporated in Peru (directly or through one or more companies) is transferred, provided that in any of the 12 months before the sale, the market value of the stock of the aforementioned



Peruvian company is equivalent to 50% or more of the market value of the stock of the foreign company.

The indirect sale of shares of a Peruvian company described above shall trigger after a minimum 10% of the stock of the foreign company is transferred, within a 12 month period. Otherwise – if the aforementioned threshold is not met – the indirect sale provisions do not apply.

An indirect sale of the shares of a Peruvian company is also deemed to occur when the foreign company issues new shares upon a capital increase--pursuant to a capital contribution, debt capitalization, or a reorganization--below market value, provided that the 50% equivalence rule described above is met.

As in any other transaction, for tax purposes, a sale of shares, either direct or indirect, shall be made at market value. The market value of listed shares shall be the stock exchange price. If the company does not trade on the stock exchange, the market value is the value of the transaction, which shall not be less than the net asset value of the shares transferred. The net asset value shall be calculated using the latest balance sheet of the issuing company, issued prior to the date of the sale and no older than 12 months.

The capital gain derived from the indirect sale of shares issued by a Peruvian company shall be subject to a 30% Income Tax rate.

The capital gain subject to Peruvian Income Tax, described in previous paragraphs, shall be calculated by deducting the cost basis from the assets transferred. For such purposes, the non-Peruvian tax residents shall file a “Cost Certification” before the Peruvian Tax Authorities, which requires the fulfillment of certain legal and formal requirements.

Interest earned by a company on its bank deposits, are subject to a 29.5% Income Tax rate (this Income Tax rate shall be gradually

reduced, as described above). Such interest earned by individuals shall be Income Tax exempted until December 31st, 2018.

The Income Tax depreciation rate is 5% for buildings and constructions; the following maximum Income Tax depreciation rates are also applicable: 20% for vehicles, 25% for livestock, 20% for machinery and equipment used in mining, oil and industrial construction, 25% for hardware and 10% for other fixed assets. Exceptionally, property constructed from January 1, 2014 until December 31, 2016 which have a progress of at least 80% by December 31st, 2016, may be subject to a 20% Income Tax accelerated depreciation rate. The latter accelerated depreciation rate may also be applied by companies that acquire the property within the aforementioned years 2014, 2015 and 2016.

Companies incorporated in Peru shall be subject to the 29.5% Income Tax rate. Dividends distributed to Peruvian tax resident individuals, non-Peruvian tax resident individuals, and foreign companies are subject to a 5% withholding Income Tax rate. Loans provided by a Peruvian non-banking company to its shareholders are deemed dividend distributions to the extent of the company's accumulated earnings and freely disposable reserves.

Royalties paid to non-Peruvian tax residents are subject to a final 30% Income Tax rate, to be withheld by the local taxpayer. Interests paid to non-Peruvian tax residents are subject to a 4,99% withholding Income Tax rate, provided certain debt and interest-related requirements are met. Otherwise, the withholding Income Tax rate on interest shall be 30%. Interest paid to a foreign related company is also subject to the 30% withholding Income Tax rate.

Payments made abroad for technical assistance services are subject to a 15% withholding rate, provided certain requirements are met. Otherwise, said payments are subject to the regular 30% withholding rate.



Branches are only taxed on their Peruvian income, while affiliates or subsidiaries are taxed on their worldwide income.

All forms of corporations are subject to the same taxes.

Local companies that hold foreign investment may enter into tax and legal stability agreements with the Peruvian government. The reinvestment of profits qualifies as foreign investment for this purpose. The tax stability regime is limited to Income Tax, including the tax rate in force at the time such agreements are signed, except in the case of certain economic sectors —such as mining, oil and gas activity— in which the tax stability extends to other taxes.

It is worth noting that Law N° 27360 declared investment and development in agriculture a priority, and tax benefits were made available for certain activities. Both individuals and companies that develop crops and/or breeding activities, except for the forestry industry, fall within the scope of this regime (benefits do apply to reforestation and agroforestry).

Also included within the scope of this regime are individuals and companies that carry out agro-industrial activities (production, processing and preserving of meat and meat products, processing and preserving of fruits and vegetables, and sugar processing), provided that they use agricultural products mainly outside the province of Lima and the constitutional province of Callao. Business activities related to wheat, snuff, oilseeds, oils and beer, are not included in this law.

Taxpayers covered in the preceding paragraphs are subject to a reduced 15% Income Tax. Also, eligible individuals and companies may apply a 20% annual depreciation rate on hydraulic infrastructure and irrigation works invested on during the period in which the aforementioned regimen is in force.

The tax benefits referred to above will be in force until December 31st, 2021.

In addition, Law N° 27037 establishes a regime to promote investment in the Amazon region, including tax benefits that depend on the activity performed by the taxpayer and its specific geographical location.

For purposes of the aforementioned regime, the Amazon region is comprised of the following Departments: Loreto, Madre de Dios, Ucayali, Amazonas and San Martín, as well as some provinces of the Departments of Cajamarca, Huánuco, Junín, Pasco and some districts of the Departments of Ayacucho, Cusco, Puno, La Libertad, Huancavelica and Piura.

To qualify for the tax benefits of this Amazon Regime, the potential beneficiary shall have its tax address, fixed assets and registration in the Amazon region. Also, potential beneficiaries must be engaged in the following economic activities: livestock, agriculture, aquaculture, fishing, tourism, forest extraction, manufacturing activities related to the processing, transformation and trading of primary products deriving from the abovementioned activities, and forest transformation or trade.

The activities listed in the preceding paragraph are subject to either Income Tax exemptions or a reduced 5% or 10% rates, depending on their geographic location and economic activities. Taxpayers in the Amazon region mainly developing agricultural activities and/or transformation or processing of products that qualify as native products and/or alternative in such field, shall be tax exempted.

In addition, Income Tax monthly advanced payments may be determined by applying a 0,4% or 0,7% to the monthly net income, depending on whether they are subject to the 5% or 10% IT rate, respectively.

The tax benefits described above are in force until January 1st, 2049.



Value-Added Tax

The Peruvian Value-Added Tax rate (General Sales Tax - VAT) is 18% and is applicable to the following activities:

- Sales of goods/products in Peru.
- Services rendered or hired in Peru.
- Construction contracts.
- First sale of real estate by the builder.
- Importation of goods.

The VAT rate shall be reduced to 17% from July 1, 2017 subject to the condition that on May 31, 2017 the net proceeds of VAT represent 7.2% of the Gross Domestic Product.

The VAT paid on the purchase of goods or services may be used as tax credit against the VAT deriving from transactions performed by the company.

Exporters can request a refund of VAT paid on the purchase of goods and services. They can also use the refund as a credit against the VAT levied on its operations or against payment of Income Tax obligations. Any outstanding balance can be transferred to third parties.

Companies that have not initiated their productive activities and that import or purchase capital goods for the production of goods and services for export, or which are subject to VAT, are eligible for the General or Special Early VAT Recovery Regime, depending on the requirements met by the participating company. This regime consists of filing before the Peruvian Tax Authorities a request for refund of the tax credit derived from the VAT paid on the purchases of goods, services, and imports described above during the company's pre-operative phase.

At the same time, provided that certain requirements are met, a Definitive Recovery of VAT Regime has been approved for the VAT paid by companies of the mining or hydrocarbons sectors during their exploration phase. This benefit is in force until December 31st, 2018.

Taxpayers registered in the Amazon region are generally entitled to VAT exemption on the sale of goods that are consumed within the Amazon region, the provision of services in the Amazon region, and the construction contracts or first sale of real property performed by the builders of said property in said region. Such benefits are in force until January 1st 2049. On the other hand, the import of goods destined to be consumed within the Amazon region are exempt of VAT until December 31st, 2018.

The sale of some products – mainly agricultural – as well as the provision of services listed in specific annexes of the Peruvian VAT law are exempt from VAT until December 31st, 2018.

Selective Consumption Tax - ISC (Excise Tax)

The following activities are subject to the Selective Consumption Tax (*Impuesto Selectivo al Consumo* - ISC) or Excise Tax:

- Sales in the country at the producer level of certain goods incorporated in a list, including fuel, beer, liquor and cigarettes.
- The importation of the listed products mentioned above.
- Betting and gambling, including sweepstakes and raffles.

In the case of soft drinks, alcoholic beverages, certain vehicles, cigarettes, and others, and activities related to gambling and betting, the Excise Tax is determined by applying a certain percentage, which varies depending on the specific goods.

The Excise Tax is also calculated through the ad valorem system in certain cases, by applying the tax based on the retail price (e.g., beer).



Financial Transactions Tax

The Financial Transactions Tax (*Impuesto a la Transacciones Financieras* - ITF) is a temporary tax levied on certain financial transactions provided in the Law creating this tax. The referred Law provides that all obligations in excess of PEN 3,500 or USD 1,000 must be paid using the so-called “Means of Payment.”

The law considers the following means of payment : i) bank account deposits; ii) drafts and wire transfers; iii) payment orders; iv) debit and credit cards issued in Peru; v) credit cards issued abroad by foreign companies whose purpose is the issuance and managing of credit cards, as well as by foreign banking or financial entities, provided that payments are channelled through Peruvian financial institutions or banks; vi) checks bearing the “non negotiable” clause or equivalent; and vii) others to be approved by Supreme Decree.

The law provides that payments made through means other than the means of payment described above shall cause expenses, costs or credits not being deductible for assessment of taxable income for Income Tax purposes.

The Financial Transaction Tax shall be withheld and paid by the financial institutions and other companies specified by law. This tax is deductible for Income Tax purposes.

The Financial Transaction Tax is applicable regardless of the amount of the transaction, whenever a means of payment is used, regardless of whether it was required by law (i.e., provided the PEN 3,500 or USD 1,000 threshold is not exceeded).

Credits or debits to the accounts of governments, diplomatic and consular missions, and international agencies and organizations authorized to carry their activities in Peru are exempt from the Financial Transaction Tax.

The current tax rate is 0.005% and applies to the amount of the financial transaction in local or foreign currency, without any deduction.

Temporary Tax on Net Assets (ITAN)

Temporary Tax on Net Assets (*Impuesto Temporal a los Activos Netos* - ITAN) is levied on the assets of persons generating taxable business income (usually companies) in accordance with the applicable provisions of the Peruvian Income Tax Law.

The tax rate is 0,4% and is applied to the value of company assets in excess of PEN 1,000,000.

The tax actually paid can be used as a credit against advanced Income Tax payments or tax owed on the annual tax return.

Most Relevant Municipal Taxes

Property Tax: This tax is levied on the ownership of property by a natural or legal person in a given district. The rate varies between 0,2% and 1% depending on the value of the property determined by the Municipal Tax Authorities. The tax must be paid annually.

Alcabala Excise Tax: This tax applies to the gratuitous or onerous transfer of land property. The rate is 3% and is applied to the value of the property agreed by the parties or the self-appraisal value determined by the district municipality where the property is located, whichever is greater. The tax must be paid by the buyer.

Automotive Tax: This tax is generally applicable to the automobiles owned by individuals and companies, and levies an annual 1% of the original purchase price of automobiles no older than 3 years.

Other Municipal Taxes: Public cleaning service fees, local public security services fees, local park maintenance services fees.



The local governments or municipalities are authorized to create, amend or annul certain local taxes related to the services they provide to the public.



Labor and Immigration Standards

Employment Contracts

General Characteristics of Contracts

The rendering of personal, subordinated and remunerated services is deemed an indefinite term labor contract.

The only requirement for hiring local personnel is that the employee must be of the age of majority (i.e. 18 years). Minors between 15 and 18 years must have parental permission and the approval of the Ministry of Labor (www.mintra.gob.pe).

Local personnel is usually hired for an indefinite period. In this case it is not mandatory to enter into a written labor contract. In case of part-time, fixed-term or foreign employees the agreement must be executed mandatorily in writing. Fixed-term employment agreements are allowed but only in cases provided by law.

Part-time Employment Contracts

Part-time employees are those who work -on average- less than four hours a day. Part-time employees may work 24 hours a week if the employer establishes a 6-working-days week. If the working week has 5 days then the maximum working hours a week shall be less than 20 hours.

Part-time employment agreements must be executed in writing and be submitted to the Labor Authority.

Part-time employees are only entitled to certain mandatory labor benefits. Specifically they are only entitled to legal benefits that do not have as a requirement for its granting, to render services for more than four hours a day (i.e. Vacations -only 6 working days-, legal bonuses, life insurance policy, family allowance, and profit sharing (when applicable)).



Fixed Term Employment Contracts

Fixed term employment contracts are allowed but only in the cases provided by law. Employers must describe in detail the cause that justifies the subscription of these type of contracts.

Employers do not longer have the obligation to register fixed-term employment contracts at the virtual platform of the Ministry of Labor or the Regional Labor Offices. The non-mandatory registration will apply to contracts signed since November 11, 2016.

Peruvian legal system has established 9 modalities of fixed term employment contracts, divided in 3 groups:

(a) Temporary Contracts:

- (i) Beginning of a new corporate activity: This is an agreement between the employer and employee upon the beginning of a new activity. It must be understood as a new activity, the beginning of the productive activity of a company, the installation or opening of new establishments or markets, as well as the beginning of new activities or the increase of the already existing activities within the same company. Its maximum duration is 3 years. That is to say, these type of contracts may be executed for shorter periods and renewed subsequently as long as these do not exceed the mentioned maximum term.
- (ii) Markets needs: This is an agreement executed due to temporary and unforeseeable increases in production, originated by substantial market variations. Its maximum duration is 5 years including the initial contract and its extensions.
- (iii) Corporate reconversion: This shall be used for the accomplishment of activities derived from the replacement, extension or modification of the ordinary or complementary activities of the company. Its maximum duration is 2 years.

That is to say, these type of contracts may be executed for shorter periods and renewed subsequently as long as these do not exceed the mentioned maximum term.

(b) Accidental Contracts:

- (i) Occasional: It is executed for contracting services derived from transitory needs other than the ordinary needs of the company (in our opinion, complementary). Its maximum duration is 6 months per year.
- (ii) Replacement: This is a contract for the replacement of an employee subject to an indefinite term employment agreement, whose relationship is suspended for any grounds set forth by law or the performance of tasks entrusted to him. According to law its duration depends on the term of suspension of the replaced employee.
- (iii) Emergency: This is a contract executed in case personnel is needed due to force majeure or irresistible force events, which are inevitable, unforeseeable and irresistible (force majeure). According to law, its duration is that necessary to cover the emergency.

(c) Specific Work or Specific Service Contracts:

- (i) Certain work or specific service: It refers to a contract for the performance of transitory and specific works or services. According to law, the duration for the time needed to complete the work or service.
- (ii) Intermittent service: It is a contract executed to perform permanent but discontinuous activities in the workplace. The original contract and extensions may be executed with the same employee, who has a preferential right to reinstatement, as may be set forth in the original contract and will be effective without an express extension of the contract. The term



depends on the activity to be performed, either short-term or discontinued activities.

- (iii) Seasonal contract: This contract may be used for the coverage of seasonal activities. Its duration depends on the extension of the season.

The Peruvian legal system allows executing different and continuous fixed term contracts with the same employee, under different modalities, depending on the needs of the employer. The only requirement is that they do not overcome the maximum duration of 5 years, except in the cases where the law provides a shorter maximum term.

There are certain situations provided by law which may lead to consider fixed-term employees as indefinite term personnel (fixed term contracts distortion).

There is no limit to the number of employees who can be contracted under fixed term contracts; provided their contracts are included in the cases set forth by law.

In addition, a permanent employee who is terminated cannot be contracted under a fixed term contract, unless 1 year has elapsed since his/her termination.

Trial Period

Peruvian labor regulation establishes a 3 month trial period for regular personnel. Upon expiration of said period the employee is protected against unlawful dismissal. Only management or trusted qualified employees may agree on a longer term. The extension of the trial period must be made in writing and may not exceed, along with the original trial period, 6 months for trusted employees, and 1 year for management employees.

Quota of Employees with Disabilities

Pursuant to Law N° 29973, private companies with more than 50 employees must maintain no less than 3% of disabled employees in its payroll.

The calculation is performed taking into account: (i) the number of employees registered in the payroll, and (ii) the period between January 1st and December 31st of each year. The labor authority is verifying the compliance of the quota since January 2016.

Working Hours

The maximum is an 8-hour work day or a 48-hour work week.

Overtime is calculated based on the hourly rate. The first two hours of overtime are paid at 25% of the employee's regular hourly pay. All additional hours are paid at 35% of the employee's regular hourly pay.

Accumulative or atypical work periods are allowed provided they do not exceed the average of 48 hours of work per week.

Management personnel, employees who are not under immediate supervision and those who perform intermittent services with waiting periods or security services, are not entitled to overtime pay.

Paid Leaves

In connection to leaves of absence established by Peruvian rules, the main paid leaves are the following (in addition to vacations):

Weekly Rest

Employees are entitled to a minimum of a 24-hour rest period per week, which normally corresponds to Sunday.

They may work on Sunday and take the day off on another day of the week. If the employee work on a weekly rest day without taking a



substitute day off, the employer shall pay an additional 100% of the daily salary.

National Holidays

Employees do not have to render services on holidays established by law, but they do have the right to earn the salary corresponding to such days.

The employer and the personnel may agree on settling a substitute day off work. If the employee work on a legal holiday without taking a substitute day off, the employer shall pay an additional 100% of the daily salary.

Sick Leave

The duration of the sick leave depends on the employee's disability for working.

For the first 20 days of disability the employer has to pay the corresponding salary to cover the sick leave. After this period, the Social Security Service pays – in fact, the employer pays and is later reimbursed by the Social Security Service – the sick leave with the amount of the disability subsidy for 11 months and 10 days.

Maternity Leave

Law N° 30367, from November 25, 2015, has extended the license period. Currently, the length of the maternity leave is 98 days (49 days of prenatal leave and 49 days of postnatal leave). Additionally, in cases of multiple childbirths or if the child presents a disability, the postnatal leave will be extended for 30 additional calendar days.

Paternity Leave

The duration is 4 consecutive labor days as of the childbirth date certified by the respective medical center. According to law, this leave is paid by the employer.

Adoption Leave

Employees who have adopted a child are entitled to a leave of 30 days provided that the child is no more than 12 years old. According to law, this leave is paid by the employer.

If the petitioners are spouses, the leave will be taken by the women.

Leave Due to Serious Illness or Accident of Direct Relatives

Employees are entitled to a paid leave for a maximum of seven days in case his/her child, parent, spouse or partner have been diagnosed with a serious or terminal disease or if they have suffered a serious accident.

If the employee needs more days for assisting his/her relative, the leave will be granted for no more than thirty days as part of his/her vacation. If, on an exceptional basis, the employee needs to extend his/her leave he/she may agree with the employer to set off the leave with overtime.

Mandatory Employee Benefits

It is worth noting that that the employer is not only required to accomplish all the obligations related to the payment of the employee's remuneration, but he is also obliged to grant all the mandatory rights and benefits requested by Peruvian labor regulations.

Said rights and benefits are the following:

Minimum Wage

Since May 1st of 2016 the new minimum wage is PEN 850.00.

This minimum wage may be adjusted periodically by the government.



Legal Bonuses

There are two mandatory bonuses within the year equivalent to two monthly remunerations. Provided that the employee works the complete semester, the first bonus is payable during the first half of July and the second one is payable during the first half of December. The bonuses are calculated on the basis of the monthly remuneration received by the employee plus the regular remunerations received during the corresponding semester. If the employee is not employed the complete semester, the bonus is pro-rated and the employee receives one sixth of said bonus per worked month.

Pursuant to Law N° 30334, bonuses are not subject to any social contribution except the income tax. Therefore, the employers shall pay directly to its employees, as an Extraordinary Bonus, the amount of the contribution to the Social Security Service (ESSALUD) for the bonus, equivalent to 9% of the same. If the employee is covered by a Private Healthcare Provider, the amount of said extraordinary bonus will be equivalent to 6,75% of the bonus.

Compensation for Length of Services (CTS)

This is a legal benefit consisting of semiannual deposits of approximately 8,33% of the wages – including bonuses – earned each semester.

The deposits are made in an account called “CTS Account” in the bank chosen by the employee every May and November. The semesters considered for each deposit are November – April for the May deposit and May – October for the November deposit.

Employees may freely use the total amount deposited in their accounts once the employment relationship is terminated. However, at any time before the termination of employment, employees may withdraw from their CTS accounts up to the 100% of the excess of 4 gross monthly remunerations.

Vacations

Employees are entitled to a 30-day paid vacation per each complete year of services. The vacation remuneration is equivalent to the monthly remuneration and has to be paid before the employee leaves to vacation. The vacation remuneration may also include other complementary and regular remunerations according to law.

To enjoy this benefit, the employee must have completed a full year of services. The year of services required by law is calculated considering the beginning date of the labor relationship.

The 30-day vacation period shall be enjoyed without any interruption. However, employees may agree with their employer to break down, accumulate or reduce this period considering that, under no circumstances may the vacation period be less than 7 calendar days per year.

The employer and the employee decide by mutual agreement the time the vacations will be enjoyed, considering the company's needs and the employee's interests. However, in case of disagreement, the employer's decision will prevail.

Family Allowance

This family allowance applies to employees whose remuneration is not regulated by collective bargaining. It gives the employee the right to receive a monthly amount equivalent to 10% of the minimum wage (that percentage is currently equivalent to PEN 85.00), as long as he/she has one or more children under the age of 18 or until the age of 24 if they are pursuing higher education.

Profit Sharing

Employees have the right to receive profits through the distribution of an annual percentage in the company's income before taxes (between 5% to 10% according to the kind of activity).



Profit sharing is applicable for those companies that have more than 20 employees (to establish the number of 20 employees it is necessary to consider personnel under indefinite contract, temporary contract or part time contract).

The applicable rate of profit sharing is 10% for fishing, telecommunications and industrial companies; 8% for mining, trading activities and restaurants; and 5% for other activities.

Profit sharing is paid according to these percentages, which are calculated on annual income before taxes. However, the company is entitled to offset the net profits with accumulated losses from previous fiscal years, without it including the deduction of profit sharing of employees. Please note that the deduction from applying the statutory profit sharing rate is considered an expense for tax purposes, and therefore it may be deducted for income tax purposes.

Life Insurance

The employer is obligated to pay a life insurance for all employees with more than four years of service.

Implementation of a lactation room and its use

On February 9th, 2016, it was published the Supreme Decree N° 001-2016-MIMP. This decree establishes the obligation of the employer to provide a place specially designed for expressing breast milk in workplaces where 20 or more women of childbearing age (between 15 and 49 years old) work, and to grant at least one hour of daily use for mothers with children up to 2 years old. The deadline for the implementation of this special place is June 17th, 2016.

The minimum characteristics of the lactation room include an area of 10 square meters, in a private, comfortable and accessible to mothers with disabilities environment. It must also have a refrigerator, water dispenser and cleaning utensils, among others.

In addition, employers have the obligation to regulate the use and conditions of the lactation room in the Working Rules or in a similar document, and to inform about its implementation to the Ministry of Women and Vulnerable Populations within a 10 days period.

Social Security and Taxes

Social Security in Health (ESSALUD)

Pursuant to Law N° 26790, all employees and their dependents are statutory affiliates of the Social Security in Health (ESSALUD).

The monthly contribution for ESSALUD is equivalent to 9% of the employee's monthly remuneration and shall be paid by the employer.

Private Health Care Providers

In addition to ESSALUD coverage, the employer may grant private health care plans to its employees through a Health Care Provider ("*Entidades Prestadoras de Salud* - EPS"). In such cases, the employer may have a credit against the ESSALUD contribution equivalent to 25% of the applicable contribution. That is to say, of the 9% corresponding to the ESSALUD contribution only 6,75% shall be destined to such entity, and the remaining 2,25% shall be delivered to the EPS.

In no case may this credit exceed the following amounts:

- (i) The amount allocated by the employer to finance health coverage in the corresponding month, and;
- (ii) 10% of the tax unit multiplied by the number of employees who received EPS coverage.

In order to use the aforementioned credit, the employer must follow the legal procedure for selecting the EPS.

The plan coverage offered by the employer through an EPS shall provide the same benefits for all covered employees and their



dependents, regardless of their remuneration. Such coverage shall not be less than the minimum care plan offered by ESSALUD. The health care plans may include co-payments, to be borne by the insured, which shall be paid upon receipt of the assistance and, unless express consent of the employee, co-payments may not exceed 2% of the monthly remuneration for each ambulatory health care and 10% for each hospitalization. Furthermore, such coverage should include attention to accidents and occupational diseases, as appropriate, and shall not exclude care to pre-existing ailments.

Retirement Contribution

Employees have the option to choose between the Public or Private Pension System

The monthly contribution for the Private Pension System is equivalent to 10% of the employee's remuneration. Additionally, there is a premium for disability insurance, survival insurance and burial expenses (1,23% of the remuneration) (between 0,47% and 1,84% of the remuneration) and for the commission of the Pension Fund Administration (*Administradora del Fondo de Pensiones* (AFP)). All these items are discounted by the employer from the employee's salary and paid to the administrator of the pension.

The monthly contribution to the National Pension System is equivalent to 13% of the employee's remuneration. The employer shall discount the contribution and pay it to the National Tax Authority (*Superintendencia Nacional de Aduanas y Administración Tributaria* (SUNAT)), which collects this contribution.

Income Tax

The employer must withhold and pay on a monthly basis to the Tax Authority the income tax generated by employees.

Domiciled employee's income is taxed in Peru on a worldwide income basis. For its determination, a first deduction of 7 Tax Units - equivalent during 2017 to S/. 28,350.00- is made on the employee's

income. Notwithstanding this, domiciled employees may deduced additionally up to 3UIT (S/. 12,150.00) for the following concepts: lease payments; mortgage loan's interests used by the employee to acquire his/her first house; receipt for fees of doctors or dentists; payments made for professional services; contributions to the social security made on behalf of domestic workers.

After all possible deductions have been made, the following annual progressive rate is applied to the remain of the employee's income: 8% for amounts that exceed 7 Tax Units (S/.28,350.00) up to 12 Tax Units (S/. 48,600.00), at 14% of net income for amounts that exceed 12 Tax Units up to 27 Tax Units (S/.109,350.00), at 17% of the net income for amounts that exceed 27 Tax Units up to 42 Tax Units (S/.170,100.00), at 20% of the net income for amounts that exceed 42 Tax Units up to 52 Tax Units (S/.210,600.00) and is capped at 30% of net income in excess of 52 Tax Units

Take into consideration that due to their condition of non-domiciled taxpayers in Peru, foreign employees are taxed on Peruvian source income only, according to the non-domiciled income tax criteria. The income tax rate for non-domiciled individuals is a flat 30% rate.

A non-domiciled individual will be deemed to be a domiciled individual once he or she has resided in Peru for at least 183 days within a 12-month period. The change of status (non-domiciled to domiciled) will be effective as of the next fiscal year (January 1st) following the year in which he or she has stayed in Peru for the required period.

Termination of the Employment Relationship

Legal Causes of Termination

Peruvian regulation provides the following possibilities to conclude employment relationships:

- (i) Death of the employee or of the employer if he/she is a natural person.



- (ii) Resignation of the employee.
- (iii) The termination of the work or service, the fulfillment of resolutive condition and the expiration of the term for fixed term employment agreements.
- (iv) Mutual agreement.
- (v) Employee's permanent and absolute disability.
- (vi) Retirement.
- (vii) Dismissal under the circumstances provided by law.
- (viii) Termination by objective cause.

Dismissal

Employees who work 4 or more hours daily are protected against unfair dismissal.

The reasons that justify the dismissal of an employee are explicitly contained in the refunded text of Labor Productivity and Competitiveness Act, approved by Supreme Decree N° 003-97-TR, which has classified the dismissal cases related to the ability of the employee and his/her conduct.

Termination by Objective Causes

Termination by objective causes is also known as “collective dismissal” and proceeds in the following cases:

- (i) Act of God or force majeure.
- (ii) Economic, technological, structural or analogous reasons.
- (iii) Dissolution and liquidation of the company, and bankruptcy.
- (iv) Patrimonial restructuring, under the pertinent law.

To make effective said termination, the procedure established by law must be followed; it involves a notice to or the approval of the Labor Authority.

In case of economic, technological, structural or similar motives, collective termination shall involve at least 10% of the total number of employees of the entity.

Termination Without Cause: Severance Pay

In the event that the termination of an employee is unfair (i.e. it is not based on a legal cause or is successfully challenged by the employee at court), the employee is entitled to a severance pay consisting of 1.5 times his/her monthly salary for each year of service plus fractions up to a maximum of 12 monthly salaries in case of an indefinite term relationship.

When dealing with fixed-term employment contracts the severance pay consists of 1.5 times the monthly salary for each month until the completion of the contract with a maximum of 12 monthly salaries.

The mandatory severance payment is not considered taxable income for income tax purposes.

The corresponding severance pay must be paid by the employer within the next 48 hours of the employee's termination.

Due to decisions of the Constitutional Court, employees that are dismissed without any cause may refuse to collect the severance payment and request to be reinstated, except in case of management or trust personnel hired since the beginning of their employment to render management or trust services.

Foreign Employees in Peru

When hiring foreign personnel, it is necessary to execute a written employment contract according to certain formalities and limitations



(i.e. its term shall not exceed of 3 years, which could be extended for similar periods).

The Ministry of Labor must approve these contracts. In order to request the approval of a foreign employees' contract, only the following documents must be submitted to the Ministry of Labor: (i) The Labor Contract; And (ii) A sworn affidavit where the company states that all the legal requirements are fulfilled and that the foreign employee has the training or work experience required to occupy the position offered.

That is to say, it will no longer be necessary to submit to the Ministry of Labor documents such as, the certificates of previous employment or professional titles, that -on general basis-had to be translated and legalized or apostilled.

Foreign employees should not exceed 20% of the total workforce and their combined salaries should not exceed 30% of the total company payroll.

The applicable law provides for exceptions to those restrictions, such as high-level executives of a new company, high-level executives going through corporate restructuring, qualified professionals or technician, or personnel from companies that have entered into agreements with entities of the public sector. Those restrictions do not apply in case of (i) citizens whose spouse, ancestors, descendants and siblings are Peruvian; (ii) citizens whose countries of origin have entered into an international dual nationality or a labor reciprocity treaty.

Foreign employees may only begin their services once the contract has been approved by the Ministry of Labor, and when the adequate migratory status (resident visa) has been obtained. The foreign employees may not be included in the payroll until they fulfill both requirements.

Special rules apply in case of Spanish citizens, citizens from countries of the Andean Community and MERCOSUR.

On September 26th, 2015, it was published the Legislative Decree N° 1236, Immigration Legislative Decree. This decree modifies the current Peruvian Foreign Law and it has established new immigration status such as the frontier employee, provisional resident, among others. This decree is not yet in force, as it will take effect 90 days after the publication of its regulation. Nevertheless, this regulation has not even been promulgated.

In addition, on October 16th, 2015, it was published the Ministerial Resolution N° 0633-2015-IN. This resolution modifies the Consolidated Text of Procedures of National Superintendence of Migration, deleting requirements, simplifying and streamlining the procedures.

Hiring through Labor Intermediation Companies

The general rule is that personnel shall be hired directly by the employer. However, third companies may provide personnel to their clients only to render the following services:

- (i) Temporary services: occasional services or temporary replacement of personnel. The number of seconded workers cannot exceed 20% of the client company's total staff
- (ii) Supplementary services: services that are not part of the client's main activity and whose absence does not affect the activity of the company, such as courier, surveillance, security, reparations and cleaning.
- (iii) Highly specialized services: complex and specialized services that are not part of the client's main activity, such as specialized sanitation and maintenance.

Labor intermediation companies must provide a bail to the client company, in order to guarantee the compliance with their assigned



employees' labor and social security obligations. In case the bail is insufficient for the payment of labor rights owed to the assigned employees, the labor intermediation company and its client shall be jointly responsible for the payment of such debts for the time of the assignment.

Outsourcing

According to Peruvian regulations “outsourcing” is defined as the business organization by which a company entrusts or delegates the development of one or more parts of its main activity to one or more companies (outsourcing companies) that procure works or services related to their main activity.

The regulation is applied to outsourcing relationships with continuous displacement of personnel to the main companies' facilities, but not to outsourcing events without displacement or with eventual or sporadic displacement.

Outsourcing will be lawful when besides complying with the aforementioned definition, the outsourcing companies:

- (i) Bear the services provided at their own account and risk;
- (ii) Count with their own financial, technical or material resources;
- (iii) Are responsible for the result of their activities, and;
- (iv) Their employees are under their exclusive subordination. This means that the employees shall receive instructions, sanctions and be supervised only by the outsourcing company.

The requirements mentioned above shall be jointly complied, because the non-existence of any of them will invalidate the outsourcing.

The following are additional characteristic elements of outsourcing activities:

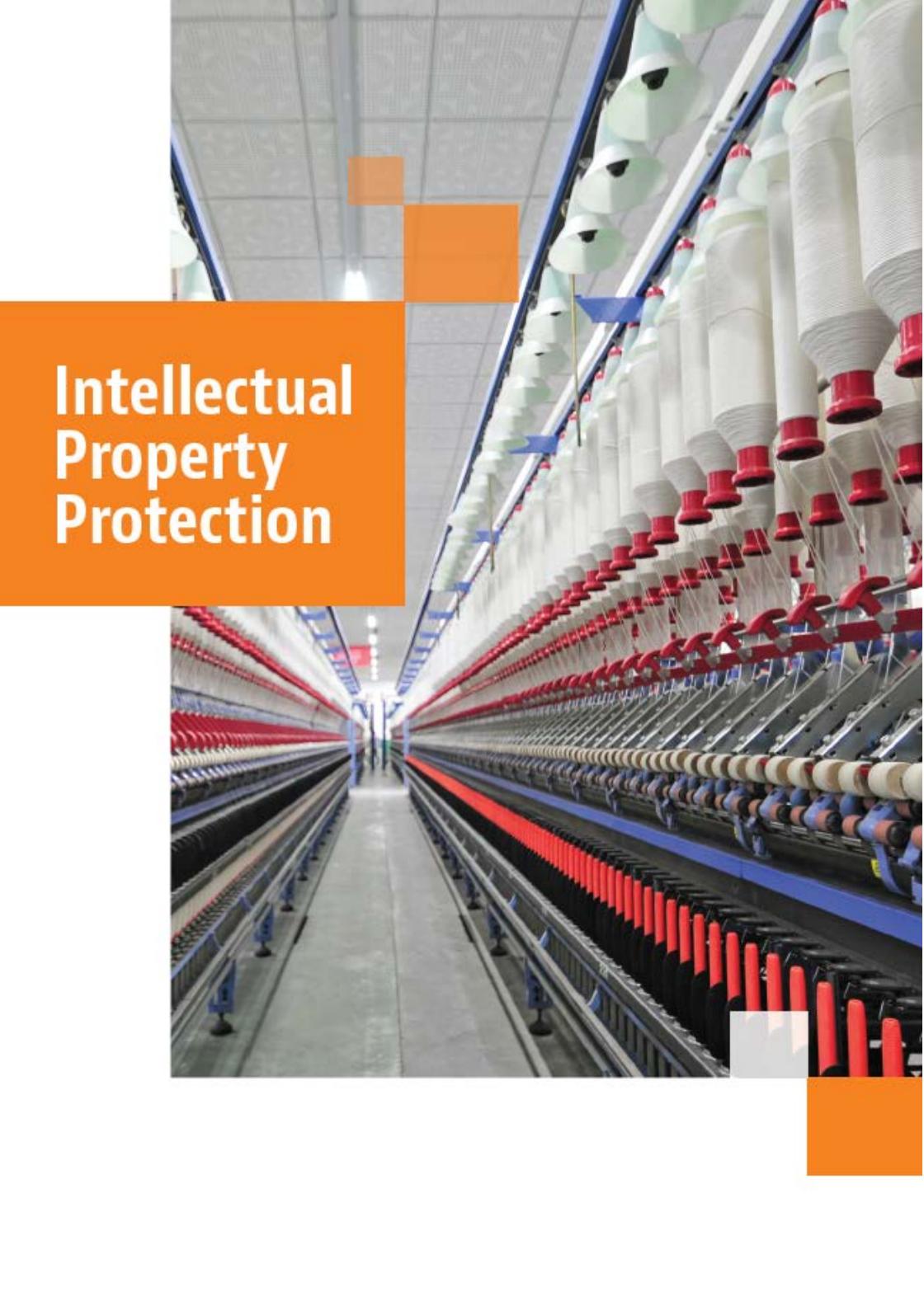
- (i) The outsourcing company shall have more than one client;

- (ii) It shall have its own equipment and capital investment; and
- (iii) The compensation to be paid to the outsourcing company shall be calculated based on the services rendered by the company.

If the outsourcing relationship does not meet the aforementioned requirements or if after a reasonable analysis of the characteristic elements t the outsourcing company lacks autonomy, the outsourcing will be deemed distorted. In that event, the outsourced personnel of the outsourcing company will be deemed personnel of the main company.

In addition, it is worth considering that pursuant to outsourcing regulations the main company is jointly liable for the payment of the outsourced employees' remunerations, labor benefits and social security contributions accrued during the term of outsourcing. Rights and benefits as a consequence of collective bargaining, labor agreements or those unilaterally set forth by the employer are excluded.

Outsourcing companies must be registered before the Labor Authority. However, this obligation is fulfilled by declaring the outsourcing of the employees on its electronic payroll.



Intellectual Property Protection

In Peru, protection of intellectual property can be divided into the protection of industrial property and the protection of copyright.

Industrial property protection applies to all economic activities. And all natural or legal persons recognized by the constitution and laws of Peru, whether or not domiciled in Peru, are entitled to industrial property protection.

The protected components of industrial property are: (i) invention patents; (ii) certificates of protection; (iii) utility models; (iv) industrial designs; (v) trade secrets; (vi) goods and services marks; (vii) collective marks; (viii) certification marks; (ix) trade names; (x) commercial slogans; and (xi) appellations of origin.

Industrial property in Peru is governed mainly by the Paris Convention for the Protection of Industrial Property, the Agreement on Related Aspects of Intellectual Property Rights (TRIPS), the General Inter-American Convention for Trade Mark and Commercial Protection (Washington Convention), the Lisbon Agreement for the Protection of Appellations of Origin and their International Registration, the Treaty on the Law of Marks, Decision 486 of the Andean Community - Common Intellectual Property Regime, Legislative Decree N°1075 (which approves complementary provisions to Decision 486), Legislative Decree N° 1309 (of the Simplification of Administrative Proceedings in Matters of Intellectual Property followed before the Resolutive Bodies of the National Institute for the Defense of Competition and Protection of Intellectual Property-INDECOPI), Legislative Decree N° 1092 (approving Border Measures for the Protection of Copyright and Related Rights and Trademark Rights), the Patent Cooperation Treaty Patent (PCT), and Law N° 29316 (which modifies, includes and regulates various provisions to implement the trade promotion agreement signed between Peru and the United States of America).

The INDECOPI is the authority in charge of maintaining records and amendments to the industrial property registrations and the correct application of the respective rights.



Patents are granted for inventions, whether products or processes, in all fields of technology, provided the invention is new, involves an inventive step, and has industrial application or applicability. The invention patent has a term of 20 years from the date the application is filed. After the term expires, the invention enters the public domain.

At the applicant's request, the Office of Inventions and New Technologies may adjust the patent term if the patent grant was subject to unreasonable delay (this adjustment is not available for pharmaceutical products and procedures).

Licenses over invention patents must be in writing and registered before the Office of Inventions and New Technologies to be deemed enforceable against third parties.

Similarly, a patent holder or the patent challenger, may file any action claiming ownership and compensation in order to assert a right to the patent.

A utility model is any new form, configuration or arrangement of components of any device, tool, instrument, mechanism or other object, or any part thereof, which allows a better or different operation, use or manufacture of the object incorporating the utility model or that provides the object usefulness, advantage or technical effect that it did not have before. The utility model has a term of 10 years, from the date the application is filed. Once the term has expired, the utility model enters the public domain. The utility model can also be licensed.

Industrial designs cover any arrangement of lines or combination of colors, or any two- or three-dimensional external shape, which is incorporated into an industrial product or handicraft to give it a special appearance but does not change the target or purpose of the product and serves as type or pattern for its manufacture. Industrial design protection has a term of 10 years from the date the application is filed. After the term expires, the industrial design enters the public domain. The industrial design may be transferred or licensed.

Product and service marks must be registered with INDECOPI to obtain legal protection. Registration is done according to the International Classification of Goods and Services for the Purposes of the Registration of Marks (i.e., Nice Classification) and can be carried out through a multi-class registration request. Upon completion of the registration procedures, the competent authority issues a certificate that grants the holder exclusive rights over the mark for 10 years. Owners of registered marks may divide their trademark certificates as trademark applicants may also divide their applications.

Registration may be renewed six months prior to expiration and up to six months after the expiration date.

If a registered mark has not been used in Peru or in any Andean Community member country by the owner or a licensee for three consecutive years, the mark may be cancelled by any person having a legitimate interest in the mark.

Similarly, the competent authority may, either on its own motion or at the request of an interested party, annul the registration of a mark if: (i) the mark does not meet the requirements for registration; (ii) the right to the mark has been granted contrary to laws or regulations; or (iii) the registration has been granted in bad faith.

A trade name does not require registration to be protected. However, an unregistered trade name is only protected in the geographical area where it is used.

Based on the violation of its industrial property rights, the holder of an industrial property right may initiate an administrative proceeding before the INDECOPI or criminal proceedings before the Criminal Courts. After the administrative authorities or the criminal court determine that there was a violation of industrial property rights, the holder of such rights may also file a civil lawsuit seeking a compensation for damages.



Copyright protection accrues to all intellectual works in the literary and artistic domain, whatever their type, form of expression, merit or purpose. Copyrights are compatible with: (i) industrial property rights that may exist over the work; and (ii) derivative rights and other intellectual property rights recognized by the law. In resolving conflicts, emphasis shall always be placed on what may be most favorable to the author.

Copyright in Peru is governed mainly by the Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations, Decision 351 of the Andean Community: Common Regime on Copyright and Related Rights, Law on Copyright (Legislative Decree N° 822) as amended by Legislative Decree N° 1076, Legislative Decree N° 1092 (approving Border Measures for the Protection of Copyright and Related Rights and Trademark Rights), and Law N° 29316 (which modifies, incorporates and regulates various provisions to implement the trade promotion agreement signed between Peru and the United States of America).

As in the case of industrial property rights, INDECOPI is the authority in charge of maintaining records and amendments to copyright and monitoring the proper use of these rights.;

The following are protected under copyright law: (i) literary works expressed in writing through books, magazines, pamphlets or other writings; (ii) literary works expressed orally such as lectures, speeches, and sermons or didactic explanations; (iii) musical compositions with or without words; (iv) dramatic, musical, choreographic, pantomime and performing arts works in general; (v) audiovisual works; (vi) works of plastic arts (including paintings, sketches, works of engraving and works of lithography); (vii) architectural works; (viii) photographic works and works expressed by a process analogous to photography; (ix) illustrations, maps, drawings, plans, sketches and plastic works relative to geography, topography, architecture or science; (x) slogans and phrases to the extent that they have a form of literary or artistic expression with

original features; (xi) computer programs; (xii) anthologies or compilations of assorted works or expressions of folklore, and databases, provided that such collections are original by reason of the selection, coordination or arrangement of their contents; (xiii) newspaper articles, whether or not on current events, reports, editorials and commentaries; and (xiv) any other product of the intellect in the literary or artistic domain, which is characterized by originality and is susceptible of being disclosed or reproduced by any means or process, known or yet to be known.

Copyright recognized in Peru is independent from the ownership of the material in which the work is embodied, and its enjoyment or exercise is not subject to registration or compliance with any other formality.

Unlike moral rights which exist indefinitely, economic rights are granted for the life of the author, and will continue for 70 additional years, wherever the country of origin of the work.

Economic rights over works may be transferred by mandate or legal presumption, by transfer *inter vivos* or *mortis causa*, by any means permitted by law.

Based on the violation of copyright, the copyright holder may initiate an administrative proceeding before the INDECOPI or criminal proceedings before the Criminal Courts. After the administrative authorities or the criminal court has determined that there was a copyright violation, the holder of such rights may also file a civil lawsuit seeking a compensation for damages.

Regarding effective technological measures, the rules currently in force provide that any unauthorized circumvention of said measures used by copyright holders to protect their works is sanctioned, either administratively or criminally, by law. Besides, the manufacturing, importation, distribution or commercialization of products or components thereof to elude the aforementioned technological measures is also sanctioned by law. For these purposes, some



exceptions are established to the sanctions imposed for circumvention of effective technological measures.

National legislation has also established the application of border measures to intercept counterfeited and pirated goods when imported, exported or in transit.

Protection of Free and Fair Competition

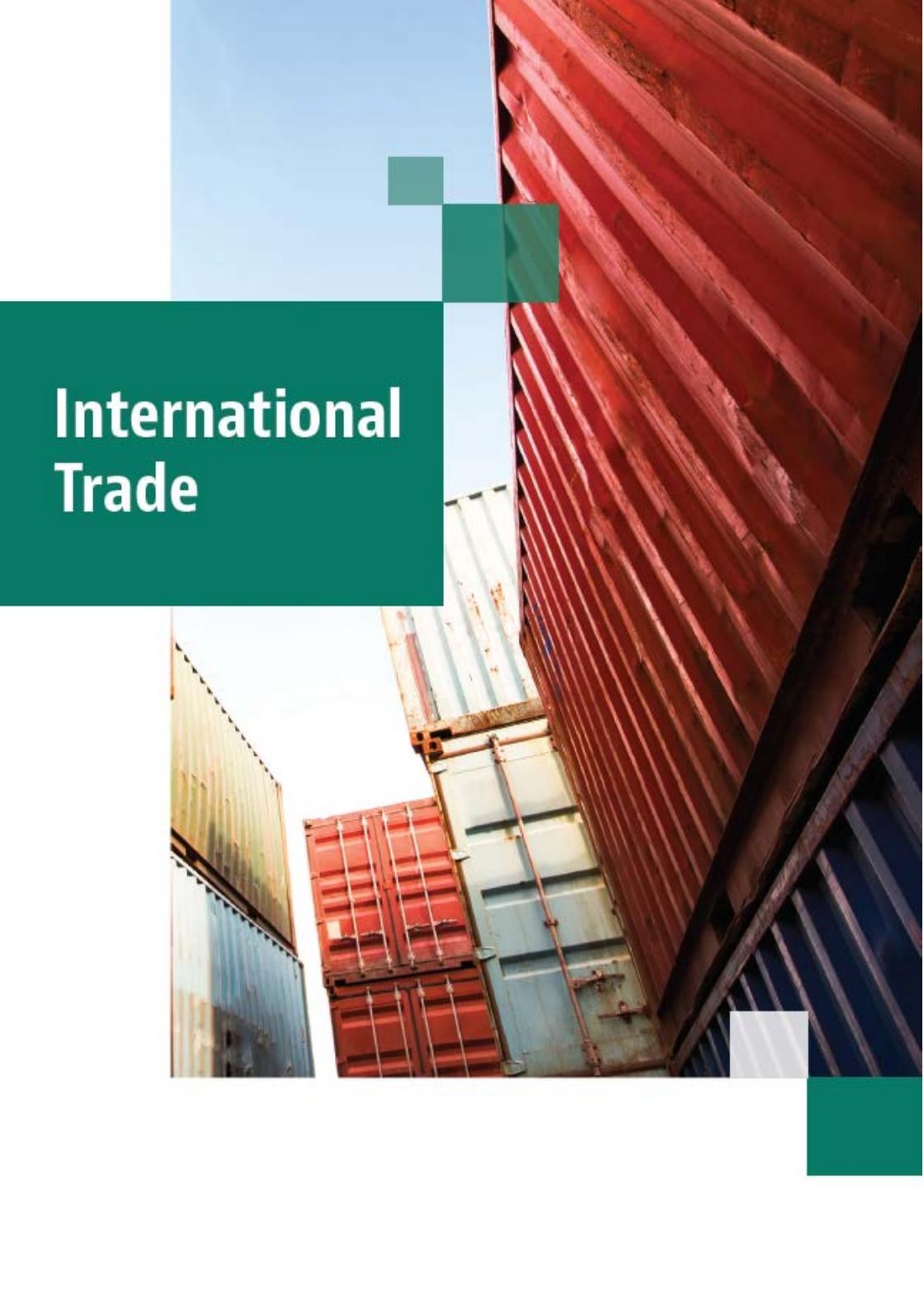


As a general rule, business mergers are not subject to authorization by the free competition authority, which in Peru is the Commission for the Defense of Free Competition of INDECOPI.

However, the prior approval of that authority is required for mergers involving companies engaged in the generation, transmission and distribution of electricity. In such cases, the free competition authority examines the merger operation and, if it considers that the merger may reduce, harm or prevent competition, it may subject it to conditions or prohibit the merger.

Moreover, in order to promote economic efficiency for the benefit of consumers, the law prohibits and penalizes anticompetitive behaviors. The anticompetitive behaviors include: (i) abuse of a dominant position, (ii) horizontal collusion, and (iii) vertical collusion.

Furthermore, all acts of unfair competition that have the effect of preventing the proper functioning of the competitive process are prohibited. An act of unfair competition is one that is objectively contrary to the requirements of good faith in business, rules of good market conduct and efficiency in a social market economy.



International Trade

Trade Openness

By means of Legislative Decree N° 668, in force since October 1991, the Peruvian government approved a regime to guarantee freedom of domestic and foreign trade. This regime mainly:

- Gave economic operators free access to the acquisition, processing and marketing of both final goods and raw materials, and provision of services.
- Eliminated and prohibited all types of exclusivity, limitation, or any other restriction or monopolistic practices in the production and marketing of goods and services.
- Prohibited the imposition of surcharges, tariff quotas or, any other charges on the importation of goods, with the sole exception of customs duties and applicable taxes levied on the domestic sale of products.
- Annulled all types of licenses, reports, records, and certifications for import and export customs operations, and forbade the creation of para-tariff restrictions.

Additionally, in accordance with the provisions of the Peruvian Constitution, this legislative decree guarantees the free ownership, use and disposal of foreign currency, as well as the free convertibility of the national currency at a single exchange rate.

On the other hand, the Peruvian government shall ensure that the technical regulations and standards are not prepared, adapted and applied with a view or with the effect of creating unnecessary obstacles to trade of any kind and shall ensure an equivalent treatment between domestic and foreign similar products. This will apply for final goods, raw materials and inputs of any kind, inclusively domestic and foreign trade services.

Finally, it is important to mention that the Ministry of Foreign Trade and Tourism defines, directs, executes, coordinates and supervises



foreign trade policies, which, in certain cases, require coordination with other ministries.

Customs Clearance's Features

Customs clearance is governed by the General Customs Law¹ and its regulations.² In addition, the National Superintendency of Tax Administration ("SUNAT") is responsible for controlling the entry or exit and transportation of goods inside Peruvian borders.

The goods declaration is requested by customs clearance agents or other persons legally authorized by the Customs authority. The declarations are processed under the following customs clearance process:

- **Advance Clearance:** Allows the importer to have the imported goods released within a period not greater than 48 hours as from their arrival. This procedure requires the electronic submission of the customs declaration thirty (30) days prior the arrival of the transportation and the prior presentation of a financial guarantee to the customs administration, so as to obtain the release or disposal of the goods without prejudice to continuing the customs clearance process, and then pay customs duties and taxes on imports.
- **Delayed Clearance:** After the arrival of the imported goods into Peruvian territory the importer has a deadline of fifteen (15) calendar days, as from the date of the end of the download, to dispatch the goods under a customs procedure.
- **Urgent Clearance:** It is the customs clearance of some goods considered as relief consignments or emergency, such as medications, among others. The dispatch can be started before or

¹ Legislative Decree N° 1053, and its amendments (Legislative Decree N° 1235)

² Supreme Decree N° 010-2009-EF and its amendments. The last amendment was under Supreme Decree N° 163.2016-EF.

after the arrival of the transportation to the destination, according to the term established in its Regulation.

The customs clearance is necessary for goods to be subject to a customs procedure, which commences upon submission of a Goods Declaration to Customs authorities.

In order to commence the customs clearance, any customs tax debt, and any anti-dumping or countervailing duties, if applicable, must be paid. After that, in the SUNAT website or by electronic notice, the importer may check the assigned channel determining the type of control that will be applicable to the goods for entry into Peruvian territory. This control is assigned randomly and may be:

- **Green Channel:** The goods will require neither any document review nor any physical inspection,
- **Orange Canal:** The goods will be subject only to document review, and
- **Red Channel:** The goods will be subject to document review and physical inspection.

The import or export clearance of goods that have no commercial value, or that have a commercial value that is not significant for the country's economy, may be processed under any of the following:

- **Simplified Import Declaration:** It facilitates the clearance for import of goods that in quantity, quality, species, use, origin or value, have no commercial purpose, or if they do they are not significant for the country's economy. The Simplified Declaration is performed under a simplified customs procedure.

The maximum amount of goods in order to the importer submit a simplified declaration import is US \$ 2,000.00. If it does not exceed the maximum amount, it can be performed directly by the importer of record.



- **Simplified Export Declaration:** Facilitates the clearance for the final export of goods that in quantity, quality, species, use, origin or value, have no commercial purpose, or if they do they are not significant for the country's economy. This clearance is processed under a Simplified Declaration. The maximum amount of goods in order to the exporter can submit a simplified declaration of export is USD 5,000.00. If it does not exceed the maximum amount, it can be performed directly by the exporter of record.

Tariff Classification

Peruvian's tariff schedule is based on the nomenclature of the Harmonized Commodity Description and Coding System (HS) developed by the World Customs Organization (WCO). The Sixth Amendment of this system was approved in 2017, by the Supreme Decree N° 342-2016-EF. It is a key issue to determine the correct tariff classification of the merchandise upon importation into Peru. The tariff classification of the merchandise determines the customs duty and applicable taxes upon importation, but also whether any non-tariff requirements apply, and the applicable rule of origin under the Free Trade Agreements signed by Peru in order to qualify or not for a preferential duty treatment.

Under this tariff schedule, merchandise is identified by a ten-digit tariff number called the national subheading tariff. The subheadings tariff its make up on the Common Tariff Nomenclature of the Member Countries of the Andean Community (NANDINA), approved by the Commission of the CAN, which incorporates the various amendments to the Harmonized System (HS).

The average applied Most Favoured Nation (MFN) tariff in Peru is 3.2%, one of the lowest rates on the continent. Peru's tariff schedule comprised three rates: 0%, 6% and 11%, excluding tariffs that might apply as a result of the price band. The percentage of lines with a zero rate (0%) is 55.9%. Raw materials and consumer goods received more protection than semi-processed or finished products.

Customs Valuation

Customs valuation is a procedure that determines the customs value of imported goods. The mentioned valuation procedure shall be done according to the methods established in the Valuation Agreement of the WTO, which are applied mutually exclusive in the following order:

- **First Method:** Transaction Value of Imported Goods.
- **Second Method:** Transaction Value of Identical Goods.
- **Third Method:** Transaction Value of Similar Goods.
- **Fourth Method:** Deductive method.
- **Fifth Method:** Computed value method.
- **Sixth Method:** Full-back method.

Conditions for Import and Export

Importers must be registered with SUNAT in order to obtain a valid single taxpayers' registration number (RUC) before they can import and export. Goods may be imported or exported simply by using a national identity document, in the case of Peruvian nationals, or a foreign identity card, passport or safe-conduct, in the case of foreigners. It is important to note that in order to import and export without a RUC, certain conditions required by law must be met.

The main documents required by the Administration for the importation of goods into the Peruvian territory are:

- (i) Customs Declaration Form (DAM);
- (ii) Commercial invoice, or any other equivalent document;
- (iii) Transport document (Bill of Lading, Air Way Bill depending on the mode of transport); and
- (iv) Insurance, if applicable.



It is noteworthy that when the goods are considered restricted, customs will request other documents such as permits, authorizations or guarantees issued by local authorities or applicable ministries, among others. Exceptionally, for reasons of security or public health, the importation of some goods may be prohibited (e.g. some animals, pharmaceuticals and agrochemicals, used goods -used cloth- , etc.).

Furthermore, each customs regime governed by the General Customs Law requires a different list of required documents for import.

As a general rule, imports are levied with the payment of custom duties (ad valorem CIF), value added tax (IGV in Peru) and the Municipal Tax (IPM). Exceptionally, there are other taxes which are applied especially to agricultural goods.

On the other hand, the main documents required by the Administration for export of goods out of the country are:

- Customs Declaration of Goods.
- Transport document, depending on the mode of transport.
- The invoice, document of the participant or operator or Ballot sale or any other proof of transfer of goods to a customer domiciled abroad; or affidavit of value and description of goods where there is no sale.
- A document evidencing the power vested in the customs clearance agent: transport document duly endorsed or special power of attorney.
- Any other document required for export due to the nature of the goods.

Customs Regimes

In Peru, WTO rules on import valuation are applied.

The Customs Law sets out a number of procedures and customs operations that are applicable to goods that enter or leave the country. The main customs regimes are:

- (a) **Importation for Consumption Regime:** It is the most common type of customs regime and involves the definitive entry of foreign goods into Peruvian customs territory for the purpose of being consumed in the country. The entry of goods into Peru is made after paying customs duties and applicable taxes, if any, and complying with any formalities and other customs obligations, if applicable. Foreign goods shall be considered nationalized when clearance is granted by the customs authority.
- (b) **Definitive Exportation Regime:** A customs regime enabling the exit of national or nationalized goods from Peruvian customs territory to be used or consumed abroad. This regime is not subject to any taxes. Goods shall be shipped within a time limit of thirty (30) calendar days as from the day following submission of the customs declaration. The regularization of this customs regime will be carry out within a period of thirty (30) calendar days from the day following the shipping date of term, in accordance with its Regulations.

The law also sets forth customs procedures for export promotion, such as:

- (a) **Drawback Regime:** It allows for the full or partial recovery of customs duties levied on imported inputs that have been incorporated into exported goods or that were consumed during their production. Through this regime, the beneficiary can get a refund repayment of 4% of the FOB value of exported goods, provided that some requirements are met. For example, the value of the imported inputs may not surpass 50% of the exported



good's FOB value. The recovery rate (currently 4%) will change to 3% in 2019.

(b) Temporary Importation for Outward Processing Regime:

Customs regime that allows the import of certain goods to the customs territory after paying the customs duty, equivalent to the customs duties and other applicable taxes on imported inputs, if they are transformed or manufactured and materially incorporated into export goods that will be exported within twenty-four (24) months after their entry. In addition, goods used directly in the production process, such as catalysts, accelerators or retarders, which are consumed during the process, may be subject to this customs regime, and the fulfillment of the customs formalities and liabilities.

(c) Reposition of Merchandise in Franchise Tariff Regime:

It allows the importation – without payment of customs duties and applicable taxes on imports – of goods equivalent to nationalized goods, which have been transformed, processed or physically incorporated into definitively exported products.

The imported goods under replenishment are freely available. However, if it has been used for the exported product elaboration, will benefit from the Reposition of Merchandise in Franchise Tariff. In order to apply to this customs regime, the export declaration shall be submitted within a one (1) year, from the day following the customs clearance upon importation that underpins the entry of goods to be replaced. The importation for the consumption of franchised goods shall be submitted within a one (1) year, from the day following the date of issue of the duty-free replenishment certificate.

Other important regimes are:

- (a) Temporary Admission of Goods for Re-Export in the Same Condition Regime:** Formerly known as Temporary Importation, this regime allows the entry of certain goods, with suspension of payment of customs duties and applicable taxes on imports,

provided they are identifiable and designed to meet a specific purpose in a specific place, to be re-exported without any modification whatsoever in their nature, within a period not exceeding 18 months, for the export goods packing, an additional six (6) months period may be requested.

- (b) **Customs Warehouse:** This customs regime allows the storage of goods arriving to the Customs territory in a Customs deposit for such purpose for a certain time limit (12 months) and under Customs control free from Customs duties and other taxes applicable to importation for household use, provided that they have not been claimed for any Customs procedure or abandoned. Deposited goods may be totally or partially destined to a procedure of importation for household use, reshipment, temporary admission for re-exportation in the same condition or temporary admission for inward processing.

Multilateral Agreements on Trade and Integration

Peru is a founding member of the World Trade Organization (WTO). Consequently, the WTO rules on antidumping, subsidies and countervailing measures, as well as on liberalization of markets, technical barriers to trade, among others, are applicable in the country.

Similarly, Peru is currently a member of the Andean Community (CAN), which is formed by Peru, Bolivia, Ecuador and Colombia. The following are State parties to the Andean Community: Chile,³ Brazil, Argentina, Uruguay and Paraguay.

Following the Relief Program agreed in the Andean Community, trade of goods between Bolivia, Colombia, Ecuador and Peru enjoys total tariff relief, constituting a Free Trade Area.⁴ Peru joined the program

³ On September 20, 2006 Chile formalized its entry as party to this sub-regional agreement.

⁴ However, from January 2009 Ecuador has implemented safeguards to certain products.



according to a relief schedule established by Decision 414 of the Andean Community.

On the other hand, Peru is a State party to the agreement between countries in South America, called MERCOSUR. That agreement has been entered into by Argentina, Brazil, Paraguay, Uruguay, Chile, Ecuador, Colombia and Bolivia.

Peru has signed agreements with other countries in Latin America, under the rules of the Latin American Integration Association (ALADI) and has entered into trade agreements with Mercosur together with other members of the Andean Community.

In addition, Peru has executed investment protection agreements which are currently in force, either in the form of Bilateral Investment Agreement or through an investment protection chapter contained in a Free Trade Agreement. The most important investment treaties executed by Peru are the following:

1. Germany	15. United States*	29. Panama*
2. Argentina	16. Finland	30. Paraguay
3. Australia	17. France	31. Portugal
4. Belgium	18. Holland	32. UK
5. Bolivia	19. Honduras*	33. Czech Republic
6. Canada*	20. Italy	34. Republic of China*
7. Chile*	21. Iceland*	35. Republic of Korea*
8. Colombia	22. Japan*	36. Romania
9. Costa Rica*	23. Liechtenstein*	37. Sweden*
10. Cuba*	24. Luxembourg	38. Singapore*
11. Denmark	25. Malaysia	39. Switzerland*
12. Ecuador	26. Mexico*	
13. El Salvador	27. Norway*	

14. Spain	28. Netherlands	40. Thailand* 41. Venezuela*
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The countries marked with an asterisk have an investment chapter in a Free Trade Agreement entered into with Peru.⁵

Listed below are the current Free Trade Agreements (FTAs) of Peru with our business partners:

- MERCOSUR (since 2 January 2006).
- United States of America (since 1 February 2009).
- Chile (since 1 March 2009).
- Canada (since 1 August 2009).
- Cuba (since 5 October 2000).
- Singapore (since 1 August 2009).
- People's Republic of China (since 1 March 2010).
- European Free Trade Association (EFTA) (Norway, Liechtenstein and Switzerland since 1 July 2011. Iceland since 1 October 2011).
- South Korea (since 1 August 2011).
- Thailand (since 31 December 2011).
- Mexico (since 1 February 2012).
- Japan (since 1 March 2012).
- Panama (since 1 May 2012).
- European Union (since 1 March 2013).

⁵ Peru has executed a trade agreement with the European Union, this agreement includes an investment chapter with the member countries of the agreement.



- Costa Rica (since 1 June, 2013).
- Venezuela (since 1 August, 2013).
- Pacific Alliance Agreement (since 1 May 2016).
- Honduras (since 01 January 2017)

The main areas covered by the above mentioned trade agreements are: customs affairs and trade facilitation; technical barriers to trade; sanitary and phytosanitary measures; trade protection; services, establishments and capital movement; public procurement; intellectual property; competition; dispute resolution, horizontal and institutional affairs; trade and sustainable development; technical assistance and skill building; among others matters.

Besides, it also has signed trade agreements (not yet in force) with Guatemala and Brazil. While that the other agreements with el Salvador, Turkey, Trade in Services Agreement and Doha development round are still under negotiation.

We must emphasize that Peru is a part of the Trans-Pacific Partnership, that its negotiations concluded on October, 2015. Currently, the twelve member countries are during the process of ratification of the said agreement. This agreement includes innovative areas such as: supply chain management, free movement of information, labor standards, development, anticorruption, small- and medium-sized enterprises, among others.



Sectors

Agriculture and Agro-industry

General Framework

Through the legal framework for the exploitation of agricultural land the comprehensive, competitive and sustainable development of the agricultural sector, as well as the preservation and effective exploitation of agricultural land, is declared as of national interest and common well-being. To this purpose, the State ensures free access to land ownership, as well as any and all rights to benefit from land ownership.⁶

Likewise, investments in agro-industrial activities are not subject to legal or administrative requirements restricting the free establishment, operation, set up and marketing of products derived therefrom. The agricultural product prices are determined by free market conditions.

Pursuant to the provisions set forth in Law 27360 – law approving rules for the Promotion of the Agricultural Sector, amended by Law 28810 – and regulations thereof, approved by Supreme Decree N° 049-2002-AG, individuals and legal entities engaged in crop production and/or animal breeding, are entitled to certain tax and labor benefits until December 31, 2021.

Pursuant to the provisions of such law, the beneficiaries of this promotion system are (i) individuals or legal entities engaged in crop production and/or animal breeding, except for the forestry industry; and, (ii) individual or legal entities carrying out agro-industrial activities, provided they exploit mainly agricultural products, directly produced or acquired from persons engaged in the crop production and/or animal breeding referred to in item (i) above, in areas where such products are produced, outside the province of Lima and the constitutional province of El Callao.

⁶ Except for property ownership restrictions for foreigners within the 50 km territory of the Peruvian borders.



The main tax and labor benefits granted to the beneficiaries of the agricultural system are detailed in the following comparative chart:

Comparison between Agricultural System (Tax and Labor-related) and General System		
Item*	General Labor System	Agricultural System
Income Tax Rate (3rd Bracket)	29.5%	15%
Depreciation Rate	As provided for by law (usually 10% per year)	20% per year for hydraulic infrastructure works and irrigation works
Deduction with Sale Vouchers and Payment Slips	Only expenses duly supported with invoices may be deducted	Expenses duly supported by sales vouchers and payment slips may be deducted
Early Valued Added Tax (VAT) Recovery	An investment agreement must be executed with the State, for the amount of no less than USD 5,000,000	There is no need to execute an investment agreement
Payments on Account	In the absence of calculated tax in the previous year or, if applicable, in the year preceding the previous year, taxpayers shall pay, as a payment on account, the monthly fees applying the rate of 1,5% to net incomes earned in	In the absence of calculated tax in the previous year or, if applicable, in the year preceding the previous year, taxpayers shall pay, as a payment on account, the monthly quotas applying the rate of 0,8% to net incomes earned in

Comparison between Agricultural System (Tax and Labor-related) and General System

	such month	such month
Recruitment	Indefinite term contracts and, as an exception, fixed-term contracts, as provided by law	Indefinite or definite term contracts. The term of definite term contracts shall depend on the activity to be carried out (season)
Minimum Wage (RMV)	S/850.00 per month or S/28.3 per day, provided an average of more than four hours are worked per day	S/878.10 per month or S/29.27 per day, provided an average of more than four hours are worked per day. Remuneration includes severance pay and Independence Day holidays and Christmas bonuses
Independence Day Holidays and Christmas Bonuses	A monthly remuneration in July and in December, as applicable	Included in the RMV (See RMV)
Severance Pay (CTS)	Semi-annual deposits in May and in November of each year, in a bank or financial institution designated by the workers, consisting of 9.72% of their remuneration – including bonuses – earned in each semester	Included in the RMV (see RMV)



Comparison between Agricultural System (Tax and Labor-related) and General System		
Vacation	30 calendar days paid per year of service or applicable fraction	15 days per year of service or applicable fraction
Family Allowance	Applicable to workers whose remuneration is not adjusted by collective bargaining. It is the right to 10% of the minimum wage (at present S/85.00) if the worker has one or more children under 18 years	Not applicable
Compensation for Wrongful Dismissal	1.5 monthly remunerations for each complete year of service with a limit of 12 remunerations	Equivalent to 15 daily remunerations for each complete year of service with a limit of 180 daily remunerations
Employer's Contribution to the Social Security for Health (ESSALUD)	9% of the monthly remuneration for each worker	4% of the monthly remuneration for each worker
<p>Any other item not included in this chart shall be adjusted for the Agricultural System in the same manner as it is adjusted in the General System.</p> <p>The Labor and Social Security system of the agricultural sector does not apply to administrative staff performing duties in the provinces of Lima and El Callao.</p>		

It must be pointed out that agro-exporters may also enjoy general benefits granted to exporters, such as the simplified payment of customs duty (*drawback*) and balance in favor of the exporter, under the conditions established in the applicable legal provisions.

Environmental Aspects

In addition, the environmental regulatory framework for the agriculture sector is the following:

- (i) Regulations on Solid Waste Management of the Agricultural Sector, approved by Supreme Decree N° 016-2012-AG, which seeks to regulate the management and handling of solid waste generated by the Agricultural Sector, in a sanitary and environmentally adequate manner.
- (ii) Regulations on Environmental Infringements and Penalties of the Agricultural Sector, approved by Supreme Decree N° 017-2012-AG. The purpose of this provision is to regulate the administrative sanctioning procedure in the Agricultural Sector, as well as the determination of infringements and application of penalties for noncompliance with the legislation and environmental commitments included in environmental management instruments. In furtherance of said purposes, the Regulations approved a new classification of administrative fines.
- (iii) Regulations on Public Participation for Assessment, Approval and Follow-up of Environmental Management Instruments of the Agricultural Sector, approved by Supreme Decree N° 018-2012-AG. The purpose of said regulations is to regulate the public participation procedure before, during and after approval of the environmental management instruments of the Agricultural Sector.
- (iv) Regulations on Environmental Management of the Agricultural Sector, approved by Supreme Decree N° 019-2012-AG. The purpose of such provision is to promote and regulate environmental management in the activities of the agricultural sector. These Regulations also governs the environmental



management instruments of the Agricultural Sector, and classifies them depending on their negative impact on environment, as follows: (a) Category I: Environmental Impact Statement; (b) Category II: Semi-detailed Environmental Impact Assessment; and, (c) Category III: Detailed Environmental Impact Assessment

Banking, Insurance and Finance

Banking and Insurance

The rules applicable to banks and financial companies are found in Law 26702, General Law of the Financial and Insurance Systems, and the Organic Law of the Superintendence of Banking and Insurance.

Foreign investments in companies in the financial and insurance system authorized to operate in Peru and their subsidiaries have a treatment equal to that given to domestic capital subject, where appropriate, to international agreements on the matter.

The Superintendence of Banking, Insurance and Private Administrators of Pension Funds (SBS) (www.sbs.gob.pe), an autonomous entity created by the Constitution, is the authority responsible for authorizing and supervising the activities of banks, financial companies, insurance companies, as well as Private Administrators of Pension Funds (AFP). In Peru, approval by the SBS is required to carry out activities involving the collection of money from the public. Likewise, companies wishing to offer insurance in Peru must previously obtain a permit from the SBS.

The foreign investor can establish a bank, a branch or a representative office. Banks must be established under the form of a corporation or as branches of foreign banks.

Representative offices are established by foreign financial companies to do business with companies of a similar nature operating in Peru, in order to facilitate foreign trade and provide foreign financing and other services. Representatives of financial companies cannot raise funds

from the public or perform operations and provide services that are specific to their principal's activity.

Foreign investors may establish an insurance company in Peru or designate an intermediary, or insurance or reinsurance broker. Insurance companies must be organized under the form of a corporation.

Interest rates, commissions and expenses for active, passive and service operations are freely determined by the financial system companies. In turn, companies in the insurance system freely determine the terms and conditions of insurance stipulated in their policies, their fees and commissions.

Finance

Currently, in Peru there is no rule that prohibits or restricts the granting of credit by persons not domiciled in the country. In this sense, both the non-domiciled lender and the borrower have flexibility to agree on the terms and conditions under which credit will be granted.

As for guarantees to ensure compliance with the obligations assumed by the borrower, the parties may agree on the creation of personal and real guarantees, such as sureties, endorsements, mortgages, securities, guarantees on flows, mortgages on infrastructure concessions, letters of credit, etc. It is also possible to provide more complex guarantees as in the case of trusts.

In credit agreements, the parties may agree on the submission to foreign laws. They may agree to refer to a foreign court or arbitration, whether local or international, the settlement of disputes arising between them.

With regard to Income Tax applicable to financing granted by legal persons not domiciled in Peru, the interest payable on foreign loans are subject to a retention rate of 4.99 percent, as long as they comply with the requirements specified in the law. In case of noncompliance



with the requirements, or if economic ties exist between the parties, interest payments will be subject to a retention rate of 30 percent.

For the purposes of the Peruvian tax law, expenses and commissions, bonuses and any other additional amount paid to foreign beneficiaries beyond the interest agreed, will be considered as interest.

Also, interest payments to non-banking, non-financial or non-credit entities shall be subject to the Value Added Tax, at a rate of 18 percent.

Electricity and Hydrocarbons

Electricity

The approval of the Electricity Concessions Law (Decree Law N° 25844) in November 1992 put an end to reservations and restrictions on private investment in the electricity sector.

Electrical activities are divided into generation, transmission and distribution. For generation activities with water resources and renewable energy resources (with an installed capacity of over 500 KW), transmission (when these require affecting state property or easements) and distribution (above 500 KW), concessions are required. In the case of thermal generation (with an installed capacity greater than 500 KW), authorization is required. Concessions and authorizations are granted by the Ministry of Energy and Mines, or by the Regional governments, when applicable.

Moreover, in accordance with the 2010-2040 Peruvian National Energy Policy, Legislative Decrees N° 1002, N° 1041 and N° 1058, published between May and June 2008, promote the use of renewable energy sources (biomass, wind, solar, geothermal, tidal, and hydraulic-in the latter case when the installed capacity does not exceed 20 MW-). Thus, it stipulates that the electricity generated from these resources will have priority in the daily dispatch, for which it shall be assigned a variable production cost equal to zero. Similarly, the current legal framework, establishes an interconnection priority for

power plants based on these technologies, as long as there is sufficient capacity in the transmission and distributions systems. Likewise, and according to the abovementioned regulation and in order to foster investment with these technologies, since 2009 to date 4 auctions of renewable energy have been called by OSINERGMIN, and several solar, wind, hydroelectric and biomass projects have been granted accordingly. Likewise, an auction for areas not connected to the grid has been performed. It must be noticed that all these projects have a payment mechanism designed to guarantee the revenues, though the collection a tariff charge paid by the users.

A national grid links facilities throughout the country. However, there are still some isolated systems not connected to the grid. There is a Committee of Economic Operation System (COES) (www.coes.org.pe), consisting, in accordance with the provisions of Law N° 28832 -Law to Ensure the Efficient Development of Electric Power Generation-, of four sub-committees: one of generators, one of distributors, one of transmitters and one of free clients. By means of Supreme Decree N° 027-2008-EM the COES Regulation was approved.

Hence, the purpose of the COES is to coordinate its operation at the lowest cost ensuring the security of supply and the best use of energy resources.

The OSINERGMIN (www.osinergmin.gob.pe) is the independent regulatory agency responsible for setting the tariffs and overseeing the quality of electric power service.

Additionally, it is responsible for overseeing compliance with the obligations of the concessionaires, as well as the duties assigned by the COES.

The Electricity Concessions Law distinguishes between the so-called users of the Public Electricity Service (or Regulated Clients) and Free Clients. In this sense, users whose maximum annual demand is equal to or less than 200 KW have the status of Regulated Clients. On the



other hand, users whose maximum annual demand is greater than 2,500 KW have the status of “Free Clients.” Finally, users whose maximum annual demand is greater than 200 KW up to 2500 KW are entitled to choose between the status of Regulated Clients or Free Clients.

The Peruvian Government, through the OSINERGMIN, regulates the distribution tariffs for the Public Electricity Service. The regulated tariff, also called Bar Tariff, is set periodically by the OSINERGMIN. In contrast, Free Clients may directly negotiate the conditions of supply with any generation or distribution company.

The tariffs and compensation charged by holders of transmission and distribution facilities, the energy sales from generators to distribution concessionaires when they are intended for the Regulated Clients (except in the case where a tender has been conducted to contract this service), and sales to distributors and users of the public electricity service are subject to Bar Tariffs.

Furthermore, current law established a merger control for electricity activities, either in the vertically and/or horizontally, requiring for such cases the authorization of the Antitrust Authority (the Commission for the Defense of Free Competition of INDECOP).

According to Convention 169 of the International Labor Organization, on 2011 the Law on the Right to Prior Consultation with the indigenous or native peoples was enacted, which, among others, must be applied by the Peruvian State in any project which may directly affect the collective rights on physical existence, cultural identity, quality of life or development of indigenous or native peoples. This law has been regulated by Supreme Decree N° 001-2012-MC. The Prior Consultation process is applied, when applicable, prior to the concessions granting.

Finally, and in connection with tax matters, it shall be noted that notwithstanding the general tax regime applicable, investment in electricity are subject to the following benefits: to all

- Accelerated depreciation regime: Tax benefit that promotes the investment on electricity generation using renewable resources. In that sense, the investor will get access to a special accelerated depreciation regime in order to determine the Income Tax. That depreciation will apply to machines, equipment and civil works that are necessary to install and operate the electric plant. For this purpose, the annual depreciation rate will not be higher than 20% as a global annual rate. That rate may be changed by the investor each year, and have to be communicated to the Tax Administration.
- VAT anticipated recovery regime: VAT levied in acquisitions to develop the project could be refunded to the investor, as long as the pre-operative phase in longer than two years.

Hydrocarbons

The Organic Law of Hydrocarbons regulates the exploration, exploitation, processing or refining, storage, transportation, marketing and distribution of hydrocarbons. The State promotes the development of hydrocarbon activities on the basis of free competition and open access.

The hydrocarbons policy is proposed by the Ministry of Energy and Mines (www.minem.gob.pe). Hydrocarbons are state property. PERUPETRO was created as an entity of the State which holds that right and promotes investment in the exploration and exploitation of hydrocarbons. It negotiates, subscribes and monitors contracts held for exploration and exploitation.

The exploration and exploitation operations are carried out through license or service agreements. In the former, the State transfers the hydrocarbons that are extracted in exchange for a royalty. In the latter, it pays a fee for the service. Exploration contracts are for seven years



(in exceptional cases, the term may be extended for up to three years) and operating contracts are for up to 30 years for oil and up to 40 years for natural gas.

The exploitation and economic recovery of hydrocarbon reserves are conducted according to technical and economic principles generally accepted in the international hydrocarbons industry, subject to compliance with environmental standards.

Contractors enjoy customs facilities for the importation of goods and supplies needed for the fulfillment of the contracts. For example, a contractor can import the goods exclusively required for exploration activities exempted from any tax.

The holders of license agreements have the free availability of the hydrocarbons allocated to them under the contract and can export them free of all taxes.

The Peruvian state guarantees contractors that the exchange and tax regimes in force at the date of celebration of the license or service agreement will remain unchanged during the term of it, for the purposes of each contract. In that sense, those taxes established or created after that date, or subsequent changes in the tax legislation, will not be applicable to the inner activities of the contract.

Contractors carrying out hydrocarbon exploration or exploitation activities in more than one block and carrying out related activities shall determine the annual results separately for each block and activity in order to calculate the income tax.

Exploration and development expenses, as well as any investment made in a block that has not yet reached the stage of production, must be accumulated in a separate account, the amount of which must be amortized per unit of production or by linear amortization, deducting them in equal parts over a period of at least 5 fiscal years.

The income tax for entities domiciled in Peru is currently 29.5%. An additional 2% will be applied for hydrocarbon contracts. However, depending on the activities performed and the type of product, the investor may be exempted from such surcharge.

There is a special benefit for investments in hydrocarbons, which consists of obtaining a refund of the VAT paid by the investor in the acquisition of goods or services directly related to the activities of the contract.

Those contractors who carry out activities in more than one contract or block, or carry out related activities or other activities, must keep independent financial statements for each contract and activity, despite to the obligation to present consolidated financial statements.

The transportation, distribution and marketing of hydrocarbons are free, subject to the rules approved by the Ministry of Energy and Mines. The use of pipelines for the provision of transportation and distribution services requires the granting of a concession.

The activities related to hydrocarbons are under the supervision of the OSINERGMIN, and regarding environmental matters, under the OEFA. Hydrocarbon companies must pay contributions to those entities for a maximum amount of 1% of their annual invoicing minus VAT.

Law N° 28109 promotes investment in the exploitation of marginal resources and reserves of hydrocarbons by reducing royalties in licensing contracts, or increasing the compensation agreed upon in service contracts.

The exploitation of natural gas reserves of Camisea (Blocks 56 and 88) is the most important project in the hydrocarbons sector in Peru. This is one of the most important natural gas fields in Latin America.

In order to promote the participation of private investment in the Camisea project, and the development of the natural gas industry, the Peruvian government has passed several laws and regulations whose



purpose is to provide investors with the necessary tools to enable the development of this industry, and to develop a local market for natural gas. Among these rules, the following are noteworthy:

- The Law on the Promotion of Development of the Natural Gas Industry, which establishes the conditions to promote investment in natural gas production and the development of natural gas transmission and distribution networks, and for the creation of a market for natural gas.
- The Law on the Promotion of Investment in Natural Gas Processing Plants, which aims to grant legal and tax benefits as incentives for investment in natural gas processing plants, such as those for the production of liquefied natural gas (LNG).
- The Law on the Promotion of Investment in Petrochemical Plants, which provides legal and tax benefits that encourage investment in the construction and operation of petrochemical plants located in decentralized areas designated by the Ministry of Energy and Mines (currently there are three: San Juan de Marcona and Paracas, in the Ica region, and Lomas de Llo, in the region of Moquegua).
- The Law that promotes the Development of the Petrochemical Industry based on ethane and the energy node in southern Peru, which declares of public necessity and national interest the promotion and development of the petrochemical industry based on the ethane contained in natural gas, prioritizing that which would be installed in the south of Peru, and in turn, promotes the decentralized development of pipeline-based transportation systems for hydrocarbons.
- The Law N° 29970, which strengthens energy security and promotes the development of the petrochemical hub in the south of Peru, declares of national interest the implementation of measures for the strengthening of the country's energy security

through the diversification of energy sources, the reduction of foreign dependency and the reliability of the energy supply chain.

- The Regulations for the Natural Gas Secondary Market (SPOT), which enables the transferring of gas production and of firm transportation capacity among gas distributors and independent consumers. It is expected that an electronic mechanism for Natural Gas Secondary Market auctions be implemented by 2017; meanwhile, transfers can be made under bilateral agreements.

In addition, provision has been made to promote the massive consumption of natural gas to industrial and residential consumers and in public transportation. In the latter case, the use of natural gas for vehicular purposes has been declared of national interest.

In the case of the bio-fuels market, regulations have been adopted to promote the development of the bio-fuels industry. These rules establish the conditions for the production and marketing of ethanol and biodiesel.

The Peruvian government has established the percentages of bio-fuels that must be blended with gasoline and diesel, which can only be done in duly authorized storage facilities.

In order to address the volatility of fuel prices and to prevent price changes from being passed on to consumers in the domestic market, a permanent Fund for the Stabilization of Prices of Petroleum Fuels was created.

The Ministry of Energy and Mines has approved the 2010-2040 Peruvian National Energy Policy, which includes, among others, the following guidelines:

1. Having a diversified energy matrix, with emphasis on renewable sources and energy efficiency.
2. Having a competitive energy supply.



3. Achieving self-sufficiency in energy production.
4. Developing an energy sector with minimal environmental impact and low carbon emissions within a framework of sustainable development.
5. Developing the natural gas industry and its use in home activities, transportation, commerce and industry as well as efficient electric power generation.

Finally, it should be highlighted that in the framework of Convention 169 of the International Labor Organization, in 2011, the Law on the Right to Prior Consultation with the indigenous or native peoples was enacted, which, among others, must be applied by the Peruvian state in any hydrocarbon-related project which may directly affect the collective rights on physical existence, cultural identity, quality of life or development of indigenous or native peoples. This law has been regulated by Supreme Decree N° 001-2012-MC.

Mining

General Framework

The development of mining activities in Peru is subject to the provisions of the Refunded Text of the General Mining Law (“Mining Law”) approved by Supreme Decree N° 014-92-EM and Regulations thereof.

In accordance with the Mining Law, mining activities (excluding exploration, prospecting, commercialization and storage outside the area of mining operations) must be solely carried out under the concession system. The concession grants its holder the exclusive and excluding right to carry out a specific mining activity, within a specific geographical area.

The Mining Law identifies four types of concessions: (i) Mining concessions (for exploration and exploitation) granted by the Institute of Geology, Mining and Metallurgy Institute of the Ministry of Energy

and Mines (INGEMMET - www.ingemmet.gob.pe), (ii) Processing concessions (for ore-processing tasks such as metallurgy, refinery and mechanical preparation) granted by the General Mining Bureau of the Ministry of Energy and Mines (DGM -www.minem.gob.pe), (iii) General Service concessions (for executing ancillary services) granted by the DGM and (iv) Mining transportation concessions (for transporting ore through non-conventional systems) also granted by the DGM.

It is important to note that Peru has a mining cadaster system, based on satellite World Geodetic System 1984 (WGS84) geographic coordinates information, which provides information in connection with mining rights (current, pending, or extinct), areas available for new applications for mining concessions, geological information, among others.

Concessions must be recorded in the Public Registry of Mining Rights of the Registry of Real State, which forms part of the National Public Registry System, and thus an entry for each concession is made. Any act, transfer, burden, encumbrance or agreement related to the concession must be recorded in said entry so that the act can be enforced against the State and third parties.

The Mining Law establishes that the mining concession constitutes a different, separate and independent right from the surface land where it is located, in other words, it does not grant rights over the surface land, having the concession holder to obtain a right to use the corresponding surface land from the landowner in order to start mining activities.

Additionally, it should be noted that the granting of a mining concession does not enable its holder to carry out mining activities within the area of such concession. Thus, it is necessary that the holder of a mining concession obtain a Start-up Authorization for Exploration or Exploitation Activities (*Autorización de Inicio de Actividades de Exploración o Explotación*), for which it is necessary to have the previous approval of the relevant environmental



management instrument and the Mine Plan (*Plan de Minado*), and obtain an authorization for the use of surface lands, among others.

Holders of mining concessions or mining claims (mining concessions being processed) must meet several obligations, including the payment of a Good Standing Fee (USD 3 per hectare, applicable to mining concessions and mining claims). Failure to pay the Good Standing Fee in a timely manner for two consecutive years causes the cancellation of the mining concession or of the mining claim. Likewise, holders of mining concessions are also required to meet an annual production target established by the General Mining Law.

In case of mining concessions granted until October 2008, the annual production target is equivalent to USD 100 per year per hectare in case of metallic mining concessions, and USD 50 per year per hectare, in the case of non-metallic mining concessions and shall be met no later than the seventh year from the one in which the concession was granted.

For mining concessions granted after October 2008, the annual production target is equivalent to 1 Tax Unit (approximately USD 1,191) per hectare per year in case of metallic mining concessions and 10% of 1 Tax Unit (approximately USD 119) per year per hectare, in the case of non-metallic mining concessions, which shall be met before the eleventh year counted as from December 31st of the year when the mining concession was granted.

If the annual production target is not met, the holder will be required to pay a penalty.

In the case of the mining concessions granted until October 2008, the penalty equals to USD 6 per year per hectare, until the year in which the holder meets such target. If the annual production target has not been met by the twelfth year, then the penalty increases to USD 20 per year per hectare. Failure to pay the penalty for two consecutive years will result in the termination of the mining concession.

Applicable penalty for mining concessions granted since October 2008 has been recently amended by Legislative Decree N° 1320, published on January 5, 2017, as follows:

- If the minimum annual production is not reached, the holder of annual production target is not met until the end of the 10th year counted as from December 31st of the year when the mining concession is obliged to was granted; holders shall pay a mining penalty equivalent equal to 102% of the corresponding minimum annual production per year and per hectare until the year on which the holder reaches such production, provided it occurs before the 15th year as from the granting of the mining concession. Failure to pay this penalty during two consecutive years shall give rise to the cancellation of the mining concession annual production target per year per hectare.

If the holder of a mining concession does not reach the minimum annual production on annual production target is not met until the end of the 15th year commencing counted as from December 31st of the year on which when the mining concession was granted, it will expire, unless the holder thereof may prove that (i) such noncompliance is the result of a cause not attributable to the holder (for example, acts of God or force majeure); or (ii) it has invested an amount equivalent to at least ten times the amount of the penalty it has to pay in investments intended for mining activities and/or basic infrastructure of public use. In this case, the holder of the mining concession shall continue paying the respective penalty. Should failure to comply with; holders shall pay a mining penalty equal to 5% of the corresponding annual production target per year per hectare.

- If the minimum annual production target is not met until the end of the 20th year counted as from December 31st of the year when the mining concession was granted; holders shall pay a mining penalty equal to 10% of the corresponding annual production target per year per hectare.



- If the minimum annual production continue annual production target is not met until the 20 end of the 30th year commencing counted as from December 31st of the year following the year in which the when the mining concession was granted, it shall automatically expire; the mining concession shall be cancelled without recourse.

This new regimen will be in force since January 1, 2019.

Finally, according to Legislative Decree N° 1320, the payment of the aforementioned mining penalties might be avoided by demonstrating that during the previous year the holder has invested no less than 10 times the amount of the accrued mining penalty.

Fishing

Fishing activity is regulated primarily by the General Fishing Law, approved by Decree Law N° 25977 (Fishing Law) and its Regulations, approved by Supreme Decree N° 012-2001-PE. As required by the Fishing Law, the hydrobiological resources contained in the territorial waters of Peru constitute national patrimony, so that the government must regulate their exploitation in accordance with the principle of sustainable use of natural resources. Pursuant to the Constitution of Peru, the maritime domain of the Peruvian government includes the sea adjacent to its coastal water, the riverbed and the underground water up to a distance of 200 nautical miles. Therefore, the Fishing Law and its regulations are applicable to activities carried out within such jurisdictional waters.

Also, the Fisheries Management Regulations were approved in accordance with the characteristics of each species, geographic area or destination of the hydrobiological resources. Among them, we may find the recently approved Fisheries Management Regulations for Anchovy and White Anchovy Resource for Direct Human Consumption; the Fisheries Management Regulations for the Hake Resource; the Fisheries Management Regulations for the Horse Mackerel and Mackerel Resources (species reserved exclusively for

the manufacture of products for direct human consumption - preserves, canned, frozen or cured- among others), the Fisheries Management and Aquaculture Regulations for the Lake Titicaca Basin, and the Fisheries Management Regulations for the Peruvian Amazon.

The Ministry of Production (www.produce.gob.pe) is the administrative authority that supervises fishing activities. Its main functions are the following: to adopt fisheries management measures, grant administrative rights to individuals for the development of fishing activities, and inspect, and if appropriate, punish any infringement related to the rules governing the activity (except for activities related to industrial fishing processing and large scale aquaculture, which are under the purview of OEFA). It is worth to note that among the management measures that the Ministry of Production regularly approves, we may find the determination of the total quotas of catch per specie, the individual fishing quotas -in the case of the anchovy and hake species- and the fishing seasons. Besides, some of the administrative rights granted are the fishing permit to operate vessels, the license to operate processing plants, and the authorization or concession to carry on aquaculture activities.

At present, the Fishing Law and its regulations recognize five types of fishing activities, as detailed below:

Research and Training Activities

In order to promote scientific research on fisheries, the Ministry of Production grants authorizations to individuals for them to develop research in Peru's jurisdictional waters. This right allows its holder to operate scientific vessels and extract specimens of various types for fishing investigation purposes.

Hydrobiological Resources Extraction Activities

In general, extraction activities can be divided into commercial and noncommercial. The non-commercial activities encompass research,



aquatic hunting, and subsistence. On the other hand, commercial activities comprise the artisanal and industrial fisheries.

In order to carry on extraction activities, it is necessary to obtain, among other permits, a fishing permit, which is granted by the Ministry of Production. This permit entitles its titleholder to operate fishing vessels within territorial waters of Peru. The fishing permit includes the rights, obligations and conditions applicable, and comprises: the vessel name, the registration number, the storage capacity, the species it may fish and the fishing gear that may be used. In addition, the fishing permit can be granted to national or foreign flag vessels, the latter being subject to special rules for foreign vessels. In Peru, the transfer of the ownership of fishing vessels involves the transfer of the fishing license as well as the supplementary rights and accessories thereto.

Additionally, it should be noted that in order to maintain the validity of the fishing permit it is necessary to comply with the following conditions: (i) to not increase the authorized storage capacity established in the fishing permit; (ii) to comply with the annual minimum fishing effort, which is equivalent to the storage capacity of the fishing vessel; (iii) to comply with applicable fishing rights payments; and, (iv) to hold a valid certificate of registration of the vessel issued by the General Direction of Captaincies and Coast Guard.

Special attention should be given to anchovy regulation, the feedstock for the production of fishmeal and fish oil. In addition, it should be noted that Peru is the world's largest producer of fishmeal. As from 2008, fishing for anchovy has been the subject of a global management measure called Individual Fishing Quotas System, under which each national vessel is assigned a maximum percentage of the catch (individual quota) which grants an aliquot of the total catch quota determined for each fishing season and for each zone, setting

aside the denominated Olympic System⁷ regime. This new fishing regime was approved by Legislative Decree N° 1084, Law of Maximum Catch per Vessel, and several Supreme Decrees have been approved to regulate it along these years. With this new system, fishing companies can better plan their investments in proportion to the amount of anchovies that can be drawn. As per the reports issued by the Ministry of Production, this system has boosted the fishing market, has eliminated inefficiencies and has brought about significant benefits for the ecosystem and the environment. On the other hand, a reserved zone that starts from the line of the coast until 5 nautical miles, between the 16°00'00" south latitude to the south extreme of the maritime domain, has been created. Within the referred zone only artisanal extractive activities are allowed and the catch may only be sold for direct human consumption, under the conditions approved by applicable legislation.

On the other hand, Peruvian authorities have executed public licitations to grant the quotas assigned to Peru by the Inter American Tropical Tuna Commission (IATTC) in order to promote its extraction by national flag vessels and its processing in plants located in Peru. Peru, as a member of the IATTC, has a global share -expressed in cubic meters of storage capacity- to be distributed among the vessels that make up its national fleet. Currently, there exists a Peruvian flag fleet performing tuna exploitation activities both in Peruvian and international waters, together with foreign flag vessels.

Hydrobiological Resources Processing Activities

In general, processing hydrobiological resources in Peru can be divided into processing aimed at the manufacture of products for indirect human consumption such as fishmeal and fish oil, and processing aimed at the manufacture of products for direct human

⁷ The Olympic System was the former regime applicable to the catch of anchovies, which provided for a global quota that was authorized for the season rather than an individual quota for each holder of a fishing permit. Said regime resulted in the holders of said permits competing with each other to gain, in the shortest period of time, the maximum share of the global quota.



consumption, where we can find a diverse group of products, most notably those canned and frozen.

For the development of both processing activities, it is required that the Ministry of Production grant a license to operate the plant in question. To qualify for this, it is necessary to obtain an environmental certification issued by the same entity. The government has been strongly promoting the development of processing activities for direct human consumption, such as canned and frozen products, for which an operation license shall be obtained from the Ministry of Production, provided that the requirements set forth by applicable law are met. On the other hand, processing activities for indirect human consumption (fishmeal and fish oil production) are restricted. To date, the Ministry of Production is not granting new operation licensees for indirect human consumption. Generally, this access is obtained by purchasing a plant with a valid license, for which different contractual arrangements may be made.

Notwithstanding the above, the Ministry of Production is empowered to grant new licenses for the installation and operation of residual flour plants. Such plants process waste originated by the plants that process products for direct human consumption. For this reason, they are incidental to such plants and their operation is subject to special rules.

Marketing and Services Activities

In Peru, the marketing of fishery products (with the exception of exports of seeds and wild aquaculture products) does not require any permit, license or authorization. However, for the provision of quality control and certification services for commercial fish products, it is necessary to obtain an authorization from the INDECOPI.

Aquaculture Activities

The aquaculture consists in cultivating aquatic species, usually throughout all stages of maturation of the species, from their birth until they are ready for trading or processing. The Peruvian government

has developed a cadaster which identifies, aquaculture rights, available areas, evaluated hydro biologic resources, fishing areas, among others.

By virtue of its particular characteristics, which are substantially different from those of the fishing activity, aquaculture activities are governed primarily by the Aquaculture General Law, approved by Legislative Decree N° 1195, which declared aquaculture sustainable development to be in “the national interest”, and its regulation, approved by Supreme Decree N° 003-2016-PRODUCE.

As in fishing, the Ministry of Production is the administrative authority responsible for issuing special rules, granting administrative rights, and oversee and penalize aquaculture activities (except for activities related to large scale aquaculture, which is under the purview of OEFA). For aquaculture activities to be developed within public domain waterbodies as the sea, rivers and lagoons, the Ministry of Production grants a temporal concession (up to 30 years, which may be renewed for the same term). Such concessions are granted through: (i) national or international public contest; or, (ii) direct granting. Additionally, the following activities should be developed by obtaining a temporary authorization (up to 30 years, renewable for the same period) issued by the Ministry of Production: (i) aquaculture activities to be developed within private waterbodies, as artificial ponds specially equipped within private properties; or, (ii) research, technological development and innovation activities in connection with aquaculture. These rights granted by the Ministry of Production may be transferred to third parties.

In order to promote aquaculture activities, the General Aquaculture Law provided the implementation of the public registry for aquaculture concessions and authorizations, which is currently operating. Also, in order to promote investments, the law grants to holders of aquaculture concessions or authorizations the right to mortgage such aquaculture rights and to grant security interests over the aquatic resources cultivated by such holders.



In addition, it should be emphasized that the Peruvian government also promotes the development of aquaculture activities by implementing policies that ensure rapid access to aquaculture rights, such as the Single Filing Address for Aquaculture (*Ventanilla Única de Acuicultura*).

Finally, it is important to note that the Peruvian government has implemented the Single Filing Address for the Production Sector (*Ventanilla Única del Sector Producción*) to simplify the administrative procedures and services related to fishing activities, reducing costs and saving time.

Telecommunications

Since the mid-nineties, all public telecommunications services (landline, mobile, long-distance carrier, cable TV) in Peru are provided by private companies under a free competition regime.

Telecommunications markets are open and there are no restrictions on foreign participation (other than radio broadcasting services), or on the number of operators in any service or market. Exceptions to this open policy are the restrictions based on the allocation of the scarce radio spectrum.

Market conditions and public telecommunications services are regulated by the Open Policy Guidelines for the Telecommunications Market, the General Telecommunications Law and its Regulations. The Supervisory Body for Private Investment in Telecommunications – OSIPTEL (www.osiptel.gob.pe) is the regulatory agency responsible for monitoring market conditions, and the Ministry of Transportation and Communications – MTC (www.mtc.gob.pe) is the entity that grants concessions for public telecommunications services and authorizes the use of the radio spectrum.

In order to provide carrier of final services (for example, landline and mobile phone services), operators must obtain a concession from the government and sign a contract. Peruvian framework contains a

unique concession regulation stating that by signing one concession contract a company is allowed to provide carrier or final services. The characteristics of each of the services to be provided by the concessionaire are included in the correspondent registry as part of the concession contract.

To provide value-added services, companies must be previously registered with the MTC. Internet access is considered a value-added service.

The commercialization of public telecommunications services is allowed. The companies that want to perform this activity must request its registration in the Registry of Traders of Traffic and /or Telecommunication Services with the MTC. The satellite service providers must also be registered with the MTC in order to provide satellite capacity services to local concessionaires.

In order to promote the competition of public mobile services, the government has issued rules governing the provision of mobile services by Mobile Virtual Network Operators (MVNO), and the conditions in which MVNO can use the networks of mobile operators in exchange of a tariff. Concessionaires of public mobile services that want to provide services as MVNO must request their registration in the respective registry of the MTC. To obtain a concession in order to provide services as MVNO, companies must apply for a special procedure.

Interconnection is mandatory for the concessionaires in accordance with the regulations on the subject. The interconnection includes access to essential facilities. If the parties do not agree on the terms of interconnection, the regulator can issue a mandate establishing them. The markets in which there is no competition are subject to rate regulation.

In order to promote the provision of telecommunications services in poorly served areas, and to facilitate the entry of new operators and the expansion of existing networks, several rules have been adopted.



They include the law governing the sharing of infrastructure (antennas, ducts, and poles) for the provision of public telecommunications services; regulation to obtain forced easements allowing operators to extend their telecommunications networks in places where they serve; regulation of special services with interoperability; standards for infrastructure expansion in telecommunications (regulating the use of areas and property in the public domain by telecommunications operators for the deployment, improvement or maintenance of existing infrastructure, or infrastructure yet to be installed, and ensuring that the rates or rights charged to obtain the required permits and/or authorizations correspond to the actual costs incurred for their granting); and provisions allowing and facilitating access by operators of telecommunications services to infrastructure belonging to owners of other public services (thus, for example, any road to be built must include in its infrastructure ducts and chambers technically suitable for the installation of fiber optic cables).

A special regimen that harmonizes the requirements that must be requested by local governments in order to allow concessionaires and passive infrastructure providers install telecommunication infrastructure is in force. Currently, these norms established an automatic approval procedure of installation applications.

A Network Neutrality Regulation is applicable to companies that participate directly or indirectly in the provision of the Internet access service and telecommunications operators in general. The Regulation regulates/prohibits the implementation of network management measures that have the potentiality to block, interfere, discriminate, restrict or degrade any type of traffic, protocol, service or application, regardless of its origin, nature, destination or property.

Transportation Infrastructure

Peru has a public private partnership law and a regulatory framework that promote investment in transportation infrastructure through concessions to private operators. The operation of railways, airports

and roads can be granted for up to 60 years through the concessions system. Likewise, the concession of ports may be granted up to 30 years.

Under this regime, ownership of the infrastructure remains with the State and is not transferred to private operators, who receive the right to its economic exploitation (for example, the collection of tolls or in the case of co-financed projects, the payments committed by the state to finance part of the investment).

On self-funded projects contracts contemplate that the concessionaire shall assume the obligation of making specific investments and or of paying a retribution (for example a royalty) to the State. Concession contracts must include the principles governing the rates. At the end of the concession, the operator must return the infrastructure to the State with all the improvements made.

Access to the transportation infrastructure considered as essential facilities, is mandatory under the regulations in force. An exception to this rule is new port infrastructure that can be granted in concession under a regime of exclusivity in the provision of services. Currently, the Jorge Chavez International Airport, the first and second group of regional airports, the Port of Matarani, the Ancón-Huacho-Pativilca highway and the Cusco-Machu Picchu Railway, among others, are being operated by private companies under this framework.

The Ministry of Transportation and Communications grants infrastructure concessions and authorizations for the provision of public transportation services and the regulatory authority is the Supervisory Body of Investment in Public Transport Infrastructure - OSITRAN (www.ositran.gob.pe).

Environment

The Environment Law, approved in 2005, is the legal framework that governs environmental management in Peru. This legal provision develops various international environmental principles;



acknowledges environmentally-related rights; establishes guidelines for the National Environmental Policy, environmental management, access to information and citizen participation as regards to environmental issues. It also governs the liability system for environmental damage in Peru and articulates the national environmental systems in force (the Environmental Impact Assessment System, and the National System for Environmental Supervision, among others).

In May 2008, the Ministry of Environment was created by the Executive Branch in order for this entity to establish a single environmental policy in Peru, to be duly coordinated and implemented nationwide. The purpose of the Ministry of Environment is to preserve the environment and ensure the sustainable and rational exploitation of natural resources, biodiversity and natural protected areas.

In 2008, the Environmental Supervision Agency (OEFA) was also created with the purpose to supervise and sanction any violation to environmental laws by private parties who hold any project or activity. Environmental powers from sector authorities shall be gradually transferred to the OEFA. As of today, the powers related to environmental supervision, monitoring and imposition of penalties for mining (large and medium scale mining), energy (hydrocarbon and electricity), transport fishing (industrial fishing processing and large scale aquaculture) and industrial sector (*i.e.* beer, paper, tannery, metal smelting, biofuel, production of non-alcoholic beverages and mineral water, sugar, among others) have already been transferred to OEFA.

Environmental Supervision and Enforcement

In order to strengthen the environmental compliance system in the country, the Peruvian Government enacted the Law N° 30011, which among other developments, significantly changed the fines imposed by OEFA. In order to deter persons from engaging in unlawful acts, the maximum amount of fines that OEFA can impose for gross violation to environmental laws or for acts that cause serious

environmental damage has been increased from 10,000 to 30,000 Tax Units, i.e. up to S/.121.500,000 (that is, up to approximately USD 35 million).

In 2014, the Peruvian Government approved Law N° 30230, which modified the role played by OEFA in the environmental supervision and enforcement. Thus, since this Law came into force and for a period of three years, which elapse on June 2017, if any unlawful conduct is detected, OEFA may only order the adoption of corrective measures aimed at reversing the infraction and may not impose any administrative sanction (fine) against the potential offender. If this potential offender does not comply with the corrective measure, then OEFA may impose an administrative sanction (fine) which shall not be higher than 50% of the amount that would be applicable, except for specific exceptions under said law.

Environmental Certification

In accordance with the National Environmental Impact Assessment Law, Law N° 27446 and its Regulations, approved by Supreme Decree N° 019-2009-MINAM, any individual or legal entity which intends to develop an investment project that may have environmental impacts must obtain an environmental certificate. This environmental certificate is a ruling to be issued by the pertinent environmental authority which approves an environmental management instrument. That is to say, the environmental certificate is a statement by the pertinent authority that a project is feasible on environmental terms.

The activities subject to an environmental certificate are contained in the List of Investment Projects subject to the National Environmental Impact Assessment System (SEIA) included in Exhibit II of the above-mentioned Regulations, as amended from time to time. Based on the environmental impacts that may arise, all projects must be classified into the following categories:



- **Category I:** Environmental Impact Statement (DIA): Environmental assessment which evaluates the investment projects causing minor adverse environmental impacts.
- **Category II:** Semi-detailed Environmental Impact Assessment (EIA-SD): Environmental assessment which evaluates the investment projects which are expected to cause moderate adverse environmental impacts.
- **Category III:** Detailed Environmental Impact Assessment (EIA-D): Environmental assessment which evaluates the investment projects which are expected to cause significant adverse environmental impacts.

It is important to point out that, on May 21, 2015, through Law N° 30327, Law for the Promotion of Investments for Economic Growth and Sustainable Development, the Global Environmental Certificate Procedure was created. This procedure, applicable to EIADs, aims to progressively incorporate in one procedure some licenses or authorizations related to the project and required for the development of it (such as the Forest Clearing Authorization, the Sanitary Authorization for Septic Tanks, among others). As of today, this procedure is not applicable. It will be in force once the Regulations of Law N° 30327 are approved. As may be observed, each category refers to a different instrument for environmental management, which must be prepared by a registered environmental consulting firm in the Registry held by the National Environmental Certification Service for Sustainable Investments.

On December 20, 2012, Law N° 29968, Law for the Creation of the National Environmental Certification Service for Sustainable Investments (SENACE), became effective. Pursuant to such Law, SENACE is the entity in charge of reviewing and approving EIA-Ds, which comprises public, private or combined capital investment projects of national and multiregional scope, and which involve activities, constructions, works and other commercial activities and services that are likely to cause significant environmental impacts.

The implementation process of SENACE, has been progressive and continuous, according to the schedule approved for this purpose. For example, as of December 28, 2015, the SENACE has powers over the mining, energy (hydrocarbons and electricity) and transport sectors. Thus, the government aims to turn SENACE into a public agency with exclusive powers to approve EIA-Ds, while the relevant sectors will maintain their powers to approve DIAs and EIA-SDs, that is to say, projects with non-material environmental impacts.

Water Resources

The Water Law N° 29338 and its Regulations, approved by Supreme Decree N° 001-2010-AG aim to regulate the use and management of water resources, which includes the surface and ground continental waters as well as assets related thereto. Under such regulations, water resources are property of the Nation and may not be privately owned. In addition, such law and regulations constitute the regulatory framework for water use rights (permits, authorizations or water use license), and regulate the respective administrative proceedings.

The use of water resources to be obtained from a natural source is contingent upon its availability and must be carried out efficiently. Regardless of the project's productive sector, a water use right (usually a Water Use License) must be previously obtained from decentralized bodies of the National Water Authority (ANA) prior to the execution of the corresponding technical studies and in accordance with the procedure established for this purpose.

The ANA is the governing body of the National Water Resource Management System and it is authorized to enact provisions and establish procedures for the integrated and multisectorial management of water resources. The ANA has nation-wide presence through decentralized entities called Water Management Authorities (*Autoridades Administrativas del Agua - AAA*). Furthermore, within the structure of the ANA there are local authorities that depend on the AAA, called Local Water Managements (*Autoridades Locales del Agua - ALA*).



Tourism

The General Tourism Law (Law N° 29408) and its regulations, approved by Supreme Decree N° 003-2010-MINCETUR, establish the basic principles for the development of the tourism activity in the country, for the purposes of promoting, encouraging and regulating the sustainable development of tourism.

It recognizes the intention of the State to contribute to the process of national identity and integration, by promoting the development of the infrastructure and quality of tourism services, with the Ministry of Foreign Trade and Tourism (MINCETUR) as the national governing body, and it creates a Tourism Advisory Committee composed of representatives of entities related to tourism (www.mincetur.gob.pe).

Pursuant to Supreme Decree N° 003-2007-MINCETUR, the Commission for the Promotion of Peruvian Exports and Tourism (PROMPERU) is now the entity that integrates the former Commission for the Promotion of Exports (PROMPEX) and the former Commission for the Promotion of Peru (PROMPERU), previously responsible for the promotion of tourism (<http://www.promperu.gob.pe>).

This institution is responsible for developing activities to promote exports and tourism, always at the service of exporting companies and tour operators, and is also responsible for promoting the image of Peru and its tourism.

On the other hand, the legal framework governing tourism activities in Peru has delegated the duty to protect and manage the cultural and natural patrimony of the nation to the National Institute of Culture (INC) (www.inc.gob.pe) and the National Service of Areas Protected by the State (SERNANP) (www.sernanp.gob.pe), making them responsible for protecting historical and archaeological monuments, and parks and nature reserves, respectively. The latter was established by Legislative Decree N° 1013, replacing the former Natural Resources Institute (INRENA).

Companies that qualify as providers of tourism services fall within the scope of Law 29408, among which are travel and tourism agencies, lodging establishments, tourist guides, tourist transport services, casinos, restaurants and the like, among others.

It is noteworthy that Supreme Decree N° 022-91-ICTI-TUR declared of national interest the protection of all domestic or foreign tourists who individually or in an organized manner, stay or travel within the national territory.

It also promotes social and internal tourism by providing special rates for students, teachers, and retirees, as well as by facilitating any kind of procedure in criminal and administrative matters.

Pursuant to these rules, the MINCETUR may propose at its own initiative or at the request of a party, the declaration of tourist reserve zones regarding the places that are areas with evident tourism potential and merit special protection by the State. The qualification of the tourist reserve zone does not restrict the development of other economic activities, and allows taking advantage of the regulated use of the area for tourism, subject to compliance with the provisions contained within the MINCETUR Tourism Development Plan.

On the other hand, the competent regional authorities in the Regional Bureau of Foreign Trade and Tourism of the regional governments, and the municipality of Lima, through its competent authority, shall be the entities responsible for monitoring compliance with the Regulation of Travel and Tourism Agencies (Supreme Decree N° 026-2004-MINCETUR) and for granting authorizations in accordance with it. This rule also establishes the requirements and procedures for authorizing the provision of services by travel and tourism agencies, defines the concept of travel and tourism agencies, sets the conditions to be met for the provision of services, establishes the classification of agencies as retailer, wholesaler, or tour operator, and specifies the obligation to submit a sworn statement detailing the meeting of minimum requirements.



The travel and tourism agencies are responsible for promoting national and international tourism, the hiring of tour guides, the chartering of transportation for tourist services, among others.

The National Chamber of Tourism of Peru (CANATUR), which brings together institutions, organizations, companies and individuals who perform activities related to tourism in Peru, contributes to the economic and social development of the country by promoting internal and inbound tourism, responding to consultations and issuing opinions. It also organizes conferences, seminars and other events where the various topics related to our economic activity are analyzed (www.canatur.org).

Also relevant is Supreme Decree N° 001-2015-MINCETUR, or the Lodging Establishments Regulations, under which the competent authorities in the Regional Bureaus of Foreign Trade and Tourism of the regional governments, and the municipality of Lima, through its competent authority, are also responsible for enforcing this regulations, and are empowered to grant the classification and categorization of establishments, monitor compliance with the requirements, and perform supervisory visits at will, among others.

These regulations detail the minimum requirements to be met in order for the establishments to be classified and categorized as hotels, apart-hotels, hostels or refuge, respectively.

Legislative Decree N° 1329 published on January 6, 2017, created the project named “*Fondo Turismo Emprende*”, which promotes the creation, development and reinforcement of the private undertakings related to the tourism activities, in this sense, financial aid and/or funding of the undertakings will be provided, in order to promote the touristic diversification in our country.

MINCETUR stated that this fund seeks to promote the development of tourism activity in Peru as a mean to contribute with the economic growth and the social development of the country.

Furthermore, the Legislative Decree N° 1284, created the project named “*Fondo de Inversión Agua Segura*”, which pursues the improvement of sanitation services with the purpose to achieve the sustainability of such services. The funding and investment in the sanitation services will provide a vast reach to places that did not have access to these services before. This rule - in between other activities - is of utmost importance for the Tourism Sector given as the lack of sanitation in any area will prevent the development of touristic projects of varied nature.

In turn, the National Building Regulations, approved by Supreme Decree N° 011-2006-VIVIENDA, includes all the technical rules laying down requirements for the construction and maintenance of buildings, regulating building construction for tourism purposes.

In addition, Law N° 28529 (Law on Tour Guides), as amended by Law N° 29408 (General Tourism Law), regulates the activity of tour guides, which is an activity exercised by graduates in tourism and by tour guides who hold degrees awarded on behalf of the Nation and are registered in the appropriate register. Likewise, on January 16, 2010, the Regulations of the Law on Tour Guides (Supreme Decree N° 004-2010-MINCETUR) were published.

Also important are the provisions of the Regulations of Lodging Establishments Qualifiers (Ministerial Resolution N° 151-2001-ITINCI/DM, 07/30/2001). This rule defines the functions and procedures for assessment and designation of lodging establishments qualifiers, who have the role of issuing technical reports in connection with requests by lodging establishments in order to obtain the status of classified or categorized establishments.

Supreme Decree N° 025-2004-MINCETUR approved the regulations of restaurants. As in the previous regulations, the competent authorities in the Regional Bureaus of Trade and Tourism of the regional governments, and the municipality of Lima, through its competent authority, shall be responsible for monitoring compliance with the regulations in question, awarding the respective category to



restaurants, as well as for performing the relevant supervisory visits, among others. In addition, said regulations list the requirements, conditions, and general and specific characteristics necessary to be categorized as restaurants, of one to five stars, depending, of course, on the service they provide.

Also, Supreme Decree N° 017-2009-MTC approved the National Regulations for Transportation Administration to regulate the ground transportation service in general, including the terrestrial tourist transportation service to promote its development within the framework of free competition, meet the travel needs of the users in conditions of safety and quality, and protect the environment and the health of the community as a whole. These regulations extend to companies providing tourism services which develop tourist ground transportation activities, and to travel and tourism agencies that transport users in vehicles owned by them.

On December 20, 2007, Law N° 29164, the Law on the Promotion of Sustainable Development of Tourism Services in Real Estate belonging to the National Cultural Heritage, was promulgated. The purpose of the law is to establish conditions that favor and promote the development of private investment for the recovery, restoration, conservation, enhancement and sustainable development of real estate belonging to the National Cultural Heritage, through concessions for the provision of tourism services in the areas that for this purpose may be determined by the National Institute of Culture (INC).

This rule establishes conditions that will ensure that the real estate heritage is not damaged and that the granting of tourism services concessions are made within the framework of the constitution and existing rules that ensure their protection. Tourism services for which concessions are feasible are lodgings and restaurants with a minimum rating of four stars, and, complementarily, the sale of handicrafts and souvenirs. This rule limits the initiatives to real estate that is suitable for this investment and will generate high-impact tourism.

The National Institute of Culture, in coordination with MINCETUR, is responsible for publishing the list of real estate suitable for the development of this type of project, as prescribed by law. Through the publication of Law 29092, Law N° 29164 was amended and its scope defined, giving regional governments the ability to deliver a list of archaeological sites that are not to be affected by the law, upon agreement of the council.

There are certain tax benefits in relation to tourism which are designed to encourage inbound tourism, by exempting the accommodation and food services purchased locally by non-domiciled individuals from the value added tax. These food services must be rendered in the very establishment providing the lodging services.

Among others, the following provisions are in force: (i) the provision of lodging services, including food, to non-domiciled individuals is considered an export (Legislative Decree N° 919); (ii) regulations have been issued for the implementation of tax benefits for lodging establishments that provide services to non-domiciled individuals (Supreme Decree N° 122-2001-EF); (iii) rules have been issued relating to the special registration of lodging establishments (Resolution 082-2001-SUNAT); and (iv) Law N° 29646 was enacted, which amended Article 33° of the consolidated text of the Law of Value Added Tax and Excise Tax, whose section 4) refers to the provision of lodging services.

The executive branch enacted new tax measures designed to encourage and facilitate investment in the long run, and generate a more equitable tax framework.

The anticipated recovery of VAT is a regime by which the financial cost of investment is lightened, allowing for the refund of VAT paid on purchases of goods and services. Its main objective is not to increase financing costs for projects that require large amounts of investment (a minimum of USD 5,000,000) and have long-lasting pre-operational stages (minimum of two years). To date, the regime was applicable to



only some economic activities and was found scattered in various legal provisions (mainly mining, hydrocarbons, gas, etc.).

The tax measures make the Special Regime of Advanced Recovery of VAT applicable to all economic activities involving significant investments and extensive pre-operational periods, including sectors that were already under the anticipated recovery of VAT regime (mining, hydrocarbons, and gas). In addition, it organizes and unifies its legal treatment in a single regulatory body, gathering the regulation of sector rules, standardizing their conditions and scope.

There are various agreements and conventions concluded between the Peruvian state with other states that are intended to facilitate and promote cooperation in tourism. Among the countries that have signed agreements for cooperation in tourism are: China, Costa Rica, Dominican Republic, El Salvador, Guatemala, Hungary, Italy, Mexico, Panama, Portugal, Romania, Thailand, and the signing of an Agreement for the Promotion of South American Tourism signed by members of the Latin American Integration Association (ALADI), including Argentina, Bolivia, Brazil, Colombia, Chile, Ecuador, Paraguay, Uruguay and Venezuela.

The member countries of the Andean Community (Bolivia, Peru, Colombia, and Ecuador) have legislation that allows their nationals to be admitted to and enter any of those countries, as tourists, by the mere presentation of one of the national identification documents currently valid in the issuing country and without the requirement of a consular visa.

Furthermore, there are agreements that allow the free movement of persons (as tourists) between Peru and Brazil, and Peru and Chile.

It is also noteworthy that Peru is a member of the Asia-Pacific Economic Cooperation (APEC), composed of 21 different economies. These are Australia, Brunei Darussalam, Canada, Chile, China, Hong Kong, Indonesia, Japan, Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, Philippines, Russia, Singapore, Taipei

China, Thailand, US and Vietnam. Its main objective is to achieve the liberalization and facilitation of trade and investment for developed economies, and in 2020 for developing economies. APEC works to create a safe environment for the efficient movement of goods, services and people in the region.

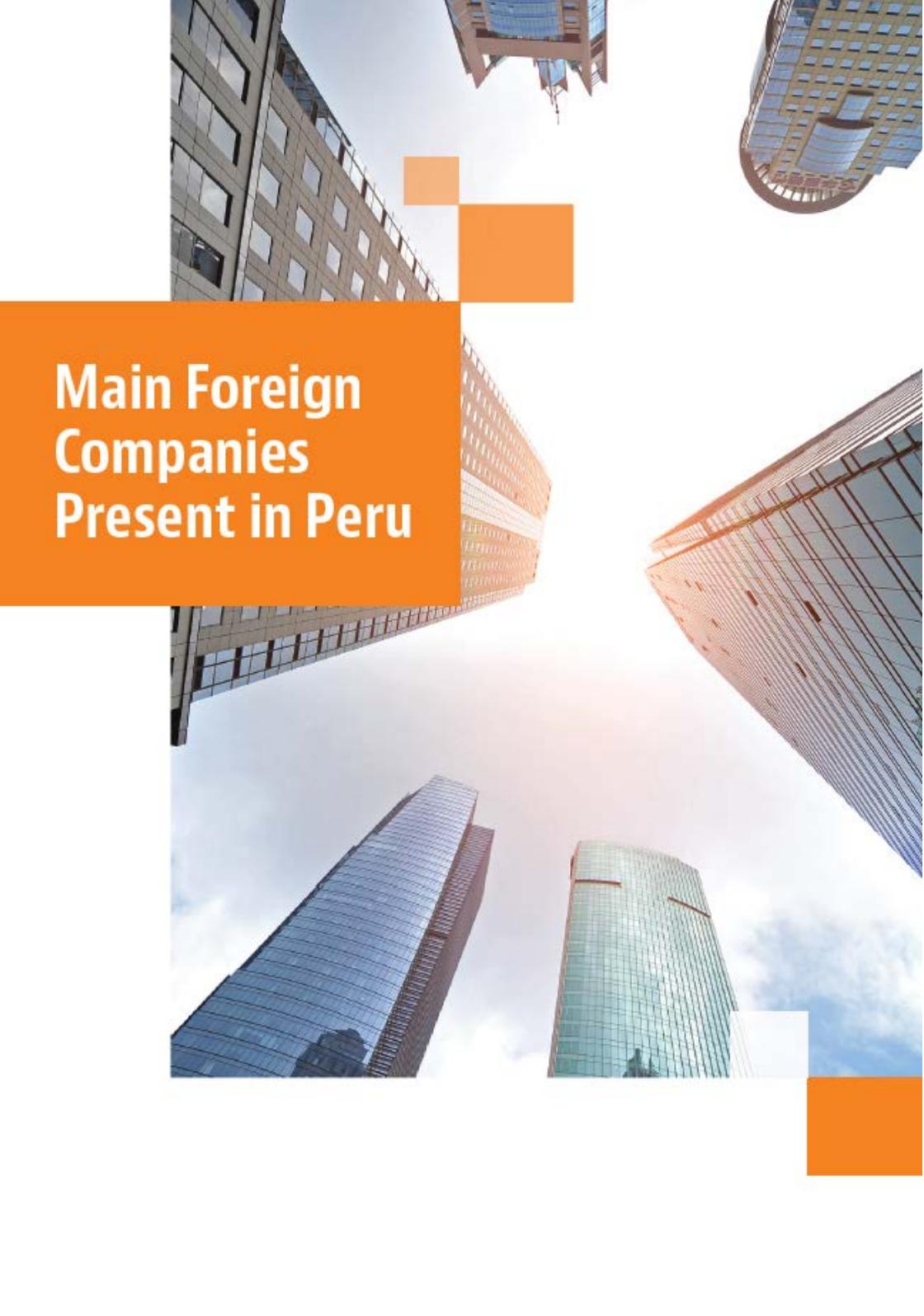
Eight years after Peru hosted APEC for the first time, it was again hosted by our country, to attend - in between others - the implementation of the 2030 Agenda for Sustainable Development.

Likewise, they have the purpose of reaching the objective about the trade facilitation and investment using the APEC Strategies for the Strengthening Development of Quality for 2020, in order to better focus in the importance of pursuing the quality development as established in the Development Strategy of APEC as of 2010, which took place in the city of Yokohama, Japan.

It is appropriate to highlight the importance and significance that the recognition of Machu Picchu as one of the new seven wonders of the world has had and continues to have, given that it undoubtedly brought and will continue to attract a large number of tourists to the country.

Regionally, the Project for Reorganization and Rehabilitation of the Vilcanota Valley will promote sustainable development initiatives in that valley, which has about 100,000 inhabitants, through the support of cultural preservation, tourism development, urban infrastructure, environmental protection, and local social and economic development. The project is being implemented jointly with UNESCO, the National Geographic Society, the World Monuments Fund, NGOs and bilateral donors.

A particular purpose of the project is to assist the government of Peru in its efforts to improve the management of tourism in the Historic Sanctuary of Machu Picchu (SHMP) and preserve the status of Machu Picchu as a world heritage site.

A low-angle, upward-looking photograph of several modern skyscrapers with glass facades. The buildings are arranged in a circular pattern around the center of the frame, creating a sense of height and scale. The sky is bright and slightly hazy, with a warm, orange glow emanating from the center. Several solid orange squares of varying sizes are scattered across the image, some overlapping the buildings and others floating in the sky. A large orange rectangular block is positioned on the left side, containing the title text.

Main Foreign Companies Present in Peru

Sector	Companies
Trade	British American Tobacco Del Peru S.A.C. Cargill Americas Peru S.R.L. Cencosud Retail Peru S.A. Contilatin Del Peru S.A. Hewlett - Packard Peru S.R.L. Hipermercados Tottus S.A. Ingram Micro S.A.C. Komatsu-Mitsui Maquinarias Peru S.A. Lg Electronic Peru S.A. Maestro Peru S.A. Makro Supermayorista S.A. Mifarma S.A.C. Procter & Gamble Peru S.R.L. Quimica Suiza S.A. Saga Falabella S.A. Sodimac Peru S.A. Tiendas Por Departamento Ripley S.A. Unique S.A.
Services	Empresa Siderurgica Del Peru S.A.A. Lan Peru S.A. Latam Airlines Group S.A. Suc. Peru Trans American Air Lines S.A.
Industry	ABB S.A. Automotores Gildemeister Peru S.A. Cerveceria San Juan S.A. Indeco S.A. Intradevco Industrial S.A. Kia Import Peru S.A.C. Kimberly-Clark Peru S.R.L. Mitsui Automotriz S.A. Molitalia S.A. Moly-Cop Adesur S.A. Mondelez Peru S.A. Exkraft Foods Peru S.A. Nestle Peru S.A. Opp Film S.A. Productos De Acero Cassado S.A. Productos Tissue Del Peru S.A. O Protisa-Peru S.A. Toyota Del Peru S.A. Union De Cervecerias Peruanas Backus Y Johnston S.A.A. Volvo Peru S.A.
Telecommunications and Information Technology	America Movil Peru S.A.C. Entel Peru S.A. IBM Del Peru S.A.C. Telefonica Del Peru S.A.A.
Financial Services and Insurance	Banco Azteca Del Peru S.A. Banco Falabella Peru S.A. Banco Financiero Del Peru Banco Ripley Peru S.A. BBVA Banco Continental Citibank Del Peru S.A.



Sector	Companies
	Mapfre Peru Cia. De Seguros Y Reaseguros S.A. Mapfre Peru Vida Cia. De Seguros Y Reaseguros Scotiabank Peru S.A.A. Seguros Sura
Other Services	Cobra Peru S.A. Corporacion Pesquera Inca S.A.C. Lima Airport Partners S.R.L. Pesquera Diamante S.A. Transportadora De Gas Del Peru S.A.
Mining Oil and Energy	Cia. Minera Antamina S.A. Cia. Minera Antapaccay S.A. Cia. Minera Milpo S.A.A. Cnpc Peru S.A. Edegel S.A.A. Empresa De Distribucion Electrica De Lima Norte S.A.A. Empresa Minera Los Quenuales S.A. Engie Energia Peru S.A. Exxonmobil Del Peru S.R.L. Gas Natural De Lima Y Callao S.A. - Calidda Gold Fields La Cima S.A. Hunt Oil Company Of Peru Llc Suc. Del Peru Kallpa Generacion S.A. La Arena S.A. Luz Del Sur S.A.A. Minera Barrick Misquichilca S.A. Minera Yanacocha S.R.L. Peru Lng S.R.L. Pluspetrol Camisea S.A. Pluspetrol Lote 56 S.A. Pluspetrol Norte S.A. Pluspetrol Peru Corporation S.A. Red De Energia Del Peru S.A. Refineria La Pampilla S.A.A. Repsol Comercial S.A.C. Repsol Exploracion Peru Suc. Del Peru Repsol Gas Del Peru S.A. (Ex - Repsol Ypf Comercial Del Peru S.A.) Repsol Marketing S.A.C. Savia Peru S.A. Shougang Hierro Peru S.A.A. Sociedad Minera Cerro Verde S.A.A. Sonatrach Peru Corporation S.A.C. Southern Peru Copper Corporation Suc. Del Peru Votorantim Metais - Cajamarquilla S.A. Zeta Gas Andino S.A.

*Source: Peru: Top Publications

Frequently Asked Questions



1. What guarantees does the legal framework recognize for investors, whether domestic or foreign?

- The right to have contractual terms that cannot be modified by laws or other provisions of any kind.
- Free access to all productive sectors.
- Right to non-discrimination between Peruvians and foreigners, or between private and public companies.
- The right to receive all the profits or dividends which they are entitled to.
- Right to use a more favorable exchange rate available in the exchange market.
- Subscribe legal stability agreements with the state.

2. What are the specific guarantees in favor of the foreign investor?

- Right to the remittance of profits and capital using the most favorable exchange rate available in the exchange market.
- Free availability of foreign exchange.

3. Are there Investment Stability Agreements?

Yes. Investors and companies receiving investment can sign legal stability agreements with the state which stabilize, among others, the income tax regime.

With regard to foreign investors, the stabilization also includes the right to the free availability of foreign exchange and the right to freely remit profits, dividends and capital.



4. What is the advantage of the Legal Stability Agreement?

This is a law-contract, which cannot be modified unilaterally by the state, even if new laws on foreign investment were enacted.

5. Are there limits to foreign investment in Peru?

There is a limitation in the Peruvian Constitution which is that foreigners cannot own or possess assets located in the areas within 50 kilometers of the Peruvian border. There may be some exceptions to this, but only with the express authorization by Supreme Decree.

In addition, there are limits or restrictions in certain strategic sectors, such as marine transportation, security and the manufacture of weapons for armed use.

6. Are there limits to remit profits abroad or repatriate the capital invested?

No. The foreign investor may remit profits and capital at any time.

7. Is it possible to waive the Legal Stability Agreements?

Yes. If so, the investor will be governed by ordinary law.

8. Is there a deadline to meet the committed investment in Legal Stability Agreements?

Yes, the general rule is that the term is two years from the signing of the agreement.

In the case of state concessions to develop public infrastructure and public services, the deadlines and requirements of the investment referred to in the respective concession contracts will be applied, and not the general two-year term.

9. Are there restrictions on hiring foreigners?

Foreign workers are subject to the same legislation as Peruvian workers. Foreign personnel may be hired in a proportion of up to 20

percent of the total number of workers and the total amount of remuneration of foreign personnel may not exceed 30 percent of total payroll. Foreign workers require a work visa issued by the immigration authority to work in Peru.

10. Is there a merger control regime?

There is no merger control regime, except in the electricity sector, for which a procedure has been regulated for prior authorization of each transaction before the Competition Commission of INDECOPI (competition agency). Thus, mergers, acquisitions and other transactions which do not involve electricity generation, transmission and distribution of electric energy are not subject to the approval of the antitrust authority.

11. Is Intellectual Property protected?

Patents, marks, geographical indications (including appellations of origin), copyright and related rights, and other elements of intellectual property are protected in Peru by various treaties and international conventions on the subject, and by the Andean Community and national legislation. Intellectual property rights are registered in Peru at the National Institute for the Defense of Competition and Intellectual Property Protection (INDECOPI).

12. Has Peru executed a Bilateral Investment Agreements and/or Regional/Bilateral Free Trade Agreements?

Peru has executed investment protection agreements which are currently in force, either in the form of Bilateral Investment Agreement or through an investment protection chapter contained in a Free Trade Agreement. The most important investment treaties executed by Peru are the following:

1. Germany	15. United States*	30. Paraguay
2. Argentina	16. Finland	31. Portugal



3. Australia	17. France	32. UK
4. Belgium	18. Holland	33. Czech Republic
5. Bolivia	19. Honduras*	34. Republic of China*
6. Canada*	20. Italy	35. Republic of Korea*
7. Chile*	21. Iceland*	36. Romania
8. Colombia	22. Japan*	37. Sweden*
9. Costa Rica*	23. Liechtenstein*	38. Singapore*
10. Cuba*	24. Luxembourg	39. Switzerland*
11. Denmark	25. Malaysia	40. Thailand*
12. Ecuador	26. Mexico*	41. Venezuela*
13. El Salvador	27. Norway*	
14. Spain	28. Netherlands	
	29. Panama*	

The countries marked with an asterisk have an investment chapter in a Free Trade Agreement entered into with Peru.⁸

Listed below are the current Free Trade Agreements (FTAs) of Peru with our business partners:

- MERCOSUR (since 2 January 2006).
- United States of America (since 1 February 2009).
- Chile (since 1 March 2009).
- Canada (since 1 August 2009).
- Cuba (since 5 October 2000).

⁸ Peru has executed a trade agreement with the European Union, this agreement includes an investment chapter with the member countries of the agreement.

- Singapore (since 1 August 2009).
- People's Republic of China (since 1 March 2010).
- European Free Trade Association (EFTA) (Norway, Liechtenstein and Switzerland since 1 July 2011. Iceland since 1 October 2011).
- South Korea (since 1 August 2011).
- Thailand (since 31 December 2011).
- Mexico (since 1 February 2012).
- Japan (since 1 March 2012).
- Panama (since 1 May 2012).
- European Union (since 1 March 2013).
- Costa Rica (since 1 June, 2013).
- Venezuela (since 1 August, 2013).
- Pacific Alliance Agreement (since 1 May 2016).
- Honduras (since 01 January 2017).

The main areas covered by the above mentioned trade agreements are: customs affairs and trade facilitation; technical barriers to trade; sanitary and phytosanitary measures; trade protection; services, establishments and capital movement; public procurement; intellectual property; competition; dispute resolution, horizontal and institutional affairs; trade and sustainable development; technical assistance and skill building; among others matters.

Besides, it also has signed trade agreements (not yet in force) with Guatemala and Brazil. While that the other agreements with el Salvador, Turkey, Trade in Services Agreement and Doha development round are still under negotiation.



We must emphasize that Peru is a part of the Trans-Pacific Partnership, that its negotiations concluded on October, 2015. Currently, the twelve member countries are during the process of ratification of the said agreement. This agreement includes innovative areas such as: supply chain management, free movement of information, labor standards, development, anticorruption, small- and medium-sized enterprises, among others.

13. Are there any Double Taxation Agreements?

Peru has signed treaties to avoid double taxation currently in force with Chile, Canada, Brazil, and the member countries of the Andean Community.

Peru has also signed double taxation treaties with Korea, Portugal, Switzerland, and Mexico. Only the double tax treaty signed with Mexico has been ratified by the Peruvian government, the other ones have not. However, all of the aforementioned treaties are currently not applicable. It is expected that they will enter into force commencing January 1, 2015.

Peru has signed a double tax treaty with Spain, which is not in force.



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