

DOING BUSINESS IN PERU

INTRODUCTION

I. VISION OF PERU

1. Geographic Location and Population
 2. Political System
 3. General Data
 4. Economy
 5. Country Risk
-

II. BUSINESS ENVIRONMENT

1. Legal Framework to Incorporate Companies
 2. Legal Stability Agreements
 3. Peru: OCDE Country in 2021
 4. Free Trade Agreements
-

III. PERUVIAN TAXES

1. Corporate Income Tax
 2. Individual Income Tax
 3. Agreements to Avoid Double Taxation
 4. Transfer Pricing
 5. General Sales Tax (Value Added Tax)
 6. Selective Consumption Tax
 7. Customs duties
 8. Financial Transaction Tax
 9. Temporary Net Assets Tax
 10. Criminal Liability of Companies
-

IV. LABOR LEGISLATION

1. Labor Engagement
 2. Migration Regime for Foreign Personnel
-

V. PERUVIAN FINANCIAL SYSTEM

VI. ACCOUNTING AND FINANCIAL STATEMENTS

VII. REGULATORY AND/OR CONTROL BODIES

INTRODUCTION

This publication has general information on current economics, legal, labor and tax aspects that we believe it will be useful in the process of doing business and investing in Peru.

Colchado y Asociados is a young auditing, advisory and consultancy firm with partners and associates with more than 25 years of experience in issues regarding audit, business consulting, accounting, transfer pricing and related services. Our commitment is to help our clients to achieve their goals, following their growth.

Our company provides the following services:

- Financial Audit
- Tax, Labor and Legal Advising and Consultancy
- Internal Audit
- Accounting Outsourcing
- Corporate Outsourcing
- Transfer Pricing
- Accounting, Tax, Administrative and Financial Expert Appraisal
- Advising on Information Technology Processes

Our added value to the services abovementioned is to advise our clients and give them a multidisciplinary high-quality and reliable service adjusted to their needs. Our willingness is to serve all our clients with the same commitment, professionalism and dedication, ensuring the best professional advice adapted to the size and need of each client. Our staff is mentally prepared to create value to your company.

Lima, August 2016

I. VISION OF PERU



I. VISION OF PERU

1. Geographic Location and Population

Peru, located in the center of South America, has a very diverse geography and it is one of the most biodiverse countries. Peru is a tropical country due to its proximity to the Equator. Because of the Andes Mountains' altitude, Peru is the country with snowy peaks closer to the Equator.

2. Political System

Peru has three branches of government: Executive, Legislative and Judicial Branch. Laws must be in accordance with the Political Constitution. Authorities of the Executive and Legislative Branches are elected every 5 years, but there is no a set period for the judges' work. There are 26 regional governments based on its 24 departments plus Metropolitan Lima and the constitutional province of Callao where their authorities are elected every 4 years.

3. General Data

Surface	:	1,285,216 km ²
Population	:	31.4 millions
Economically Active Population	:	16.1 millions
Geographical Regions	:	Due to the Andes Mountains' presence crossing longitudinally the country, 3 large regions are created: Coast, which is the warmest region that borders the Pacific Ocean; Highland, where the Andes Mountains crosses, and it is the highest and coldest area; and Jungle which is the tropical area with rainforests.
Life Expectancy	:	75 years
GDP Per Capita	:	US \$ 6,120
Nature reserves	:	Peru has biosphere reserves recognized as world heritage such as: Manu National Park, Huascarán National Park, Amotape Hills National Park, El Angolo Hunting Management Area, Tumbes National Reserve and Tumbes Mangroves National Sanctuary.

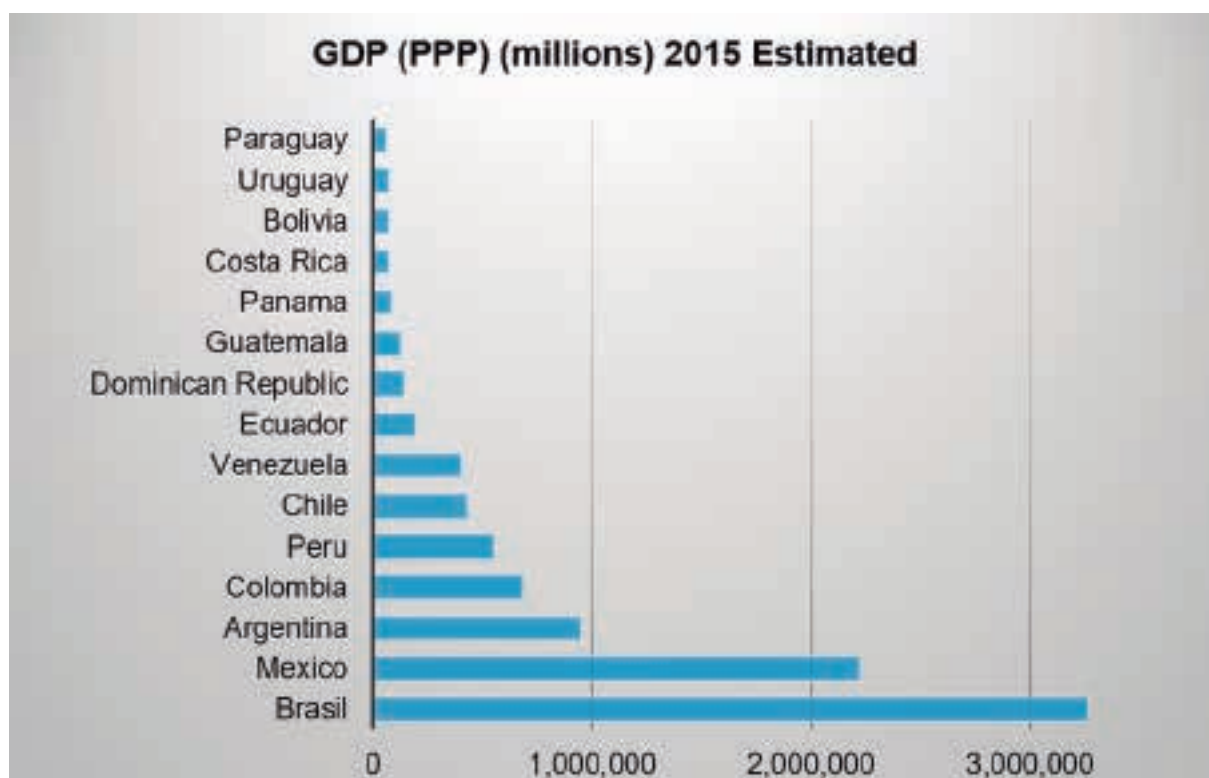
4. Economy

During the last 10 years, except 2013, Peru has maintained a positive growth rate, expressed in the total gross domestic product and per capita. The change of Peru has been significantly positive when compared with the various indexes of economic welfare of the 90s. However, during the last two years, the growth rate has not reached levels that allows Peru to achieve a developed country status in the future.

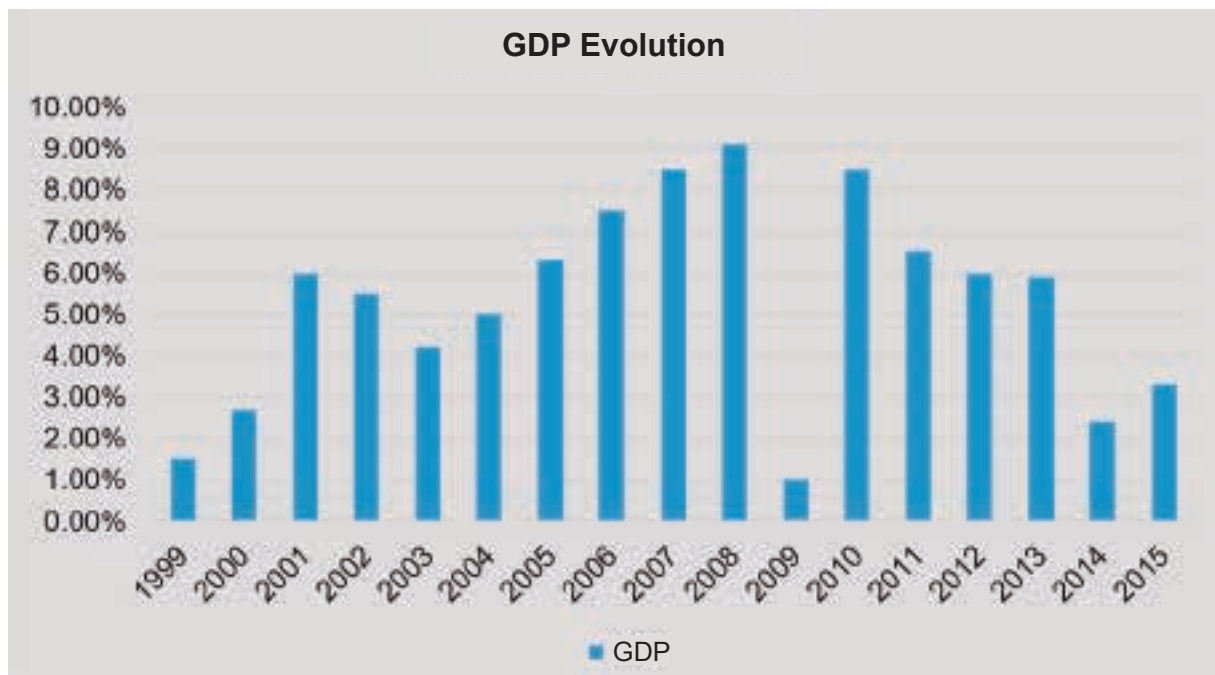
In July 2016, a new government administration started. This administration, led by an official with international career, has nationally and internationally renewed the confidence of economic agents. In that sense, growth expectations according to the International Monetary Fund (IMF) and other international financial institutions are around 3.7% in 2016, by the year 2017 a 4.1% is expected. The business environment shows a country with a high level of freedom for private investment, with no legal restrictions to invest or repatriate funds, less dollarized compared to previous years. Dollar may be used as a valid means of exchange.

Thanks to learned lessons after the world's greatest hyperinflation, Peru has maintained an orthodox economic policy, emphasizing the market economy, inflation control, investment attraction, promotional role of the State instead of having an execution role, public spending control, and international debt relief. These policies, along with other concomitant market factors, have enabled Peru to have strong macroeconomic figures.

GDP (PPP) Estimation by 2015 (PURCHASING POWER PARITY)

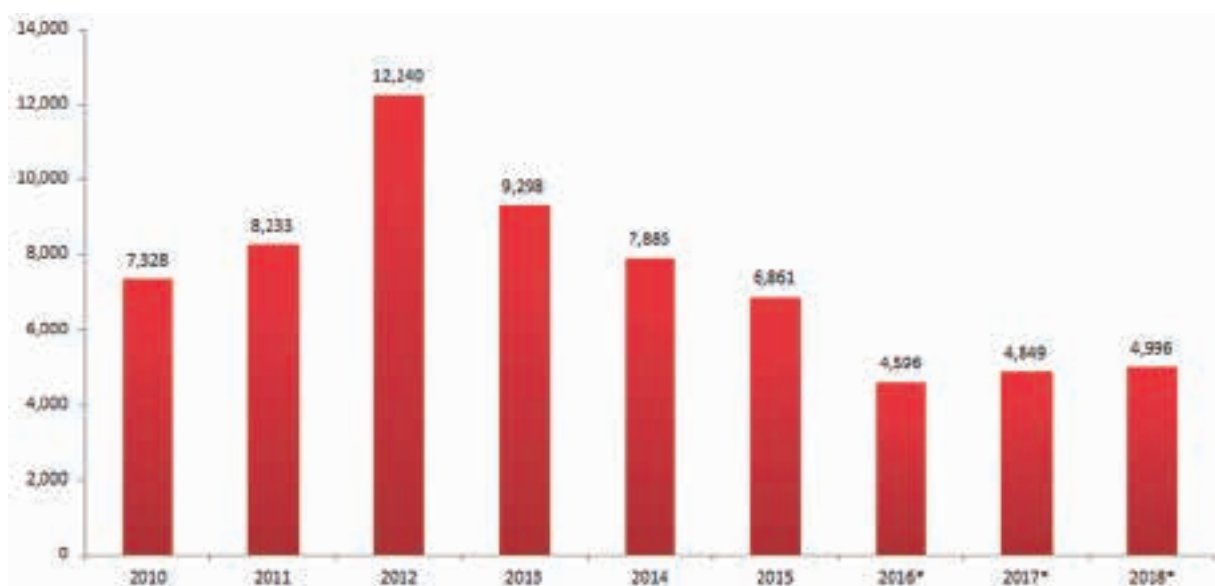


During recent years, GDP evolution shows the following tendency:

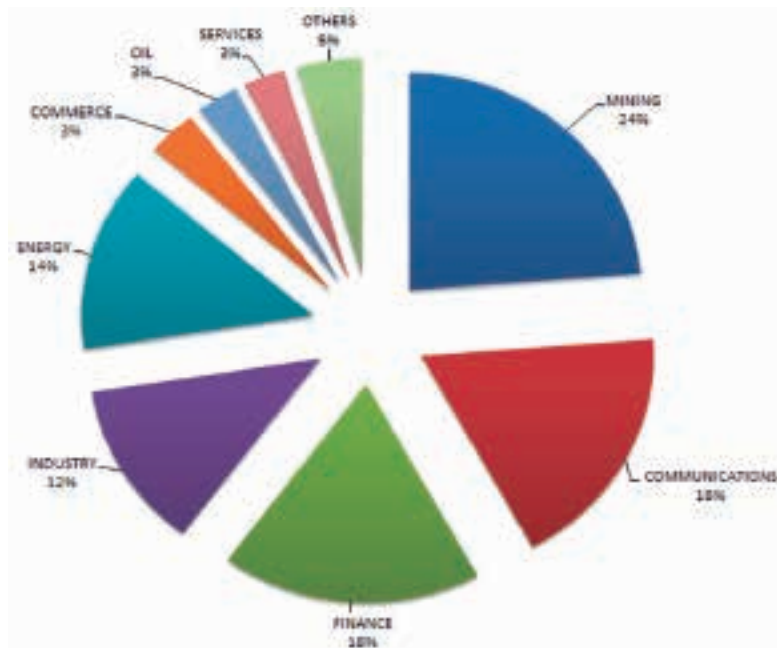


Foreign investment growth allowed the Peruvian GDP to continue increasing during the past 10 years, except for 2013. According to the Central Reserve Bank of Peru – BCRP, in 2015 an investment of US\$ 6.8 billions was reported, an amount lower by US\$ 1.02 billions, compared to the one received in 2014 mainly due to the fall in commodity prices.

FOREIGN DIRECT INVESTMENT FLOW (US\$ million)

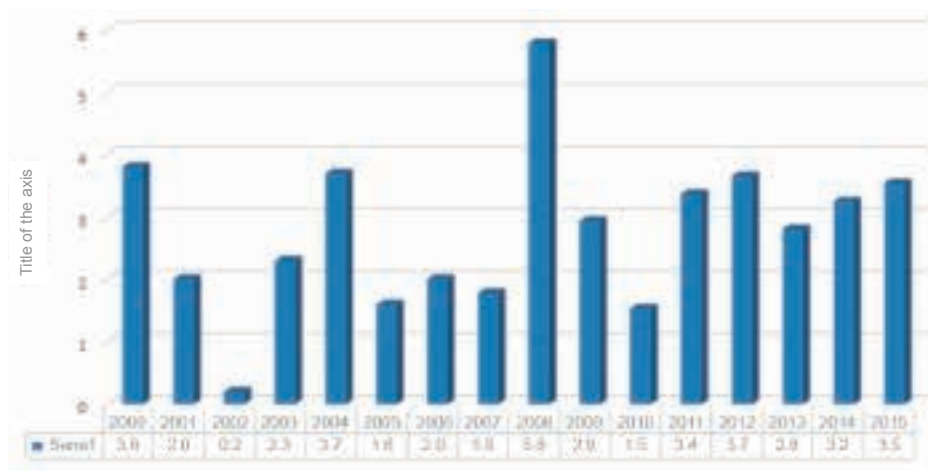


The distribution of this investment by sectors was as follows:
FOREIGN DIRECT INVESTMENT DISTRIBUTION (US\$ million)



Inflation in Peru has been carefully handled. The Central Reserve Bank of Peru – BCRP is the entity responsible for setting monetary policy that allows to control inflation by managing the reference interest rate for the interbank market through sterilization or injection operations.

INFLATION 2000 – 2015 (Annual Average Change)



5. Country Risk

Country risk, meaning the risk for foreign investment inherent to a country, is a risk indicator of investing in a country. According to the main rating agencies, Peru's country risk is as follows:

RIESGO PAÍS			
Rating Agency	Fitch	S&P	Moodys
Peru	BBB+	BBB+	A3

According to the World Bank rating, up to date Peru is ranked in the second place in the ranking for Latin America and the Caribbean, after Mexico and before Colombia, Puerto Rico and the United States.

II. BUSINESS ENVIRONMENT



II. BUSINESS ENVIRONMENT

Peruvian economic environment gives freedom and security to private investment, in this regard the investor can be sure of: a) sending abroad dividends, debt payments, technical assistance, royalties or any other type of transaction involving an outflow of money from the country; b) having freedom to incorporate all types of companies stipulated by the legal system without any kind of discrimination or limitation, and to create consortiums and joint ventures; and c) having inviolability of private property and absolute clarity for any expropriation, in case it should be made.

1. Legal Framework to Incorporate Companies

The types of companies that can be incorporated are:

Corporation (S.A.)

It must have at least 2 shareholders and there is not a maximum number of members. There is not minimum capital required. Its shareholders' liability to third parties is limited to the amount of their equity in case of insolvency. Its main governing bodies are: General Shareholder's Meeting, Board of Directors, and Management.

Close Corporation (S.A.C.)

This type of corporation requires from 2 to a maximum of 20 shareholders for its incorporation. There is no minimum capital required. This corporation may be engaged in any economic activity. The shareholders' liability to third parties is limited to the amount of their equity. It has the same governing bodies than the abovementioned.

Public Corporation (S.A.A.)

This type of corporation is formed by public offering of shares or conversion of debts. It has more than 750 shareholders. Its main governing bodies are: General Shareholder's Meeting, Board of Directors, and Management.

Limited-Liability Company (S.R.L.)

This type of company requires from 2 to 20 partners. Its capital stock consists of participations. The shareholders' liability to third parties is limited to the amount of their equity. Unlike the abovementioned, this corporation is not required to have a board of directors as governing body.

Branches

It is a secondary establishment of another corporation. For its incorporation, an Agreement from the Shareholders' General Meeting is required. It does not have legal personality, except for tax obligations. Branches must have a legal representative and enjoys management autonomy in aspects assigned by the head office, according to delegated powers. To open a branch, some documents should be submitted to the public notary: agreement from Shareholder's General Meeting or from other competent body authorizing the opening of the branch, a copy of head office's bylaws, power of attorney in force of the legal representative, and a certificate of existence from the head office. It should be noted that Peru has signed the Hague Convention, which allows to make legal proceedings using foreign documents with only legalization by a notary subscribed to the convention.

Companies enjoy total autonomy to declare dividends, only if they meet the following rules:

- Dividends shall be declared through an agreement from the Shareholders' General Meeting.
- Dividends are distributed based on accumulated revenues and unrestricted reserves.
- All shares are entitled to dividends except for cases mentioned in the company's bylaws or in laws, no matter if the shares have indeed been paid or their subscription date.
- Dividends paid in advance may be possible except if the company has losses in the results of the year under which it is intended to be paid.

Termination of the corporate contract goes through dissolution and liquidation processes. For this purpose, the Shareholders' General Meeting must declare the dissolution of the company. Such agreement must be published three consecutive times in a major diffusion newspaper. The maximum period for publishing these notices is 10 days after Shareholders have agreed on it. The dissolution agreement shall be recorded in the Public Registries. Then, the company goes into liquidation process, in which assets and liabilities are made and paid, respectively. The liquidation process is carried out by liquidators, who must be given the necessary powers to carry out their function. A company that has lost two thirds of its equity must begin a dissolution process and then liquidation. Finally, once the company has been liquidated, extinction takes place, which is done through a record of liquidation giving information about assets and liabilities made. This record shall be recorded in the Public Registries, being thus the company closed.

Companies have complete freedom to form corporations and joint ventures. They are business collaboration contracts to develop projects whose extension exceed capabilities of one of the contracting parties. By virtue of that contract, companies carry out a job and profits are distributed according to arrangements. The consortium exists for the duration of the contract only. The consortium and the joint venture can result in a separate legal entity for tax purposes, only if accounting is not assumed by one party and it is rather independent.

2. Legal Stability Agreements

Expressly stated in Section No. 62 of the Political Constitution of Peru, legal stability agreements are institutes through which investors are granted certain legal security becoming unalterable legal rules in force at the moment of signing the contract. National or foreign investors can sign with the Peruvian State legal stability agreements, which are civil contracts, granting stability to companies in the income tax regimen, regimes to hire workers, for export promotion. It is required that the company invests a minimum of US\$ 10 Million for mining and hydrocarbons sectors, US\$ 5 Million for other economic activities. Contributions can be made to the capital of a company established or to be established. They can also be made in venture capital investments formalized with third parties, in investments in companies owning concession contracts. It has a validity period of 10 years, except for concession cases whose term of validity is subject to the concession term.

3. Peru: OCDE country in 2021

As part of the national strategic plan, Peru aims to be part of the Organisation for Economic Co-operation and Development – OECD, group of developed countries whose mission is to promote policies to improve the economic and social welfare of the people. Peru's incorporation to this organization is a further guarantee for foreign investors because it implies a quality seal as a country in general, having OECD as impartial judge on its development as a country.

4. Free Trade Agreements

A Free Trade Agreement – FTA is a binding trade agreement signed by two or more countries to agree on granting of mutual tariff preferences and reducing non-tariff barriers to trade in goods and services. In order to deepen the economic integration of the signatory countries, a FTA also incorporates issues of access to new markets, other regulatory aspects related to trade, such as intellectual property, investments, competition policies, financial services, telecommunications, electronic commerce, labor issues, environmental provisions, and mechanisms for trade defense and dispute resolution. FTAs have an indefinite term; in other words, they remain in force over time so they are of perpetual character.

The following are agreements signed by Peru up to date:

- Peru – Andean Community Free Trade Agreement
- Economic Complementation Agreement between Peru and State Members of Mercosur
- Economic Complementation Agreement between Peru and Cuba
- Peru – Chile Free Trade Agreement
- Trade Integration Agreement between Peru and Mexico
- Trade Promotion Agreement between Peru – United States
- Peru – Canada Free Trade Agreement
- Peru – Singapore Free Trade Agreement
- Peru – China Free Trade Agreement
- Free Trade Agreement between Peru and the States of the European Free Trade Association
- Peru – Korea Free Trade Agreement
- Peru – Japan Economic Association Agreement
- Peru – Panama Free Trade Agreement
- Peru – European Union Trade Agreement
- Peru – Costa Rica Free Trade Agreement

Pacific Alliance deserves a special mention. It is an area of deep integration to move towards the free circulation of goods, services, capital and people, and promote further growth, development and competitiveness of the parties' economies. It was born as an initiative of Peru through the invitation made by Peru in 2010 to the its counterparts from Colombia, Chile, Ecuador and Panama to be part of the "Area of Deep Integration" in which complete freedom for circulation of goods, services, capital and people is ensured in order to turn this area into an integration model for the region, consolidating also a common economic platform with prospect to be expanded to other parts of the world, specially Asia. Subsequently, Mexico joined the initiative made up of Colombia, Chile and Peru; whilst Panama joined as an observer country.

Finally, last February 4, 2016 Trans-Pacific Partnership – TPP was signed. It is an initiative developed by twelve member economies from Asia-Pacific Economic Cooperation – APEC: Australia, Brunei, Darussalam, Canada, Chile, United States of America, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam. TPP has been one of the most ambitious and wide multilateral negotiating processes among countries from three continents – America, Asia and Oceania.

III. TAXES IN PERU



III. TAXES IN PERU

According to the Ministry of Economy and Finance, tax policy for Peru in the next few years shall focus on consolidating the principles of sufficiency, efficiency, equity and simplicity in the tax system and improve tax revenues in order to ensure sustainability of public spending. At the date of drafting this document, the new government is still in the stage of preparation and presentation of changes to the current tax system; however, we can assure that changes do not affect investors' freedom and rights.

1. Corporate Income Tax

The Peruvian Law on Income Tax has included the Wealth Flow Theory, in its entirety, for companies or legal entities, since it has included as companies' taxable income, besides those qualified as tax yield, realized capital gains, any revenue, and gratuitous revenue from third parties. Companies incorporated in Peru are considered as domiciled, including branches, and they must pay the following tax rates on its global net income:

• 2016	28%
• 2017 - 2018	27%
• 2019 onwards	26%

Companies must make monthly prepayments on the basis of the monthly net revenues, applying a coefficient resulting from comparing the income tax from previous fiscal year divided by the total net income of said previous fiscal year; in any case, such coefficient may not be lower than 1.5%. If there is no income tax in the previous year, rate of 1.5% should be used.

The fiscal year ends on December 31st of each year; three months later, the annual income tax declaration must be submitted. To determine the net income, cost basis and incurred expenses should be deducted from net income to generate revenues. Law on Income Tax (Legislative Decree No. 774), its regulation and complementary rules establish the limits, requirements and documentation to allow deduction of expenses.

No deduction of personal expenses, income tax assumed by third parties, tax and administrative fines, donations and reserves or provisions not admitted by Law on Income Tax, amortization of intangibles, assignment of assets in use and losses due to credit transfer is accepted.

Companies can apply, as credit against its income tax, income tax paid abroad for foreign income sources. They can also apply a limited credit for donations to educational institutions and the national public sector.

With a few exceptions, companies domiciled in Peru cannot consider, as deductible expense, expenses arising from transactions with persons or entities domiciled in countries or territories with low or no taxation to determine its corresponding income tax.

Peruvian-source incomes from non-domiciled legal entities are affected to the following withholdings:

Dividends	6.8% (in 2016), 8% (in 2017-2018), 9.3% (onwards)
Interests when a legal entity domiciled in Peru pays or accredits them.	4.99%
Royalties	30%
Technical Assistance	15%
Other incomes	30%

If a non-domiciled legal entity provides a service qualified as "Technical Assistance" to someone domiciled in Peru, the entity domiciled in Peru must withhold as Income Tax 15% instead of the general rate of 30%. Technical Assistance is understood as any independent service, provided outside or inside the country, by which the provider has agreed to use its skills, by applying certain procedures, arts or techniques in order to provide non-patentable specialized know-how necessary in the productive, trading, service delivery process or any other activity performed by the user. In compliance with tax regulations, it is necessary to have a report from an auditing firm of international prestige certifying that the technical assistance has been provided effectively. Our partners have wide experience in this type of certifications; our service assesses the applicability of the regulation and, if feasible, the issuance of said certification.

2. Individual Income Tax

Within the power of a state, it is allowed to apply different criteria to determine the Income Tax. There are 4 space-based criteria: nationality, residence, domicile or territoriality. The choice of any criteria is sovereign decision of each country.

Section No. 6 of the Unique Ordered Text of Law on Income Tax – LIR establishes that all income obtained by the taxpayer domiciled in Peru are taxed, regardless of nationality of individuals or the location of its production source. However, a non-domiciled taxpayer only pays taxes on Peruvian-source incomes.

Foreign individuals are considered domiciled in Peru, provided that they have remained in the country for more than 183 calendar days, in any period of 12 months. The quality of domiciled or non-domiciled is determined on the first day of a fiscal year; that is, any change in domicile quality only takes effect from the first day of the following year in which the change in condition took place.

The income tax rate for individuals is determined applying the progressive accumulative scale over the sum of net labor income and the net foreign-source income as follows:

INCOME TAX RATES

Sum of net labor income and foreign-source income	Rate
Up to 5 UIT	8%
More than 5 UIT up to 20 UIT	14%
More than 20 UIT up to 35 UIT	17%
More than 35 UIT up to 45 UIT	20%
More than 45 UIT	30%

For 2016, the Tax Unit – UIT was set in S/ 3,950.

It should be noted that, for individuals, there is an obligation to submit an annual income tax return except that their income should only correspond to their salaries and being subject to withholding by their employer.

Nationals from all countries – except Brazil, Chile, Colombia, Mexico and nationals from Member Countries of the European Union in the Schengen Area – who travel to Peru to do business must request a business visa in a Peruvian Consulate before entering the country. In order to perform labor activities, all foreigners must obtain a work permit. Our firm provides legal and tax consultancy services to foreign workers assigned to Peru. We provide consultancy in structuring the employment contract, in obtaining the residence visa and all tax proceedings of expatriate employees and their families.

3. Agreements to Avoid Double Taxation

Double or multiple taxation occurs when two or more countries consider that they are entitled to tax a determined income. By signing agreements, states waive to tax determined profits agreeing that only one state can tax, or otherwise, they can have a shared taxation.

Agreements in force signed by Peru are:

- Agreement with Chile, applicable since January 1st, 2004.
- Agreement with Canada, applicable since January 1st, 2004.
- Agreement with the Andean Community, applicable since January 1st, 2005.
- Agreement with Brazil, applicable since January 1st, 2010.
- Agreement with the United Mexican States, applicable since January 1st, 2015.
- Agreement with the Republic of Korea, applicable since January 1st, 2015.
- Agreement with the Swiss Confederation, applicable since January 1st, 2015.
- Agreement with the Portuguese Republic, applicable since January 1st, 2015.

Agreements with Republics of Thailand and Spain are suspended, waiting to be ratified by the Congress of the Republic of Peru.

4. Transfer Pricing

Any transaction among related parties or carried out to or from tax havens must be valued according to the “arm's length” principle; that is, in the price range of independent parties in comparable transactions under similar terms and conditions. The Tax Administration can adjust prices of such transactions, when the result from the application of transfer price rules results in a lower tax payable in Peru.

Taxpayers who, according to the Law on Income Tax, have the status of domiciled in the country must submit a Transfer Pricing Technical Study – ETPT, when, in the taxable year to which the declaration corresponds:

- Accrued revenues exceed Six Million Peruvian Nuevos Soles (S/ 6,000,000) and the amount of transactions between the related parties exceed One Million Peruvian Nuevos Soles (S/ 1,000,000) and/or;
- Goods are transferred to their related parties or from, to or through countries or territories with low or no taxation, whose market value is less than its cost basis.

The Technical Study is submitted at the same time as submitted the Affirmative Affidavit of Transfer Pricing.

5. General Sales Tax (Value Added Tax)

The General Sales Tax – IGV taxes the following:

- Sale of movable assets in Peru
- Provision or use of services in Peru
- Import of goods, except for goods donated to religious entities, personal use goods
- Construction Contracts
- First sale of real estate made by builders of the real estate.

The general sales tax rate is 18%. The current government has among its proposals the reduction of this rate by 1%.

Exports are not subject to taxation with IGV. The tax credit derived from purchases of goods and services related to exports can be refunded by the Tax Administration. The export of services is fairly wide; however, there is a relation between them approved by the legal regulations.

For cases of long-term projects, at least 2 years of pre-operational stage, an anticipated recovery regimen of IGV derived from purchases of capital assets, construction contracts or services has been established. To request the anticipated recovery, it is necessary to sign a contract with the Peruvian Government and the investment must not be less than US\$ 5 million.

On the other hand, it is possible to recover the IGV in mining, oil and gas projects, provided that they are in pre-operational stage and they meet certain requirements such as signing an agreement with the Peruvian Government, a commitment to carry out exploratory activities for a minimum of US\$ 500,000.

The Tax Obligatory Payment System – SPOT, created to improve collection and combat tax evasion, orders that the purchaser, in a purchase-sale transaction, makes a deposit of a percentage of the purchase price of determined goods and services in an account the Seller must hold in the Bank of the Nation. Resolution No. 183-2004 SUNAT and supplementary regulations determine the goods and services subject to SPOT. It should be noted that the right to use tax credit, generated by the purchase, is subject to the deposit of the percentage indicated by the SPOT.

For the following services, a SPOT deduction rate of 10% has been established.

Service	Deduction Rate
Labor Intermediation	10%
Lease of Goods	10%
Maintenance and Repair of Properties	10%
Cargo Movement	10%
Business Commission	10%
Fabrication of Goods by Order	10%
People Transport Services	10%

6. Selective Consumption Tax

The Selective Consumption Tax – ISC is an indirect tax on specific goods to discourage the consumption of certain goods that generate negative external impacts in the social, individual and environmental order, such as cigarettes and alcoholic drinks. It also imposes a tax to those with more purchasing power in their purchase of luxury goods.

7. Customs Duties

In Peru, ad-valorem customs levels applied to import transactions are: 0, 6 and 11 per cent. 70% of this customs universe representing 74%, in terms of import value of 2015, are subject to a duty of 0%, as well as 100% of capital assets. Exports are not subject to customs duties.

Drawback is an inward processing customs regime, created in 1995, allowing total or partial refund of duties paid in the import of inputs used in the production of ultimately exported products. This regime aims to prevent that the payment of customs duties of imported products to manufacture other product to be exported increases its cost and its final price, thus affecting its competitiveness. By 2016, the amount to be reimbursed is equivalent to 3% of FOB value of the exported good.

8. Financial Transaction Tax

The Financial Transaction Tax – ITF imposes a tax on debits or credits in bank accounts. The rate is 0.005%. Debits and credits among accounts of the same person, salary account credits, are not subject to ITF. The ITF is a deductible cost for the Income Tax.

9. Temporary Net Assets Tax

The Temporary Net Assets Tax – ITAN imposes a tax on the net value of assets according to the Last-Year Income Tax Return, minus certain deductions established by Law. The tax rate is progressive as follows:

Rate	Taxable Amount
0%	Assets up to S/ 1,000,000
0.40%	Over S/ 1,000,000

The ITAN can be used as credit for the Annual Income Tax from the month following the payment.

10. Criminal Liability of Companies

Through Law No. 30424, the administrative liability of legal entities for transnational active bribery is regulated; that is, it imposes a tax on bribe committed by a Peruvian company acting through a government official from other country. The penalty involves closing business premises and a fine for up to 1,700 UIT; that is, more than S/ 6 million.

On the other hand, Section No. 1 of the Criminal Tax Law states that: "Anyone who, for their own benefit or third party's benefit, making use of any artifice, deceit, cunning, ruse or other fraudulent form, stops paying all or part of taxes established by law, shall be punished by imprisonment for no less than 5 (five) years and no more than 8 (eight) years and with 365 (Three-Hundred Sixty-Five) to 730 (Seven-Hundred Thirty) days-fine".

IV. LABOR LEGISLATION



IV. LABOR LEGISLATION

1. Labor Engagement

According to the legislation, there is work relationship when a person provides paid services under the direction and supervision of the employer. The types of contracts are:

- Indefinitive-Term Employment Contract
- Fixed-Term Employment Contract
- Part-Time Employment Contract
- Employment Contract for Foreign-Staff

Work engagement terms are listed below:

Legal Minimum Wage	S/ 850.00
Vacations	30 calendar days per worked year.
Legal Bonuses	A monthly wage in July and other in December.
Extraordinary Bonuses	9% of additional wage received in July and December.
Compensation for Time of Service	Each year, the employer must pay compensation for time of service, equivalent to approximately 1.16 of a monthly salary. This amount must be deposited 50% in May and 50% in November.
Profit Sharing	If an employer has more than 20 employees, that employer is obliged to share the net profit of the previous fiscal year, according to the income tax Return. The percentage to be distributed can go up to 10% depending on the nature of business activity.
Family Allowance	If an employee has at least one child, that employee is entitled to receive a family allowance equivalent to 10% of the minimum living wage.
Social Healthcare (EsSalud)	Contribution the employer must pay to EsSalud. EsSalud is a state entity that provides healthcare services to employees, including maternity, temporary disability, medical care for their children.
Workplace Health and Safety	It is obligatory to implement a workplace health and safety system, and the employer is responsible for its implementation.

The culmination of employment relationship must follow certain procedures to prevent cost overruns. The employer can not dismiss employees for any conduct-related or ability-related cause without first giving in written a reasonable time period no less than six calendar days so that they have the opportunity to defend themselves in written from the charges against them, except in cases of flagrant serious misconduct when such possibility is not reasonable or in cases of thirty calendar days to demonstrate their ability or correct their deficiency; on the other hand, for the duration of abovementioned proceeding related to the dismissal for conduct-related cause, the employer can exonerate employees in written from the obligation to go to the workplace, as long as it does not prejudice the right to defend themselves and the remuneration and other rights and corresponding benefits are given. Dismissal must be notified in written to the employer by letter indicating precisely its cause and date of termination.

If there is an arbitrary dismissal or dismissal without due cause of an employee, the employee has the right to receive a compensation equivalent to 1.5 of a monthly salary for each worked year up to a maximum of 12 salaries, in case of indefinite-term employment contracts. For fixed-term employment contracts, compensation is equal to 1.5 of the salary per each month without being working until terminating the contract.

Law No. 688 establishes that for an employee who has worked for 4 years for the same employer, consecutively or not, has the right to a life insurance that shall registered before the labor authority.

Private Pension System, known as AFP (Pension Fund Administrator) is a system that every employee should have in order to obtain a retirement pension. For this purpose, the employee must pay 10% of his salary plus fund management fee and a disability insurance.

Law No. 29973 establishes that people with disabilities have the right to work in the same conditions as any employee. Companies with more than 50 employees are obliged to hire disabled people to a maximum of 3% of its total employees.

2. Migration Regime for Foreign Personnel

Business Visa

Nationals from all countries – except Brazil, Chile, Colombia, Mexico and nationals from Member Countries of the European Union in the Schengen Area – who travel to Peru to do business must request a business visa in a Peruvian Consulate before entering the country.

Work Permit

Foreign nationals who have been assigned to work in Peru must request a work permit. Peru's Law of Recruitment of Foreign Workers establishes that employers, whether foreign or national, are authorized to recruit personnel from other countries without exceeding 20% of the total hired employees and their wages must not exceed 30% of costs recorded in payrolls.

Foreign Citizen's Relatives

Foreign Citizen's Relatives who hold a Peruvian resident visa may also obtain a visa as resident's relatives. Husband or wife, children under 18, single daughters and others are considered as family members.

V. PERUVIAN FINANCIAL SYSTEM



V. PERUVIAN FINANCIAL SYSTEM

Financial Intermediation has two major markets:

Indirect Intermediation Market

Market in which a financial intermediary (mainly banking entities) lends money, generally for a short period of time, previously collected from the public. In its turn, it is divided into sectors: a) Banking Sector, b) Non-Banking Sector.

Direct Intermediation Market

Regulated by the Superintendence of Securities Market – SMV. Market in which all entities that require to raise funds put on sale stocks, bonds and other securities, under the promise of a future yield. In its turn, it is divided into two sectors: Primary Market and Secondary Market, depending on the opportunity of placing a security; that is, a first issue of securities (primary market) or in the trading of already-issued securities (secondary market).

In the banking sector, 4 banks concentrate 83% of direct credits, so there is a relative concentration of banking services. The Superintendency of Banking, Insurance and Private Pension Funds is the entity regulating and controlling the activity of those banks and its main function is to ensure safety of deposits from the public and prevent money laundering. On the other hand, the BCRP preserves the monetary stability. The BCRP is an autonomous public entity. Its function is to regulate circulating money and credit in the financial system.

VI. ACCOUNTING AND FINANCIAL STATEMENTS



VI. ACCOUNTING AND FINANCIAL STATEMENTS

Section No. 223 of Law No. 26887 - General Law of Corporations in force since January 1, 1998, establishes that financial statements of companies registered under this law must be prepared and introduced according to the legal provisions on the matter and with accounting principles generally accepted in Peru.

International Financial Reporting Standards issued at first by the IASC (International Accounting Standard Committee) and subsequently by the IASB (International Accounting Standard Board) institution that replaced it are the accounting principles generally accepted in Peru. IASB concluded the review process of the International Accounting Standards – IAS and issued new pronouncements called International Financial Reporting Standards – IFRS. IAS and IFRS reviews became effective since January 1, 2005.

The Accounting Standard Board is the participating body of the National Accounting System. It is responsible for the study, analysis and issue of accounting standards. It is the entity that approves the implementation of accounting standards in Peru, having as regulatory principles, uniformity, integrity, opportunity, and transparency. Its aim is to harmonize and standardize the accounting of the public and private sectors by approving accounting standards.

The Superintendence of Securities Market – SMV is in charge of ensuring the proper functioning of the securities market; for this purpose, it has the power to approve accounting standards to be applied only by entities under its supervision and they are included in the current International Financial Reporting Standards.

The Superintendency of Banking, Insurance and Private Pension Funds – SBS is the body responsible for the regulation and supervision of the financial, insurance and private pension funds system. It is also an authorized entity to approve accounting standards to be applied in financial, insurance and private pension funds entities under its control.



VII. REGULATORY AND/OR CONTROL BODIES



VII. REGULATORY AND/OR CONTROL BODIES

Below we make a brief overview of the main regulatory and/or regulatory control bodies in the country:

1. Lima Stock Exchange

The Lima Stock Exchange is mainly intended to facilitate the negotiation of registered transferable securities, provide appropriate services, systems and mechanisms for a fair, competitive, ordered, continuous and transparent intermediation of securities of public offer, derivative instruments and instruments not subject to massive issue. The SMV authorizes the placement and issue of securities.

2. Superintendence of Securities Market – SMV

Technical specialized body assigned by the Ministry of Economy and Finance aiming to ensure the investors' protection, efficiency and transparency of markets under its supervision, proper price-formation and dissemination of all information necessary for such purposes. Its functions are: a) Issue legal standards regulating securities market, products market and collective funds system; b) Supervise the compliance of securities market legislation, products market and collective funds systems by individuals and legal entities participating in those markets. SMV is responsible for supervising the compliance of international auditing standards by auditing firms authorized by a Peruvian Association of Public Accountants and contracted by individuals or legal entities under SMV's supervision in compliance with the standards under its competence, for which it is able to issue general provisions consistent with those international auditing standards and request them any information or documentation to verify compliance.

3. Superintendency of Banking, Insurance and Private Pension Funds – SBS

Body responsible for the regulation and supervision of financial, insurance and private pension systems, and responsible for preventing and detecting money laundering and terrorism financing. Its main objective is to preserve the interests of the depositors, insured persons and affiliates to the private pension funds system (AFP).

4. Central Reserve Bank of Peru – BCR

Entity that ensures monetary stability of the country. Its functions are: regulate currency and credit in the financial system, manage international reserves under its responsibility and other functions specified in its Organic Law.

5. National Institute for the Defense of Competition and Intellectual Property – INDECOPI

Its functions are: promote market and protect consumers' rights, promote culture of honest and real competition, protecting all forms of intellectual property from distinctive signs and copyright up to patents and biotechnology.

6. National Superintendency of Public Registries – SUNARP

Autonomous decentralized body from the Justice Sector and regulatory body of the National System of Public Registries and its main functions and powers are to issue policies and technical-registry policies and standards of public registries integrating the national system, plan and organize, regulate, manage, coordinate and supervise registration and publicity of acts and contracts in the registries that make up the system.

7. Office of the President of the Council of Ministers – PCM

Institution in charge of coordinating national and sectoral policies. It coordinates relations with others branches of the State, regional governments, constitutional bodies, local governments and civil society.

8. Ministry of Economy and Finance – MEF

Responsible for planning, managing and controlling the national budget, national accounting, fiscal policy, public investments, treasury and economic social policies.

9. Ministry of Labor and Employment Promotion – MTPE

Body responsible for the application of labor policies, promotion of employment, self-employment, ensuring compliance of labor legislation, prevention and conflict resolution, improvement of work conditions and respect for employee's fundamental rights.

10. Ministry of Energy and Mines – MINEM

The purpose of this ministry is to formulate and assess, in accordance with the general policy and Government's plans, national-level policies in relation to sustainable development of mining-energy activities. It is also the competent authority on environmental issues related to the mining-energy activities.

11. Ministry of Foreign Trade and Tourism – MINCETUR

Its function is to formulate, manage, coordinate, execute and supervise foreign trade policy, with the exception of the customs regulation and tourism policy, in accordance with the general policy of the State and in coordination with the sectors and institutions related to its scope.



12. Ministry of Production – PRODUCE

Its aim is to design, establish, execute and supervise in accordance with the general policy and Government's plans, national and sectoral policy to be applied in fishery, MYPE and industry sectors, assuming stewardship in relation to them.

13. National Superintendency of Customs and Tax Administration – SUNAT

Its primary purpose is to manage national government taxes and tax and non-tax concepts assigned by Law and according to the inter-institutional agreements entered into, providing required resources for the fiscal solvency and macro-economic stability.

14. National Superintendency of Labor Inspection – SUNAFIL

Body specialized attached to the Ministry of Labor and Employment Promotion, responsible for promoting, supervising and controlling labor legislation, safety and health at work. One of its functions is the power of imposing sanctions for non-compliance of social-labor standards within its competence.

15. General Bureau of Environmental Health and Food Safety – DIGESA

Body attached to the Vice-Ministry of Public Health. It is responsible for the regulation, management and supervision of technical and regulatory aspects, surveillance and auditing in relation with environmental health, external physical, chemical and biological risk factors, as well as safety of food for human consumption.

📍 Jr. Los Rosales Nro. 388, Of. 401, Urb. Villa Jardín - San Luis.

☎ (511) 6393446 / (511) 6393455

✉ info@colchadoyasociados.com

www.colchadoyasociados.com