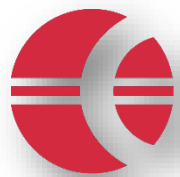


DOING BUSINESS IN PERÚ



ECOVIS® PERÚ

SALAZAR & ASOCIADOS

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ABOUT ECOVIS

ECOVIS is a leading global consulting firm with its origins in continental Europe. It has more than 4,500 people operating in more than 60 countries that provide Audit, Tax & Legal, Outsourcing and Advisory.

The particular strength of **ECOVIS** is the combination of personal advice at a local level with the general expertise of an international and interdisciplinary network of professionals.

Each **ECOVIS** office offers qualified experts with an excellent management of the local reality complemented by the international practice of the Network.

The name **ECOVIS**, a combination of the terms economy and vision, expresses both its international character and its focus on the future and growth.

ABOUT ECOVIS PERÚ

SALAZAR & ASOCIADOS has more than 30 years experience in the local market, integrating a local professional network founded in 1987, which makes us experts and experts in the provision of services.

We have professionals graduated from the best schools in the country and abroad, who provide quality services, with international standards and policies.

In Peru, the international firm is represented by **SALAZAR & ASOCIADOS**, which is responsible for the Audit, Tax & Legal, Outsourcing and Advisory, making us **ECOVIS PERÚ SALAZAR & ASOCIADOS**.

GENERAL INFORMATION

GEOGRAPHY AND DEMOGRAPHY

Peru is located in the intertropical zone of South America between the Line of the Equator and the Tropic of Capricorn. It covers an area of 1 285 215 km², making it the 20th largest country in size on Earth and the third largest in South America. It limits the north with Ecuador and Colombia, the east with Brazil, the south-east with Bolivia, the south with Chile and the west with the Pacific Ocean. It has an enormous multiplicity of landscapes due to its geographical conditions, which in turn gives a great diversity of natural resources. The constitution states that the territorial sea extends to 200 nautical miles.

With a population of 31 488 625 inhabitants according to estimates and projections of the National Institute of Statistics and Informatics until June 30, 2016, Peru is the fifth most populous country in South America. Its population density is 24.5 inhabitants per km² and its annual growth rate is 1.1%. 55.9% of the Peruvian population live on the coast, 29.6% in the highlands, and 14.5% in the jungle.

GENERAL INFORMATION

GEOGRAPHY AND DEMOGRAPHY

The economically active population corresponds to 73.57% of the total population, that is to say 22,668,626 inhabitants. The largest cities are on the coast, such as Sullana, Piura, Chiclayo, Trujillo, Chimbote, Lima and Ica. In the mountains the cities of Arequipa, Cusco, Huancayo, Cajamarca and Juliaca stand out. Finally, in the jungle is Iquitos the most important, followed by Pucallpa, Tarapoto, Moyobamba and Tingo Maria.

The rugged relief and particular natural history of Peru has caused it to be considered one of the seventeen mega diverse countries, with a great variety of ecosystems and, consequently, of flora and fauna. The country has six different terrestrial biomes in its territory, two marine biomes and three freshwater biomes. Along most of the coast stretches the Pacific desert, while on the northern coast and inter-Andean valleys of the Marañón River and some tributaries, the equatorial dry forest extends, a type of ecosystem similar to a tropical sheet that Comes from the convergence of Amazon, Andean and Pacific tropical forest tributaries.

GENERAL INFORMATION

GOVERNMENT SYSTEM



Peru is a presidential republic of democratic representation with a multi-party system. The government is structured according to the principle of separation of powers, these are the executive power, the legislative power and the judicial power. In addition, the Constitution establishes ten bodies called "constitutionally autonomous", specific and independent functions of the three branches of government. These bodies are: the Constitutional Court, the Public Prosecutor's Office, the Office of the Ombudsman, the Office of the Comptroller General of the Republic, the National Council of Magistrates, the Superintendence of Banking, Insurance and AFP, the National Elections Board, Electoral Processes, the National Registry of Identification and Civil Status and the Central Reserve Bank. The Peruvian government is directly elected, voting is mandatory for all citizens over 18 years.

GENERAL INFORMATION

ECONOMY

In recent years the Peruvian economy has had a remarkable growth rate compared to other economies in the world, only comparable to that of China. According to the magazine America Economy and the International Monetary Fund, in 2008 the country had the second lowest inflation in the world after France and therefore one of the most solid economies in this sense in the region. It has a high human development index, with a score of 0.740 in 2015 that places it in the 87th position worldwide.

The International Monetary Fund (IMF) forecasts GDP growth of 4.3% by 2017 and places Peru above all other South American economies.

This growth will be based on higher copper production, due to the expected increase in the price of this metal; As well as a spike in public spending and better dynamism in household consumption, said the director of the IMF's Western Hemisphere Department, Alejandro Werner.



GENERAL INFORMATION

ECONOMY

According to the Executive Board of the International Monetary Fund, the country has become one of the most powerful and stable economies of growth in Latin America. On October 23, 2013, the rating agency Fitch Group raised Peru's credit rating to the BBB + level. In July 2014, Moody's also raised the country's credit rating from Baa2 to A3 due to expectations of economic growth, strengthening fiscal performance and expansion potential.

Peru's GDP per capita in the early 2010 was \$ 5,027. Until the middle of the decade (2016), Peru reached \$ 5,727, having increased its per capita GDP by 13.9% compared to 2010.

Year	GDP per capita in US dollarsUS\$
2010	5.027
2011	5.731
2012	6.396
2013	6.626
2014	6.584
2015	6.168
2016	5.727

GENERAL INFORMATION

ECONOMY

The main sectors driving the economy in Peru are: Mining, Foreign Direct Investment, Tourism, Agriculture, Gas, Marine Resources, Productions, Exports and International Reserves.

Mining

Peru has an expectant competitive position in world mining, maintaining the mining leadership in Latin America and a solid history and mining trajectory. In the Latin American market, it is the largest producer of gold, zinc, lead and tin; Recording reserves estimated at 2,762,000 tons. It is also the second producer of silver and copper, in addition to producing other important metallic and non-metallic products.

The Yanacocha mine is the main source of gold mining in Peru. It is considered the largest gold mine in South America and the second largest in the world

Ranking of mining production (2015)		
Metal	Latin America	Worldwide
Gold	1st producer	5th producer
Zinc	1st producer	3th producer
Tin	1st producer	4th producer
Lead	1st producer	4th producer
Silver	2nd producer	3th producer
Copper	2nd producer	3th producer

Foreign direct investment

For the year 2015, the Central Reserve Bank of Peru (BCRP) reported a flow of US \$ 7,817 million in foreign direct investment, a figure of US \$ 68 million lower than the amount obtained in 2014, mainly explained by a price scenario (Which affect the reinvestment of profits, mainly in mining companies) and slow recovery of domestic demand.

Coin

The Sol (S/) is from December 15, 2015, the currency unit of legal tender in Peru, formerly Nuevo Sol (S/.). It is divided into 100 cents. Circles of 5, 10, 20, 50 cents, 1, 2 and 5 soles and bills of 10, 20, 50, 100 and 200 soles are currently circulating. Also coins of 1 cent were minted, but these were retired of circulation in May of 2011.

Exchange rate parity in relation to the US dollar is reported daily by the Central Reserve Bank of Peru, which since around 2004 has been revalued, standing at a parity close to 3,360 soles per dollar (as of December 31, 2004). 2016).

OTHERS

Official language

Spanish is the official language. English is usually spoken in the business world. There are co-official languages such as Quechua and Ayamara.

Religion

The majority religion is catholic. According to the Constitution there is freedom to practice any faith and worship freely.

Official Schedule

GMT-5 (Summer / Normal)

Working hours

Usually business offices open 8:30 for eight hours a day, with one or two hours of lunch break, closing between 5:00 pm and 6:00 p.m. Working days are from Monday to Friday, but all commercial establishments open Saturdays and Sundays.

Legal system

Peru uses the Roman system (Civil Law) applicable in all countries of Latin origin. The system is based on the Constitution, laws and specific codes regulating different areas: civil, commercial, criminal, administrative, etc.

INCORPORATION OF COMPANIES UNDER PERUVIAN LAW

Peru's General Corporation Law (LGS per Spanish words) considers and regulates the existence of 7 corporation types:

- Joint Stock Companies (and its two modalities Privately Held and Publicly Held Corporations);
- Closely Held Corporations ;
- Business partnership;
- Limited partnership;
- Joint-stock limited partnership;
- Civil partnership;
- Limited liability civil corporation.

The following descriptions correspond to the corporation types most commonly used for the development of business activities.

Joint Stock Companies (hereinafter S.A.)

The S.A. is a legal entity of business nature, which is incorporated by capital contributions or goods of at least two partners, who can be individuals or legal persons, whether national or foreign. The Shareholders' contributions are represented in representative shares³ of the share capital, where the shareholders' responsibility is limited up until the amount of such contributions. The operation of a S.A. is governed by its bylaws which is granted at the moment of establishment.

The supreme body of the S.A. is the General Board of Shareholders (JGA because of spanish words) and its management is in charge of the Board of Directors⁴ chosen by the JGA and one or more managers (Management), in accordance with what is established in the Company's bylaws. Thus, the directors and managers respond before the company, the shareholders and third parties, for the damages or harm caused by agreements or acts contrary to the law, the bylaws, for acting with serious negligence and/or for abuse of powers.

Joint Stock Companies (hereinafter S.A.)

General standards about the quorum and the majority for the adoption of agreements in the JGA are established in the LGS; however, the bylaw or shareholders' agreements may establish quorums and superior majorities for certain acts. In general terms, the agreements are adopted with the favorable vote of the absolute majority of the subscribed shares with voting rights represented in the board. Likewise, it is possible to perform non- presential meetings through written and electronic media, or any other nature that guarantee the communication and authenticity of the adopted agreements.

Closely Held Corporations (SAC)

This corporation (hereinafter referred to as SAC) has a much simpler structure as it is addressed to companies where the shares will be distributed to 20 shareholders maximum, it being the intention that the Shareholders and the control remains in the hands of this specific group of people.

Joint Stock Companies (hereinafter S.A.)

In this sense, besides the aforementioned characteristics of the S.A. the following characteristics are also applied to the SAC: (i) the shareholders can decide not to have a board of directors, in which case, the management assumes its powers; JGA are allowed and are in person without special provision in the bylaws; and, (ii) the shareholders have preferential purchase right in case shares are transferred, which may be regularized in the bylaws, among others.

Publicly Held Corporations (SAA)

The SAA is established when it complies with one or more of the following conditions: (i) primary public offer of shares or securities convertible into shares; (ii) has more than 750 shareholders; (iii) more than 35% of its capital belongs to 175 or more shareholders; (iv) it is incorporated as such; or, (v) it was approved by unanimity of all the shareholders with voting right.

Joint Stock Companies (hereinafter S.A.)

The SAA is distinct from the S.A. mainly because of the following: (i) it shall register all the share in the Public Registry of the of the Stock Market of the Superintendence of Securities (SMV); (ii) is under the oversight and control of the SMV; (iii) social pact clauses of the bylaws or shareholders' agreements containing limitation to the free transferability of shares, such as preference rights over its transfers; and, (iv) it is obliged to perform an annual audit by external auditors.

Closely Held Corporations (SRL)

The SRL is a company with characteristics of both Closely Held Corporations and partnerships.

In this sense, the main differences between a S.A. and a SRL are the following son las siguientes: (i) it cannot have more than 20 partners ; (ii) the capital stock is not divided in shares but in bonds of the same value; (iii) the partners and the SRL has a preference right in the case of bonds transfer which, unlike the SAC, cannot be eliminated per bylaws; (iv) unlike the S.A., which pretend the anonymity of the shares' owners (except by the registries kept by the corporation), in the la SRL the partners, shares and the ownership are under the regulation of the public in the Public Registry; and, (v) The SRL does not have a board of directors as the Management is in charge of one or more managers, and the Shareholders Meeting would represent the most important social entity.

Branch

Branch are all the secondary establishments where a corporation develops in a different place than the domicile, certain activities within its corporate purpose. The branch does not have independent legal status from the principal. It is empowered with permanent legal representation and has autonomy of management in the field of the main activities assigned by the principal in accordance with the powers granted to their representatives. The parent company responds for the obligations of the branch. Any agreement to the contrary is null and void.

For the purposes of granting powers of attorney, registry and procedures for the beginning of operations, the following shall be noted:

a. Certificate of Good Standing

A Certificate of Good Standing must be included in the deed of the parent company issued by the competent authority in the country of incorporation. The certificate of validity must clearly state that the principal is properly incorporated, operating and conducting businesses according to the law of the country where it was incorporated. Likewise, by means of the bylaws, shareholders agreement or any similar document, the authorization of incorporation of branches in other countries must be included.

Branch

b. Branch Incorporation Agreement

The competent social entity of the corporation should adopt the agreement to establish a branch in Peru indicating: (i) capital allocated to the branch for the type of activities in the country (LGS does not establish a minimum capital); (ii) a statement that the activities to be performed by the branch in Peru are within its corporate purpose; (iii) place of domicile of the branch; (iv) the designation of at least one permanent legal representative in Peru and the powers that are granted; and (v) a statement indicating that the parent company is subjected to the laws of Peru to respond for the obligations incurred by the branch in the country.

c. Registry of Powers

For the registry of the powers granted by the foreign corporation, it is not necessary the acceptance. For such registry, a Certificate of Good Standing of the legal entity or any other equivalent document issued by an officer or competent authority on the country of origin shall be attached , in addition to any of the following documents:

Branch

- Officer's Certificate, issued by a legal representative of the foreign legal entity who acts as certifying officer or equivalent, in the sense that the one that grants the power is duly empowered, in accordance with the legal entity bylaws and the laws of the country where such legal entity was incorporated, to act as its representative and grant powers on its behalf within the terms established in the title on registration.
- Certification of the authority or competent foreign authority, certifying that the grantor of the power is duly qualified in accordance to the foreign legal entity bylaws and the laws of the country where such legal entity was incorporated, to act as its representative and grant powers on its behalf, within the terms established in the title on registration.
- Any other document with legal validity that certifies the content of some aforementioned statements in the previous clauses.

Any of the aforementioned documents that may be presented, shall be duly apostilled in accordance with the Apostille Agreement and shall be in Spanish.

International Financial Reporting Standard

In Peru, by the provision of the General Companies Law, all companies must adopt the International Financial Reporting Standards for the Financial Statements report.

The International Financial Reporting Standards are approved, by resolution, by the Accounting Standards Board (CNC) following the publication of the updates issued by the International Accounting Standard Board (IASB).

PERUVIAN TAX REGIME

The main taxes imposed on the activities developed in Peruvian territory for legal entities are the following:

- Income Tax (IR)
- Value Added Tax (IGV)
- Excise Duty (ISC)
- Temporary Tax on Net Assets (ITAN)
- Financial Transaction Tax (ITF)
- Custom Duties
- Municipal Taxes (Property Tax, Transfer Tax, among others)
- Rates and contributions
- Contributions that lev compensation payments (collected by regulatory entities).

The following only describes the tax with more impact in the operations developed in the Peruvian territory.

PERUVIAN TAX REGIME

Income Tax (IR)

The IR levies on profits determined by the taxpayer during the tax year, which is computed from January 1 to December 31. The applicable rate to non-domiciled individuals is 30% and only the Peruvian source income is affected to IR. In this sense, Peruvian source income consider, among others, the income from real state property located in the country, credits, equity investments, technical assistance and digital services used economically in Peru, royalties and goods located or used economically in Peruvian territory, and those income from civil, commercial, business or any other activity in the national territory activities. In such cases when a domiciled subject is involved, the Peruvian withholding would be applied on the Peruvian source income by the non-domiciled.

Likewise, the IR rate applicable to dividends amounts to:

Taxable year	Rate
2017 onwards	5%

PERUVIAN TAX REGIME

Income Tax (IR)

Similarly, with the tax changes of December 2016, the income tax rates varied to:

Taxable year	Rate
2015 y 2016	28%
2017 onwards	29.50%

Now domiciled subjects including the subsidiaries- are sympathetic to the IR regarding their worldwide income. Thus, the IR rate is applied to net income, ie after additions and deductions. As an exception in the case of foreign companies branches located in Peru only their Peruvian source income are considered subjected to IR.

Further still, for domiciled individuals we should consider making payments in advance of the IR, withholding for transactions with non-domiciled individuals and the existence of a fiscal transparency system. It is also possible to carryover losses from one year to another according to the chosen system.

PERUVIAN TAX REGIME

Income Tax (IR)

In addition, it must be stated that for tax purposes the transaction value in sales, transfers of ownership and provision of services is the market value, regardless of economic conditions agreed between the parties. Similarly, in the agreed prices between related parties or entities domiciled in tax havens the market value would be applicable.

On the other hand, tax also applied to indirect disposal of shares and securities of a non-domicile company, which at the same time is direct or indirect owner of one or more companies of shares, or securities of domiciled legal entities capital in the country.

In regards to the IR the Peruvian state has subscribed the following Agreements to avoid Double Taxation (CDI): (i) Decision N° 578 with the countries Members of the Andean Community of Nations (as of today Peru, Bolivia, Colombia and Ecuador); (ii) Brazil; (iii) Canada; (iv) Chile; (v) South Korea; (vi) Mexico; (vii) Portugal; and, (v) Switzerland. It is worth mentioning that as of today Peru is negotiating CDIs with Thailand, France, Sweden, Italy and UK.

PERUVIAN TAX REGIME

Value Added Tax (VAT)

The VAT levied on the sale of goods and provision of services in Peru, the execution of construction contracts in Peru, the first sale of properties located in Peru carried out by the manufacturer, and import of goods and services in the Peru by any entity.

Transactions subject to VAT are subject to a rate of 18%. In this sense, VAT taxpayers are all those entities that sells real state or personal property, entities that provide services, manufacturers or importers. VAT paid by the buyer of goods, the service user, the manufacturer or importer constitutes a tax credit that may be credited against the VAT levied corresponding sales or services.

PERUVIAN TAX REGIME

Value Added Tax (VAT)

It should be noted that the export of goods and some services is not subject to VAT. However, exporters are entitled to recover the VAT paid on imports and local purchases of goods, services and/or construction contracts, as long as they meet certain requirements. These can only be used by the owner, for the payment of tax debts.

For its part, by the so-called Tax Payment System with the Central Government Obligations (SPOT), for certain transactions subject to VAT tax discounts must be made, which constitute an advance payment of VAT.

Excise Tax (ISC)

The ISC is levied on sales in the country at the level of producer of certain goods, import and sale by the importer of certain goods (i.e, petrol, liquor, new and used vehicles, soft drinks and cigarettes. In addition, the ISC also applies to gambling and betting quotes, such as lotteries, bingo, raffles, lotteries and horse racing events (casino games and slot machines are not included).

It is calculated by the following systems, depending on the type of good: (i) Value system; (ii) Specific System; or, (iii) Value system according to Selling Price to the Public.

Temporary Tax on Net Asset (ITAN)

The ITAN is a tax to the equity that applies to the carrying amounts of the net assets as of December 31 of the previous the payment corresponds to. ITAN's rate amounts 0.4% as long as its value is higher than PEN 1,000,000 (aprox. USD 307,977).

It is important to indicate that the payment of ITAN can be made in a single payment in cash or in 9 equal monthly installments (March to November) and can be used as a credit against IR down payments and the IR regularization payment.

Financial Transaction Tax (ITF)

The ITF applies to determine bank operations made in Peru, whether performed in local currency or not. It is paid on the amount of the operation made. Since April 1, 2011 the rate is 0.005%.

PERUVIAN TAX REGIME

Municipal Tax

The main Municipal Taxes are the following:

Real Estate Tax

It is an annual determination tax that applies to the value of urban or rural real state property according to the following Cumulative and Progressive Scale

Taxable year	Rate
Up to 15 UIT	0.20%
More than 15 UIT up to 60 UIT	0.60%
More than 60 UIT	1.00%

Real Estate payers are the individuals that as of January 1 of each year are owners of taxable real state property.

Municipal Tax

Car Ownership Tax

This annual tax levies on ownership of vehicles (cars, vans, station wagons, trucks, buses and mini-buses) during the 3 years following the registration in the Public Registry. In this sense, the taxpayer is the individual who owns a vehicle taxed at January 1 of each year. The rate is 1% of the original purchase, import or income to equity price, which in no case would be less than the reference table approved annually by the Ministry of Economy and Finance.

Sales Tax

The Sales Tax levied on transfers of ownership of urban or rural property against payment or free of charge, whatever its shape or form. The rate is 3% of the transfer value¹³, which may not be less than the value of appraisal. The purchaser of the property is obliged to pay the tax.

PERUVIAN LABOR REGIME

In Peru, the Labor Administration Authority is the Misnistry of Labor and Job Promotion (hereinafter referred to as “MTPE”) whose functions include the compliance review of the labor standards.

- Labor Contracting
- Period of work
- Legal Labour Rights and Benefits
- Labor Relation Tax Obligations
- Termination of the labor relation

The main aspects of the Peruvian labor Law are developed as follows:

Labor Contracting

This is performed through indefinite time contracts, subjected to a modality or partial time, which at the same time may be subjected to a trial period or not, usually three months for a regular employee, and six months for employees qualified as trusted¹⁵ and up to twelve months for management employees.

1. Direct Labor Contracting:

The general rule in contracting employees of all paid and subordinate services personal allowance is that it is to be indefinite time, and this contract may be verbal or written. Exceptionally, the employees may be contracted with a fixed-term contract or subject to a modality¹⁷, which shall be in writing, as long as it is justified by an objective reason included in law. The maximum contracting period in each one of the modalities shall not exceed on balance the five years

Labor Contracting

In partial time contracts the average of time worked by the employee shall not exceed the four hours, considering the ordinary business day of the work centre. In those contracts, the employee does not have rights to a certain legal benefits or may have those in a reduce way. Equally, it is necessary a written subscription as well as the registry in the MTPE.

2. Services Outsourcing

Services Outsourcing consists in the assignment from a main user company to a outsourcing company, so it can performed a specific activity of the productive chain. The outsourcing company shall comply with the following requirements: (i) develop specialized activities or works at its own risk; (ii) have its own financial, technical or material resources; (iii) assume responsibility for the result of its activities; and, (iv) keep the employees under its exclusive subordination. Likewise, it shall have specific elements, have the equipment, diverse clients, capital investment and payment per work or service.

Labor Contracting

3. Indirect Labor Contracting: labor intermediation

Unlike service outsourcing, labor intermediation implies the simple provision of staff in specific positions from one company to another. The employees detachment through labor intermediation only proceeds in case of temporary activities (corresponding to occasional or substitution nature contracts), complementary activities or highly specialized activities.

Period of work

The maximum working hours is 8 hours per day or 48 per week. This maximum period does not include: management staff, dependable personnel non subjected to time control, staff non subjected to inmediate review and employees that perform sporadic services, therefore without right for overtime payment or attendance control of the company.

The provision of services performed between a minimum of 4 hours and maximum 8 hours (regular working day) will be considered full time job. The hour worked in addition to the regular working day or week qualifies as overtime, to be compensated with a rate of 25% for the first two hours and 35% for the rest of hours. Otherwise, it is also possible to compensate overtime worked with equivalent physical rest, prior written agreement.

Legal Labor Rights and Benefits

The following are the main rights and benefits established by the labour law:

1. Salary

Is the complete amount received by the employee for its services, whether in money or kind, whatever way or denomination it has, as long as it remains at the employee's disposal. The employees shall perceive at least one monthly salary equivalent to PEN 850.00 Soles as long as it complies with the regular work schedule, otherwise, if less, the payment will be provided in same proportion.

Likewise, when the agreed monthly payment is equal or higher than 2 Tax Units (UIT), this and the corresponding social benefits could be consolidated in a unique amount named Annual Compensation Package (RIA in Spanish).

Legal Labor Rights and Benefits

2. Compensation for Time of Service (CTS)

The purpose of the CTS is to prevent contingencies created by stoppage of work and it is free of any tax burden. It consist in the deposit in every year's May and November of as many twelfths of computable salary as complete months worked in the corresponding semester.

3. Employees' profit participation

According to the economic activity the employees of companies with more than 20 employees have the right to perceive between 5% and 10% of the annual income before tax.

4. Legal Bonuses of July and December

The employees have the right to the payment of 2 legal bonuses during the year, each one equivalent to one month y payment, in the first two weeks of the month of July and December.

Legal Labor Rights and Benefits

5. Weekly Break and Holidays

The employees have the right to a minimum of 24 hours of mandatory weekly rest, which is paid and granted preferably on Sunday. Likewise, they have the right to paid rest in the holidays established by law.

6. Vacations

The employees have the right to 30 calendar days of paid physical rest for each completed year of services or a period of time proportioned to the effective time worked.

7. Family Allowance

10% of the Vital Minimum Salary (PEN 85.00.) 21 is granted to each employee who has children under 18 years old, regardless of the amount of children.

8. Life Insurance

In the case of the employees with a time of service of more than 4 years, the employer is obligated to hire a life insurance in their favor, assuming the corresponding premium payment.

Labor Relation Tax Obligations

The companies shall comply with the following tax obligations:

1. Social Security Contributions (ESSALUD)

The contribution financed by the employer is 9% of the employees' monthly remunerations, who benefit from health services provided by ESSALUD.

2. Income Tax Withholding

The employers are obliged to withhold on a monthly basis a determined amount from the employees salary perceived for the provision of the dependent staff services, even those that are not considered compensation for labor purposes, but are subject to tax by express legal mandate.

Individuals domiciled in Peru are subject to the following progressive and cumulative rate applicable over the net income of labor and foreign source income, before the deduction of 7 UIT of the taxable net income:

PERUVIAN LABOR REGIME

Labor Relation Tax Obligations

Taxable year	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%

3. Withholding of Pension's System contribution

Choosing a pension system (either private or national) falls on the employee. The operators in the case of the Private Pension System are the Pension Funds Administrators (AFP in Spanish) while, in the case of National Pension Systems, there is a Social Security Office (ONP in Spanish). In both cases, the employee shall pay approximately 13% of its salary

Termination of the labor relation

Termination of the employment relationship includes the following: (i) decease of the employee; (ii) employee resignation; (iii) termination of the work or service, compliance with the subsequent condition and the expiry of the contracts under modality; (iv) mutual dissent between the employee and the employer; (v) total and permanent disability; (vi) retirement; (vii) dismissal; (viii) termination for objective cause.

It is worth mentioning that in the case of dismissal, this will only be effective if it was due to causes established by law whose lay and evidence is mandatory to proceed with the dismissal.

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The document hereby presented contains summarized information and was prepared merely for informative purposes in order to be used as a general guide of reference and to facilitate the information referred to potential businesses. This document should not pretend to replace professional advisory or its application in specific situations; therefore, we cannot assume any kind of responsibility for the decisions taken without previous advice of a professional specialized in each one of the treated matters and we will not be responsible of the economic results that any person, company, entity or business pretends to attribute to this publication. Likewise, because of the constant changes of the markets and its laws, the update of the information included in this document may be required. We recommend that, for any business and investment related matter, an appropriate advisory is requested in accordance to such particular situation as this document does not represent or replace a professional advisory. Information updated as of January 2017.

