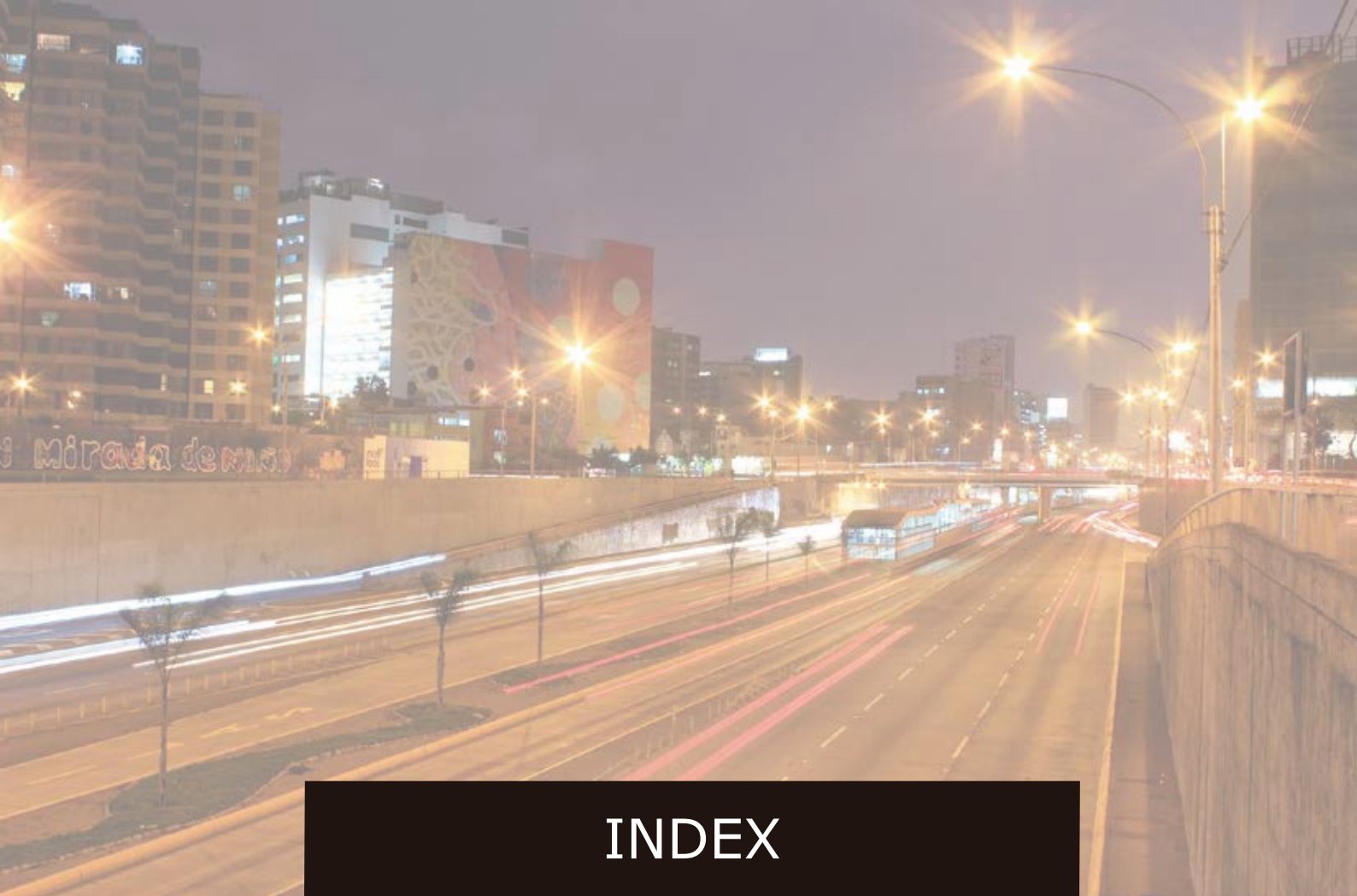


Legal Guide for Doing Business in Peru 2018



ABOUT THE AUTHOR

Torres and Torres Lara Associates is a law firm that offers comprehensive legal advice, with a commitment to provide high quality services in a creative and efficient manner, tailored to the necessities of each client. Founded in 1968, the Firm has gained important experience in the legal, economic and administrative sectors for almost five decades, thus allowing its clients to successfully carry out their activities in the different sectors of the economy. The firm places great emphasis in giving advice using the highest ethical and professional standards. Torres and Torres Lara Law Firm promotes a legal strategy that relies upon its knowledge and experience in different areas of Law, providing its clients with a comprehensive and interdisciplinary perspective to develop solutions at competitive costs. The Firm has a team of more than fifty highly qualified lawyers (forty internal lawyers, ten external lawyers), who are familiar with businesses and international legal schemes. The Firm is recognized for its skills in Business Law, Corporate Law, Consumer Protection, Taxation Law, Labor Law and Corporate Social Responsibility. In addition, it has very important strategic alliances with different chambers of commerce such as the Lima Chamber of Commerce, the Chinese Peruvian Chamber of Commerce, the Official Chamber of Commerce of Spain, the Chilean Peruvian Chambers of Commerce, the Peruvian Mexican Chamber of Commerce and the Italian Chamber of Commerce of Peru. Torres y Torres Lara Law Firm has assisted various transnational businesses establish themselves in this country, while offering them first class legal services.



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Preface

Throughout the past 25 years, Peru has achieved substantial economic stability, fostering foreign investment, and making it an attractive country for doing business.

The Peruvian economy grew 2.8% in 2017, overcoming the global crisis that affected multiple countries which had negative growth rates. This growth pattern had its highest peak in 2008 when the economy grew 9.1%, being both the country's highest growth rate in 15 years, as well as the highest in Latin America.

The economic success is primarily due to Peru's adoption of a free market economy over 20 years ago, where it placed greater importance on the promotion of national and foreign investment as a key ingredient for its development. Consequently, the country today has a favorable investment environment and an excellent legal framework for investment and economic activity, reflected in the stability and sustained growth of the past few years. Peru has attracted foreign direct investment (FDI), not only through the sale of state enterprises and granting of concessions to the private sector, but also through the new legal framework targeted at promoting and protecting such investments.

Since we are always focused on the investors' needs, and we understand their businesses and the challenge of knowing the law, Torres and Torres Lara is pleased to offer the national and international business community its Legal Guide for Doing Business in Peru 2018. In this guide, the reader will find a presentation of the country and climate for investment. The guide offers a simple but complete explanation of subjects such as the Government's role, the promotion of private investment, corporate forms, the taxation regime, and labor and migration laws, which are of special relevance in order to initiate operations in the country.

The Legal Guide for Doing Business in Peru offers an overview of different legal areas, which investors need to take into consideration when investing in Peru. This guide does not provide legal advice; it only provides basic information that will allow whoever reads it to understand Peruvian laws and dispositions. In the case where legal advice is required, the services of a professional should be retained.

Finally, we have made this Legal Guide for Doing Business in Peru as a tribute to the founder of our Law firm, Carlos Torres y Torres Lara, author of our current Constitution, which has been crucial to the achievement of the country's economic and legal stability and which has positioned Peru as an attractive country for investment in a globalized world.



Why invest in Peru?

I. Economic Outlook

According to our Constitution, Peru is governed by a social market economy where all type of controls have been eliminated, especially those concerning the exchange rate and price controls. Practices of unfair competition are prohibited. Business competition, unrestricted investment, and free entrance of capital by local and foreign investors is allowed.

The market, rather than the Government, is the agent in charge of regulating economic activity. Many areas previously reserved for exploitation by the State, are now being delivered to the private sector. A process of public-private partnerships, "Works for Taxes" and concessions is taking place in order to allow the private sector to efficiently compete in a market economy and prevent inefficient state companies from continuing to incur heavy losses. The State's role has been designed to dedicate its efforts to social services, security, and regulation. The state monopoly over natural resources, that were previously threatened by arbitrary expropriations, has been abolished. Public services such as transportation, energy, healthcare, tourism, education and infrastructure may be given as a concession to the private sector (for instance, a public service in exchange for a fee, an investment amount, a commission, a decrease in prices, etc.). Consequently, all of this has brought economic development to the country.

In the past few years, Peru's economic development has been sustained while becoming one of the fastest growing countries worldwide, and maintaining a low inflation rate. This history of success is due to the implementation of solid economic policies from various democratically elected governments, a sustained increase in productivity, private investment as an engine for growth, and, trade integration with the world. All of this has contributed to Peru becoming one of the best places for investment in Latin America.

Peru's macroeconomic performance in the last decade has been exceptional. During the period of 2003 to 2013, its real Gross Domestic Product (GDP) grew to an average annual rate of 6.6% (the highest in Latin America), leading to the highest investment ratio of the region according to the International Monetary Fund (IMF), from 17.8% in 2003 to 27.8% in 2013. In 2017, Peru grew 2.8%, in comparison to the Chilean and Colombian economy that grew 1.7% and 2.3% respectively. Similarly, it is projected for the next few years that Peru will maintain a growth rate of 5%. It is also expected to have the lowest inflation rate of Latin America.

Although there has been noticeable good work and positive economic results throughout the country, one should not lose sight of certain external risk factors that could potentially affect private investment, such as:

- The European economic crisis.
- The slowdown in the economic performance of China.
- The slow growth recovery of the United States.
- The fall in prices of raw materials, representing approximately 60% of total exports.
- The strengthening of the US Dollar against the Peruvian Sol.

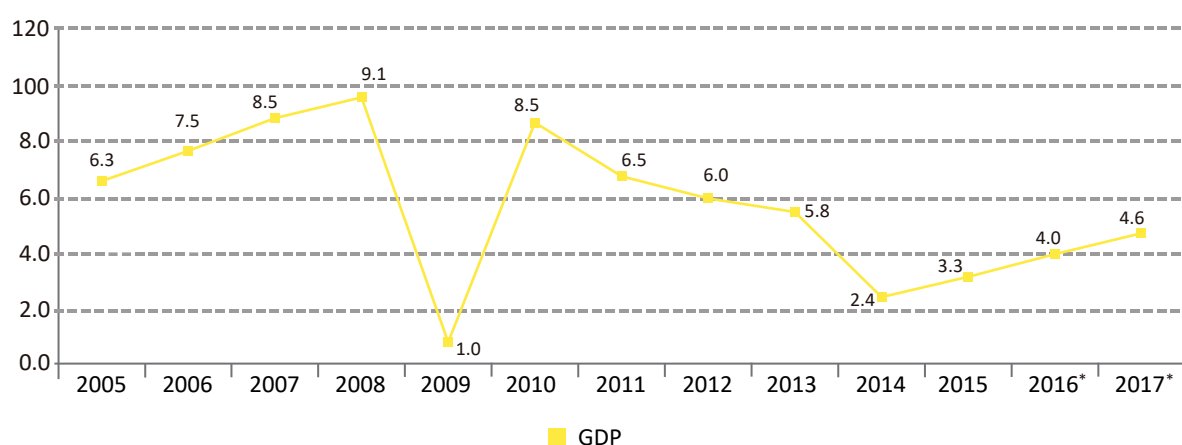
In fact, the slowdown in global growth is hindering the economic performance of Latin America, including Peru, since the fluctuation in the prices of metals directly affects it. However, Peru has solid economic foundations that will allow it to face the external problems successfully. Amongst them are, the level of Net International Reserves of USD \$63,420 billion, which represents the equivalent of 19 months of imports and 30.7% of Peru's Gross Domestic Product (GDP), the public debt is barely 24.1% of its GDP and the Country risk is amongst the lowest of the region, maintaining the investment grade rating between the main credit risk agencies (Standard & Poor's, Moody's and Fitch), signifying continued growth and lower costs for business financing.

The country can maintain its economic growth due to the great potential in the diversification of metal exports, as well as wood, paper, agricultural products, fishmeal, services in general, and increased tourism. Similarly, there are important investment projects, both public and private, existing in the short and medium term, such as in mining, hydrocarbons, electricity and infrastructure, which are essential to guarantee growth.

Overall, Peru offers foreign investors a stable economy that has been complemented by reforms that have allowed the promotion of investment in strategic sectors such as petrol and gas, energy, mining, telecommunications, water and the sewage system, amongst others.

REAL PERUVIAN GDP

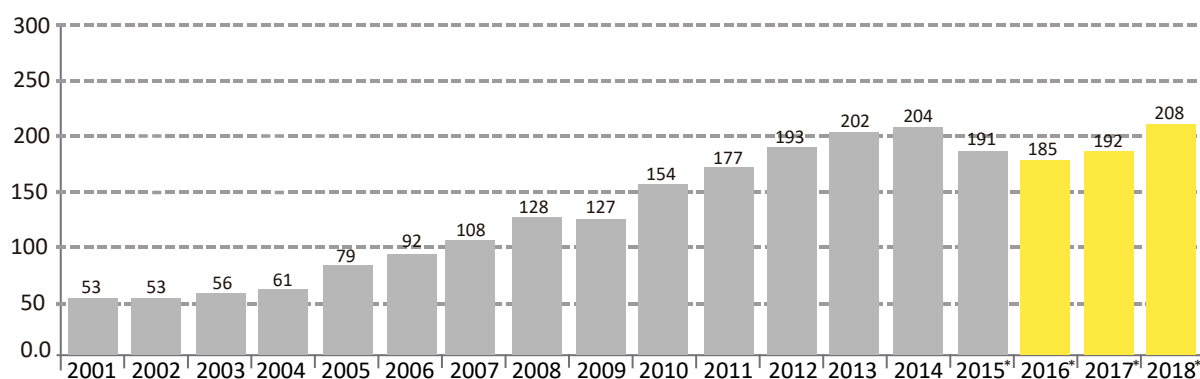
VARIATION IN THE REAL GROSS DOMESTIC PRODUCT (Percentage Change)



* Estimate
Source: BCRP

GROSS DOMESTIC PRODUCT (US\$ MILLION)

Real GDP of Peru (en US\$ thousands of millions)



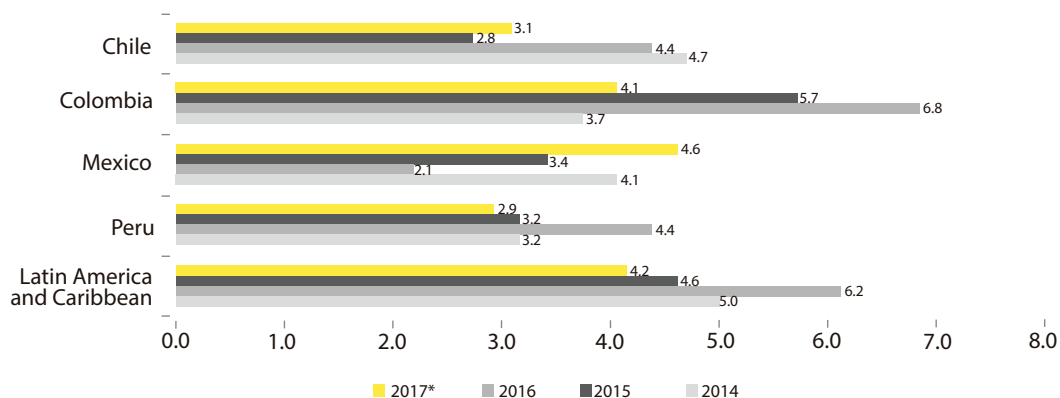
* Estimate
Source: BCRP / World Economic Forum (2004 - 2014) / Apoyo (2015 - 2018)

PERUVIAN GDP PER PRODUCTIVE SECTOR

SECTORES ECONÓMICOS	2015					2016					2017			ECONOMIC SECTORS
	I	II	III	IV	AÑO	I	II	III	IV	AÑO	I	II	III	
Agropecuario	1.2	4.1	4.7	3.5	3.5	2.6	1.7	2.4	4.2	2.6	-0.4	0.0	5.5	Agriculture and livestock
Pesca	-9.2	63.6	-21.6	43.8	15.9	1.8	-59.6	68.3	27.6	-10.1	37.9	128.8	-42.8	Fishing
Minería e hidrocarburos	4.4	7.6	10.3	15.1	9.5	15.7	23.6	16.0	10.7	16.3	4.1	1.8	4.2	Mining and fuel
Manufactura	-5.2	0.1	-2.0	1.2	-1.5	-2.6	-8.0	2.2	2.9	-1.4	2.0	3.8	-3.0	Manufacturing
Electricidad y agua	4.5	5.1	6.0	8.1	5.9	10.3	7.2	6.6	5.3	7.3	1.1	1.7	1.7	Electricity and water
Construcción	-6.8	-8.6	-6.8	-2.1	-5.8	2.1	0.9	-3.6	-9.2	-3.1	-5.3	-3.0	5.6	Construction
Comercio	3.6	3.8	4.1	3.9	3.9	2.8	2.3	1.4	0.9	1.8	0.1	9.0	1.4	Commerce
Servicios 2/	4.3	4.0	4.2	4.1	4.1	4.6	4.3	4.2	3.0	4.0	3.1	2.8	3.4	Services
PBI GLOBAL	1.9	3.2	3.3	4.6	3.3	4.6	3.9	4.7	3.1	4.0	2.2	2.4	2.5	GDP

Source: BCRP PBI 2017

PERUVIAN INFLATION



*Proyección to april 2017
Source: International Monetary Fund

PERUVIAN INVESTMENT GRADE INDEX

Credit Ranking Clasification and Perspectives

	S&P	Moody's	Fitch
Peru	BBB+	A3	BBB+
Chile	A+	Aa3	A
Colombia	BBB	Baa2	BBB
Mexico	BBB+	A3	BBB+
Brazil	BB	Ba2	BB
Uruguay	BBB	Baa2	BBB-

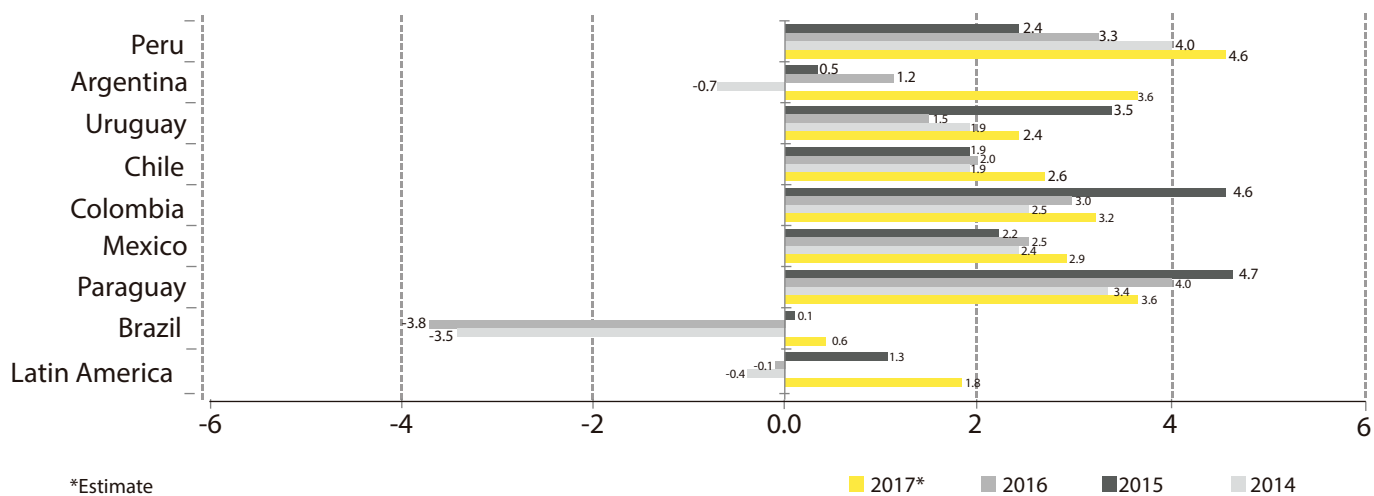
S&P/ Fitch	Moody's	Feature
AAA	Aaa	Risk Free
AA+, AA, AA-	Aa1, Aa2, Aa3	High Grade
A+, A, A-	A1, A2, A3	High Repayment Capacity
BBB+, BBB, BBB-	Baa1, Baa2, Baa3	Moderate Repayment Capacity
BB+, BB, BB-	Ba1, Ba2, Ba3	Some Repayment Capacity
B+, B, B-	B1, B2, B3	Highly Uncertain Repayment Capacity
CCC+, CCC, CCC-, CC	Caa1, Caa2, Caa3	Extremely Vulnerable to Default
SD/D	Ca	Default

Source: Bloomberg

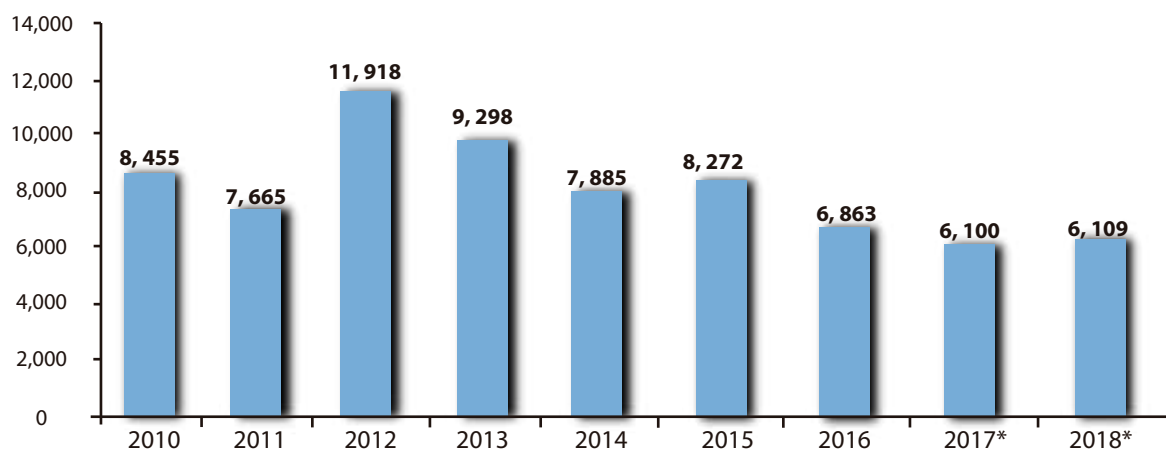
Stable Perspective ■ Negative Perspective ■
Stable Perspective with recent low calification ■

Source : S&P Goobal Ratings, Moody's y Fitvh Ratings

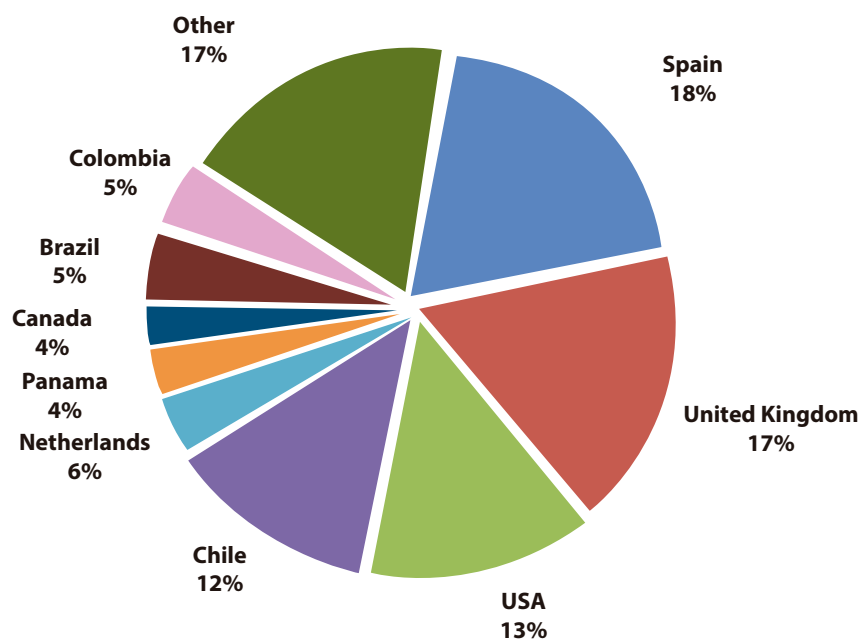
ESTIMATED GDP GROWTH RATES IN LATIN AMERICA



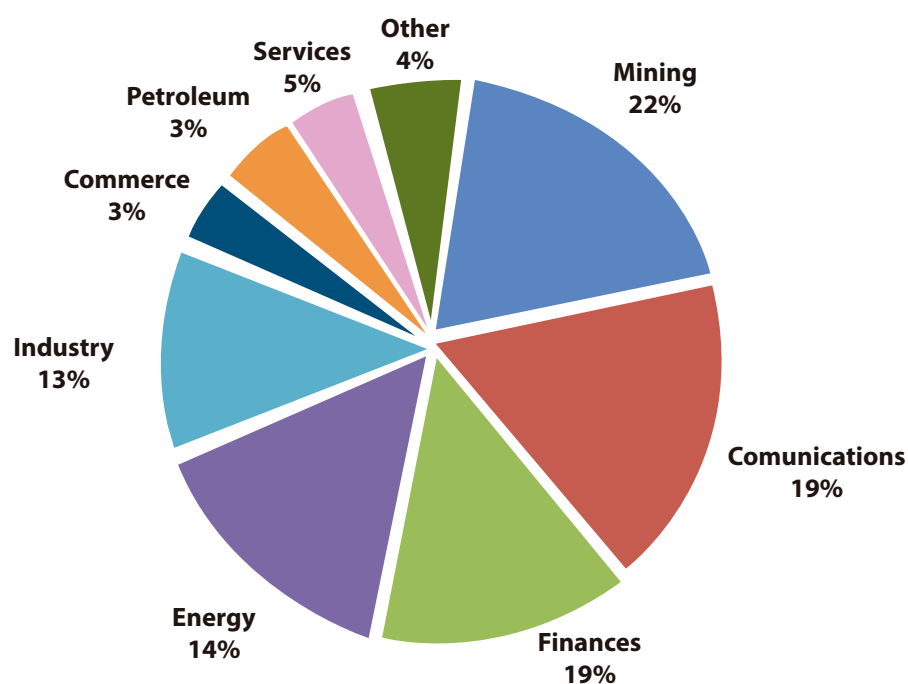
FLOWS OF DIRECT FOREIGN INVESTMENT CENTRAL BANK OF RESERVE OF PERU (MILLIONS OF US \$)



DIRECT FOREIGN INVESTMENT BALANCE BY COUNTRY



BALANCE OF DIRECT FOREIGN INVESTMENT BY ECONOMIC SECTOR



MEDIUM AND LONG-TERM INFRASTRUCTURE GAP (millions of Us \$ of the year 2016)

		Brecha 2021-2025	Brecha a largo plazo 2016-2025
Agua y Saneamiento	6,970	5,282	12,252
Agua potable	1,624	1,004	2,629
Saneamiento	5,345	4,278	9,623
Telecomunicaciones	12,603	14,432	27,036
Telefonía móvil	2,522	4,362	6,884
Banda ancha	10,081	10,070	20,151
Transporte	21,253	36,246	57,499
Ferrocarriles	7,613	9,370	16,983
Carreteras	11,184	20,667	31,850
Aeropuertos	1,419	959	2,378
Puertos	1,037	5,250	6,287
Energía	11,388	19,387	30,775
Salud	9,472	9,472	18,944
Educación	2,592	1,976	4,568
Inicial	1,037	585,000	1,621
Primaria	137	137	274
Secundaria	1,418	1,254	2,672
Hidráulico	4,537	3,940	8,477
Total	68,815	90,734	159,549

Sources: National Infrastructure Plan 2016-2025 - Association for the Promotion of National Infrastructure (APNI)

II. Legal System

The Constitution is the highest law in the Peruvian legal system, encouraging a free market economy and prohibiting the reservation of many economic activities in favor of the State. Equal conditions for public and private activities are established.

The Peruvian Constitution foresees that the State can only carry out entrepreneurial activity if it is subsidized and has been authorized by the law, for reasons of public interest or national necessities.

The State's mission is to supervise and favor free competition, while repressing any behavior that restricts it. Similarly, it must fight against any practice that limits it, as well as abuse from dominant positions or monopolies. No law or agreement can authorize or establish monopolies.

III. Treatment to Private Investment

Legal Framework of Private Investment

The Peruvian legal framework promotes and guarantees foreign investment in all sectors of the market and grants equal treatment for domestic investment. In fact, the Constitution of Peru establishes, in article 63, that domestic and foreign investment are subject to the same conditions. In this sense, it is worth mentioning that our legal system offers the following guarantees to foreign investors:

- i) **Freedom of Contract.-** The parties can include in their contracts the terms and conditions they consider to be convenient, as long as they are valid within the current legal framework. Once the contracts have been concluded, they cannot be modified by law.
- ii) **Private Property.-** Property Rights are unbreakable. Similarly, both foreign businesses and individuals are under the same conditions as nationals.
- iii) **No discrimination towards foreign investment.-** Investment is subject to the same conditions, regardless of whether it comes from domestic or foreign sources. As already stated, and without including the aforementioned exceptions, the national legal system will not discriminate against foreign investors or businesses.
- iv) **Develop the economic activity of their preference and have freedom of entry to any industry.-** Foreign investors enjoy the rights to freedom of commerce, industry, exports and imports, being able to organize and develop their activities in the way they find most convenient.
- v) **Freedom to submit any controversy to arbitration.-** Controversies to adjudicate legal rights can be submitted to arbitration. Therefore, any legal dispute that arises amongst private parties can be submitted to arbitration before an Arbitration Center in Peru. Similarly, the fourth article of the law provides that the State can submit to national arbitration controversies arising out of contracts concluded with nationals or foreigners domiciled in the country.
- vi) **Liberty of exchange, either in the local or international market.-** The production of goods, services and foreign trade are free, without any restrictions. In the same way, foreign investors enjoy the rights to freedom of commerce, industry, exports and imports.

- vii) **Using the most favorable exchange rate in the market.-** In cases where it is necessary to convert a foreign currency into a local currency or vice versa, foreign investors will have the right to use the most favorable exchange rate at the moment of carrying out the operation.
- viii) **Transfer abroad all benefits or dividends earned, after taxes.-** The legal system guarantees the right of foreign investors to transfer abroad, in freely convertible currency and without prior authorization from any authority of the Central Government or public decentralized agencies: a) capital from investments, and, b) net dividends or profits from their investment.

Limitations to Private Investment

Essentially, the conditions that national and foreign investors have are the same. Nevertheless, our legal system, through special rules, contemplate some exceptions to the aforementioned rule, some of which are as follows:

- i) **Commercial air transport.-** The services of commercial air transport are reserved for natural or nationally legal people only. Peru's Civil Aeronautical law states that at least 51% of the social capital of legal people dedicated to these services must be of Peruvian property and be under the real and effective control of shareholders or partners that have a Peruvian nationality, with permanent residence in Peru.

Such requirement will be maintained during the first six months from the company's effective date of the permit. Once expired, the percentage of social capital of property owned by foreigners could increase up to 70%.
- ii) **Radio broadcasting services.-** Only natural or nationally legal people will be able to acquire permits and authorizations related to radio broadcasting services. A specific limit on the participation percentage of a foreign investor in the capital of a business entitled to a license or authorization of this kind has not been established.
- iii) **Aquatic Transport.-** Aquatic Transport services in bay areas with traffic or ports must be administered by incorporated companies domiciled in Peru, who are especially authorized for such acts. Amongst these services are included gas supply and petroleum, mooring and unmooring, ship supply, residue recollection, and, towing and transport of people. It should be noted that this is not a limitation for the participation of foreign capital in these companies, but a company rightly constituted under Peruvian laws is required for the provision of these services.
- vi) **Tourism.-** In this sector, foreign capital is generally allowed. However, due to national security reasons, an exceptional restriction is applied to tourist aquatic transport.
- vi) **Border area.-** There is a prohibition regarding the acquisition or possession by foreigners, either directly or indirectly, individually or in a partnership, within 50 kilometers of the borders, relating to mining rights, lands, forests, waters, fuel or energy sources, unless authorized by the Supreme Decree in cases of public necessity.

IV. Legal Stability Agreements

In the early 90s, the legal norms that established the creation and the possibility of holding Legal Stability Agreements were part of a set of provisions with the aim to free the Peruvian economy and, amongst other aspects, to open it to foreign investment while providing guarantees.

In this sense, Legal Stability Agreements were implemented as a viable option to ensure security or minimize the risk of investments in Peru. This type of agreement allows the investor to know which legal framework will be applicable for investments in the long term, thus helping to make a better investment decision and reduce the risk associated with undertaking any business project.

Legal Stability Agreements do not necessarily give a more beneficial treatment to the investor, but they have the ultra-activity of the stabilized laws, assuming that these have been modified in matters on which the stability is given.

It is necessary to point out that foreign investors can only benefit from the legal stability regime if they carry out, within a maximum period of two years (counted from the date of the respective agreement), a monetary contribution to the capital of an established or to be established enterprise in Peru. The monetary contribution should not be less than the sum of US\$ 5,000,000,000. This contribution should be channeled through the National Financial System.

Legal Stability Agreements have the following characteristics:

- i)* They are contracts of civil nature, not administrative. Due to this, the Peruvian Government cannot unilaterally modify them.
- ii)* PROINVERSIÓN (The Private Investment Promotion Agency) is in charge of reviewing applications for the conclusion of a Legal Stability Agreement and signing them on behalf of the Peruvian Government.
- iii)* They are valid for 10 years, from the time of inception. The Law does not anticipate that they can be renewed; however, nothing prevents the adoption of a new Legal Stability Agreement, as long as new investments are made.
- iv)* They may be assigned with the prior approval of the competent authority.
- v)* They can be cancelled due to breaches in any of the obligations under the investor or investment-receiving firm.

The conclusion of a Legal Stability Agreement will give foreign investors the following rights:

- i)* Stability of the tax regime valid at the moment of conclusion: due to this, the foreign investor in respect to the income tax borne by the investment-receiving company and that who is affected by attributed profits and or dividends distributed on their behalf, won't be affected with a higher rate than that seen in the corresponding agreement. Therefore, if the income tax paid by the company increased, the rate affecting the foreign investor will be reduced to allow the company's utility to be finally freely available to him, equal to the guaranteed one.
- ii)* Stability in the free availability of currencies, including the free transfer of currencies abroad and the free convertibility of currencies.
- iii)* Stability of the rights to no discrimination, meaning that foreign investments should be treated the same as national ones.

In exchange for the benefits listed above, the investor agrees to carry out investments (and, in the case of investment-receiving firms, to issue shares representative to its social capital) in the country, in any of the following forms:

- i)* Monetary contributions to the capital of a company already established or to be established, channeled through the National Financial System.
- ii)* Investments in national currency from resources entitled to be remitted abroad.
- iii)* Conversion of private foreign obligations into shares.
- iv)* Reserve resources for risky investments (Join Ventures).

The legal framework of Legal Stability Agreements allows its beneficiaries to terminate the stability regime granted by them if they find it convenient to do so. Because of the termination, the corresponding investment firm or investment-receiving firm will abide by the current legislation and the modifications made in respect of such legislation will be fully applicable.

Once the termination has been made, there is no legal or regulatory law that prohibits businesses from entering into a new Legal Stability Agreement later on, provided that they comply with all the requirements established by the Law for the conclusion of a Legal Stability Agreement.

Main Sectors and Opportunities

2.

Historically, the most important industries in Peru focus in the production of raw materials such as agriculture, fishing, mining and hydrocarbons. However, since 1990, the country has increased its activity in the industrialization and manufacturing industry, particularly in the textile sector, and in the construction materials industry (such as metallic structures, cement, and plastic, amongst others). Similarly, the sector based on construction has become exceedingly important for Peru's GDP due to the real estate "boom".

I. Mining in Peru

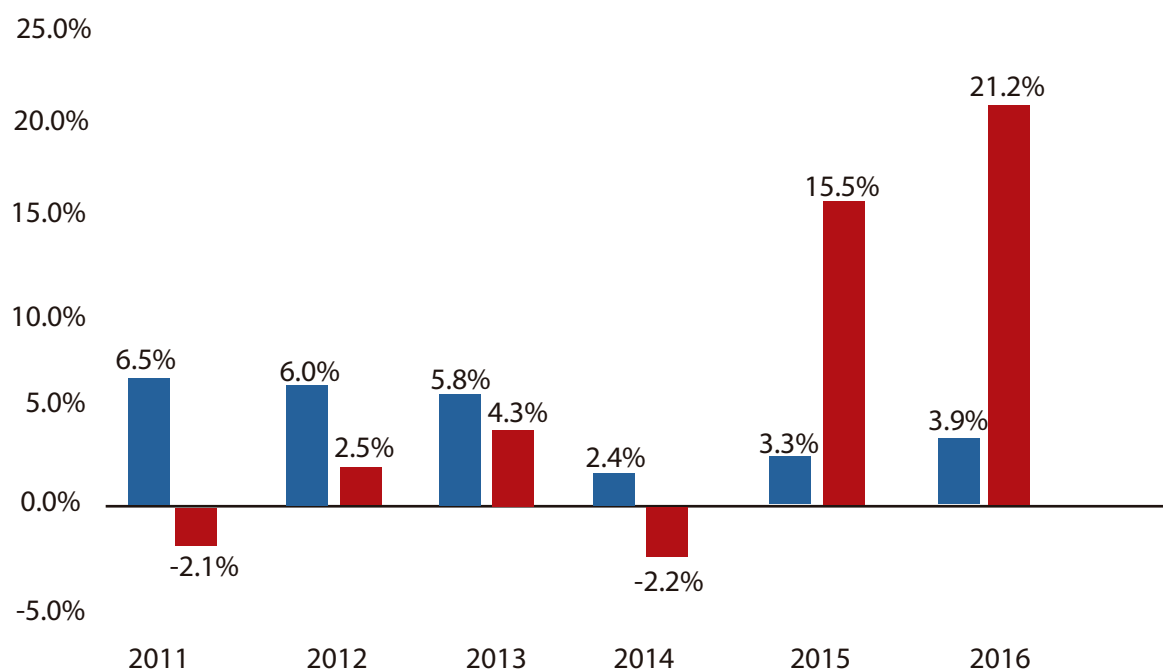
The mining industry has been one of the main contributors to the impressive growth that Peru has had in recent years. Peruvian mining accounts for over 50% of foreign exchange, 20% of tax revenues, 14.36 % of its Gross Domestic Product, and, the majority of foreign investment, amongst other well-known macroeconomic factors.

In 2014, Peru was one of the leading exporters of minerals in the world, considered the third largest producer of silver, copper, zinc and tin; the fourth largest producer of lead; and the fifth largest producer of gold.

Even though the mining sector has become stagnant due to low metal prices, until December 2014 Peru exported US\$ 20.410 billion and had an investment of approximately US\$ 9 billion in terms of mining projects, such as Toromochó (Chinalco), Las Bambas (MMG), Marcona (Shougang Hierro Peru) and the expansion of the Cerro Verde (Freeport/McMoRan) mine.

It is expected that 2018 will be a great year for the mining industry and the main driver of this growth will be the price of copper, which is the country's main export product. The aggressive increase in the price of copper in recent months, and the expectation that prices will remain at current levels are the main factors to expect to improve the terms of trade.

GDP BY MINING 2016 (Million PEN)



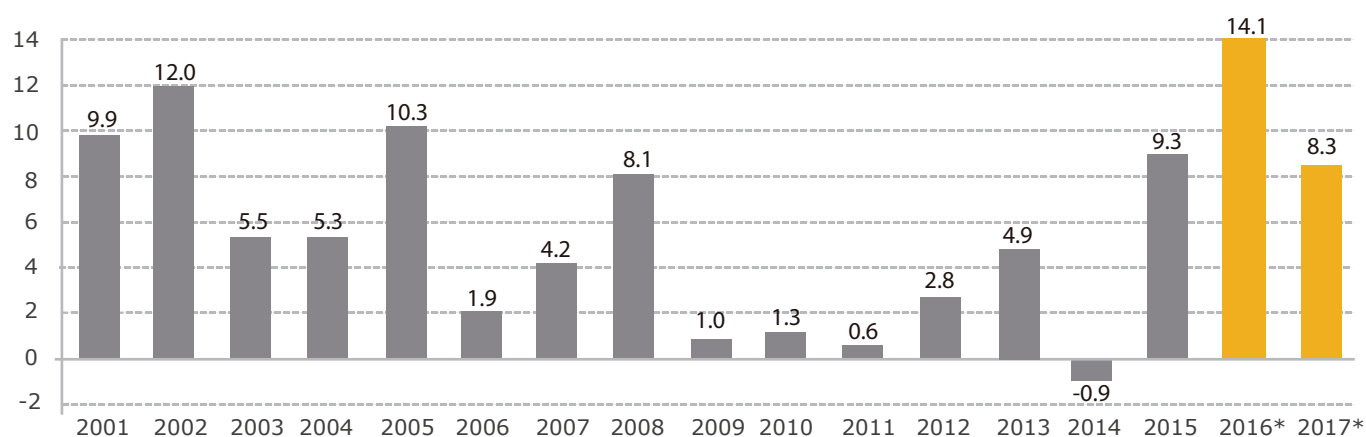
MINING INVESTMENT

US\$ MILLIONS

Year	Plant Equip.	Mining Equip	Exploration	Exploitation	Infraestructure	Others	Preparation	Total
2007	67,768,994	125,551,262	136,592,095	338,016,660	336,778,377	197,918,361	50,179,973	1,248,815,722
2008	141,038,944	178,686,012	167,839,351	440,246,645	321,482,441	328,783,686	131,980,228	1,708,059,306
2009	319,825,374	499,659,327	393,600,074	531,388,349	376,380,329	504,747,514	196,060,821	2,821,661,789
2010	416,011,993	518,078,947	615,815,227	737,890,193	827,591,969	443,780,328	510,276,007	4,069,444,664
2011	1,124,827,734	778,151,268	869,366,744	869,507,2016	1,408,825,781	1,412,256,088	788,187,748	7,841,122,580
2012	1,140,062,755	525,257,850	905,401,645	1,005,372,534	1,797,233,970	2,491,504,593	638,740,607	8,503,579,954
2013	1,414,373,690	789,358,144	776,418,375	1,077,880,469	1,795,299,643	3,666,358,074	404,548,165	9,924,234,559
2014	889,501,861	567,308,096	617,441,657	911,657,528	1,462,383,353	4,016,298,145	418,236,095	8,872,806,737
2015	446,220,610	654,217,496	441,643,510	792,930,742	1,227,764,467	3,586,976,274	375,513,626	7,525,266,725
2016	234,040,659	386,357,050	373,166,169	933,341,784	1,074,886,960	900,298,553	349,298,041	4,251,389,215

Source: Ministerio de Energía y Minas

EVOLUTION OF THE MINING PRODUCTION (%)



*Estimate

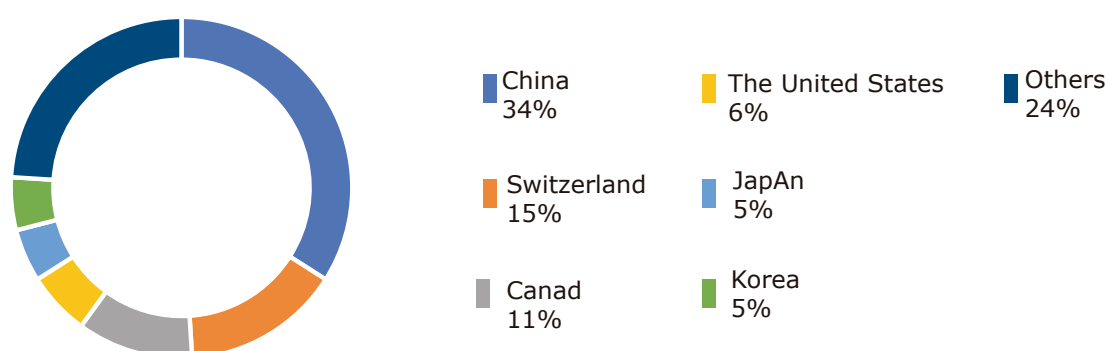
Source: BCRP

MINING EXPORTS (US\$ MILLION)

Year	2011	2012	2013	2014	2015	2016
Total exports	46,376	47,411	42,861	39,533	34,236	36,838
Mining exports	26,526	27,467	23,789	20,545	18,836	21,652
Copper exports	10,721	10,731	9,821	8,875	8,175	10,168
%Particip. Minerals in total	57%	58%	56%	52%	55%	59%
%Particip. Copper in mining	40%	39%	41%	43%	43%	47%

Source: BCRP. Own elaboration

MINING EXPORTS BY COUNTRY OF DESTINATION / 2015 (IN%)



Source: SUNAT
Elaboration: ComexPerú

II. Manufacturing in Peru

The manufacturing sector is another economic pillar of Peru. In the last 5 years, manufacturing represented, on average, 15% of the Gross Domestic Product, 16% of exports and 18% of tax revenues. It is worth noting that this sector has benefited due to trade liberalization through the Free Trade Agreements, the increase in competitiveness and specialization in the sectors that Peru has a competitive advantage.

Despite the national economic slowdown due to the international situation, the Peruvian manufacturing sector shows various growth opportunities for the next few years. It is estimated that international demand for Peruvian manufactured products will recover due to the effect of higher exchange rates against the US Dollar.

GDP MANUFACTURING - 2015

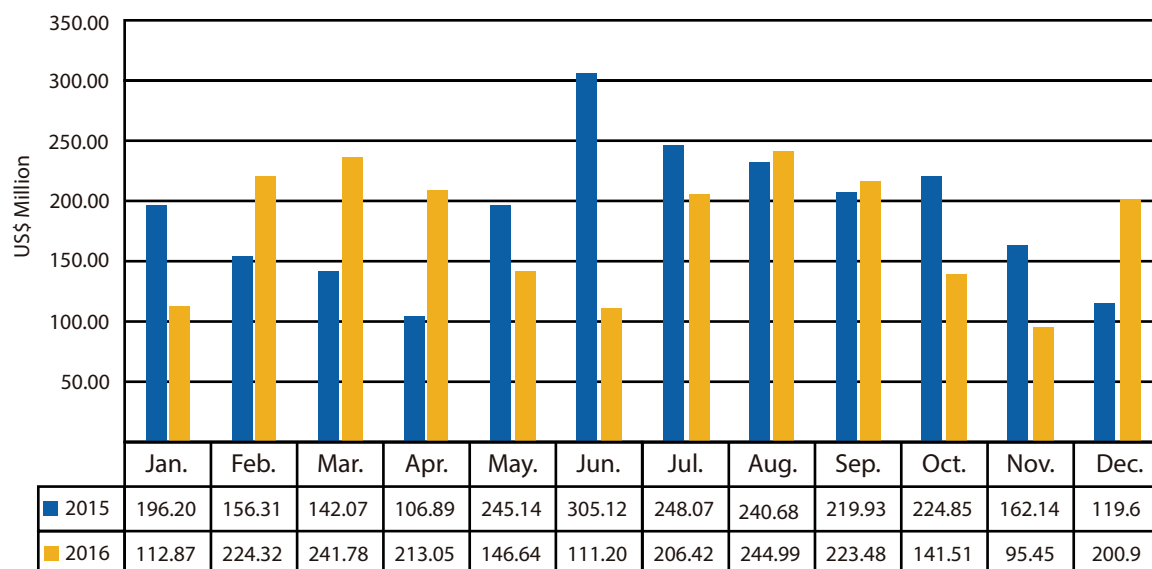
S/. MILLION

	2008	2009	2010	2011	2012	2013	2014	2015	2016
Agriculture and livestock	8.0	1.3	4.3	4.1	5.9	1.5	1.9	3.2	1.8
Fishing	3.0	-3.4	-19.6	52.9	-32.2	24.8	-27.9	15.9	-10.1
Mining	7.3	-2.1	-2.7	-2.1	2.5	4.3	-2.2	15.7	21.2
Hydrocarbons	6.4	17.1	15.0	5.1	1.0	7.2	4.0	-11.5	-5.1
Manufacturing	8.6	-6.7	10.8	8.6	1.5	5.0	-3.6	-1.5	-1.6
Electricity and water	8.1	1.1	8.1	7.6	5.8	5.5	4.9	5.9	7.3
Construction	16.0	6.8	17.8	3.6	15.8	8.9	1.9	-5.8	-3.1
Commerce	11.0	-0.5	12.5	8.9	7.2	5.9	4.4	3.9	1.8
Other services	8.7	3.6	8.8	7.0	7.3	6.2	5.0	4.2	3.9
GDP	9.1	1.0	8.5	6.5	6.0	5.8	2.4	3.3	3.9

Sources: Central Reserve Bank of Peru

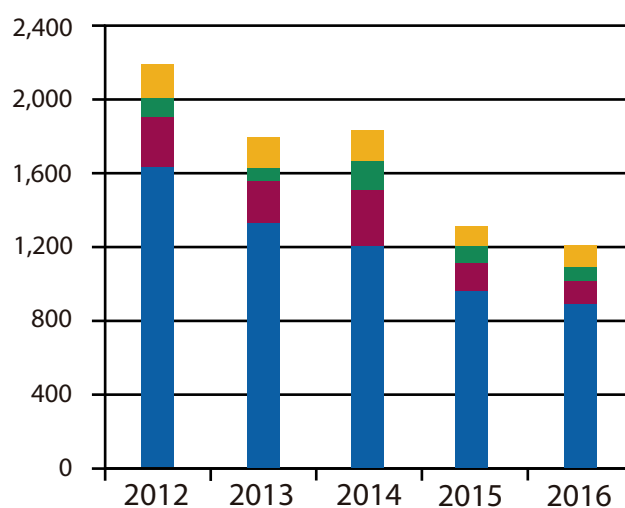
FISHING PRODUCTS EXPORTS

US\$ MILLION



TEXTILE EXPORTS

US\$ MILLION

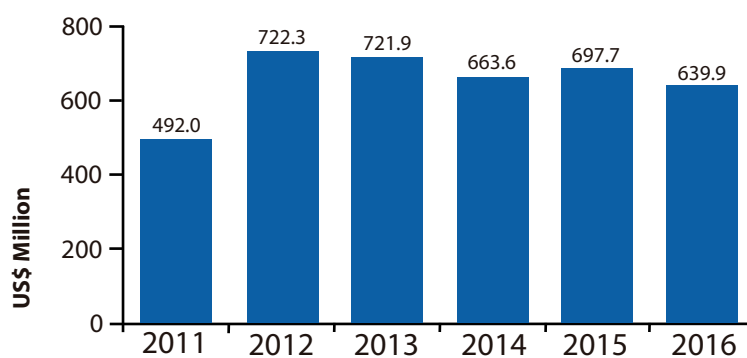


Source: BCRP
Elaboration: Economic Studies- Scotiabank

■ Prendas y confecciones ■ Tejidos
■ Fibras textiles ■ Hilados

NON METALIC MINING EXPORTS

US\$ MILLION



Source: BCRP. Elaboration: GPAE - Osinermin.

III. Construction in Peru

The construction sector has been one of the most important ones in the Peruvian economy and is also one of the most dynamic ones. In the last ten years, the construction sector has grown annually at an average rate of 11.3%, representing 7% of its Gross Domestic Product.

During 1997, the construction sector grew 18.9%, mainly due to infrastructure works aimed at housing, shopping centers, hotels, offices, supermarkets, road rehabilitation and works to prevent damage from the phenomenon "El Niño". In 2002, the construction sector grew 7.7% after three consecutive years of recession. It grew 3.6% in 2011, 15.8% in 2012, 8.9% in 2013, 1.8% in 2014 and 2.7% in 2015. Nonetheless, in 2016 this sector accumulated a decrease of 3.15%. It is estimated that in 2018 it will grow 4%.

GDP BY CONSTRUCTION 2016

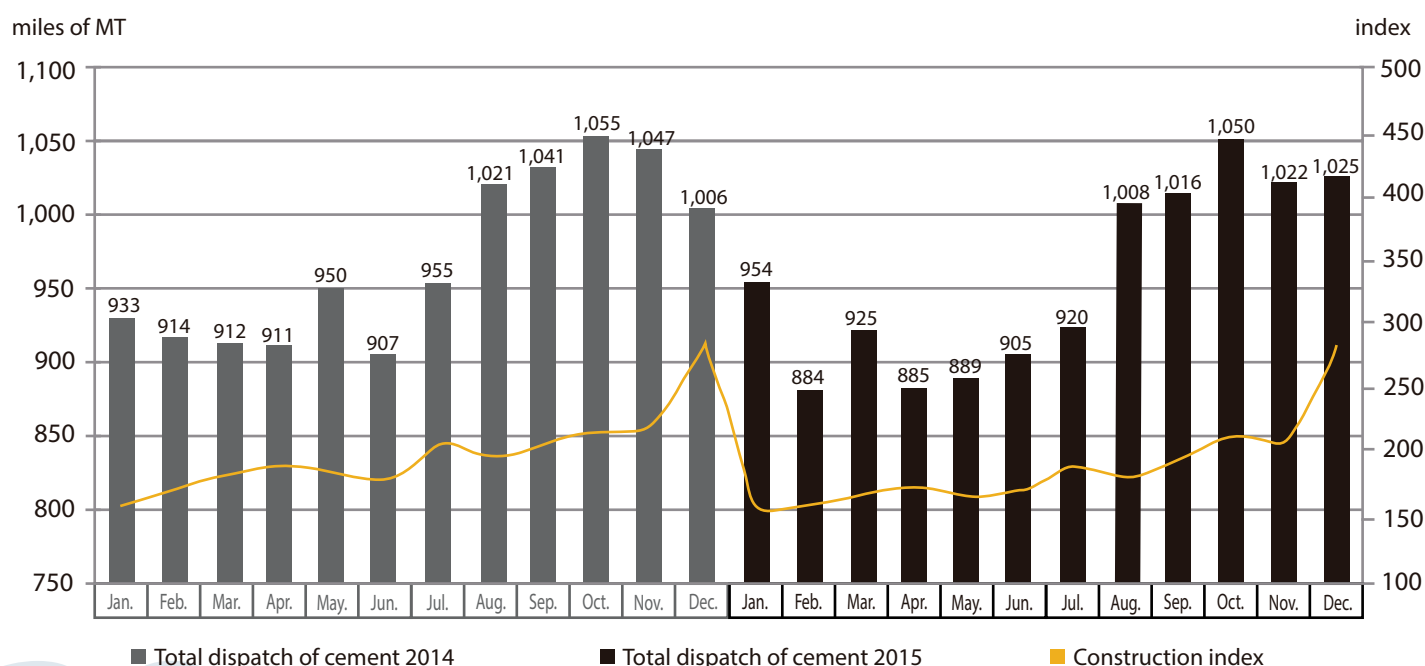
S/. MILLION

	2008	2009	2010	2011	2012	2013	2014	2015	2016
Agriculture and livestock	8.0	1.3	4.3	4.1	5.9	1.5	1.9	3.2	1.8
Fishing	3.0	-3.4	-19.6	52.9	-32.2	24.8	-27.9	15.9	-10.1
Mining	7.3	-2.1	-2.7	-2.1	2.5	4.3	-2.2	15.7	21.2
Hydrocarbons	6.4	17.1	15.0	5.1	1.0	7.2	4.0	-11.5	-5.1
Manufacturing	8.6	-6.7	10.8	8.6	1.5	5.0	-3.6	-1.5	-1.6
Electricity and water	8.1	1.1	8.1	7.6	5.8	5.5	4.9	5.9	7.3
Construction	16.0	6.8	17.8	3.6	15.8	8.9	1.9	-5.8	-3.1
Commerce	11.0	-0.5	12.5	8.9	7.2	5.9	4.4	3.9	1.8
Other services	8.7	3.6	8.8	7.0	7.3	6.2	5.0	4.2	3.9
GDP	9.1	1.0	8.5	6.5	6.0	5.8	2.4	3.3	3.9

Sources: Central Reserve Bank of Peru

NATIONAL CEMENT SALES

(Millions of Metric Tons)



Source: INEI

IV. Potential Areas of Growth

The areas of energy, agroindustry, and petrochemicals are sectors where a great deal of growth is expected.

Regarding the energy sector, production has grown approximately 6.62% over the last ten years, and a similar growth is expected until 2020. Currently, there are various energy resources to be discovered and explored such as solar energy, wind power, and geothermal energy. The greatest quantity of energy is produced by water resources and natural gas.

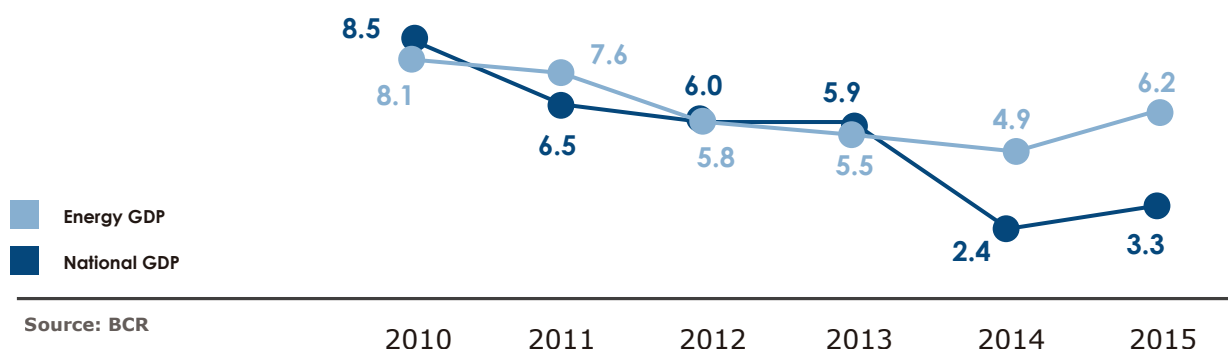
The Peruvian agroindustry is a good example of efficiency, business management and exploitation of our natural diversity. This activity is presented as decentralized, generating a high percentage of employment in each of the cities in our country (13.2% in Sullana, 12.7% in Trujillo, and 11.2% in Arequipa) and one that has great impact in other related activities (such as in products for planting and care –fertilizers, herbicides and irrigation equipment-, amongst others).

The knowledge and strategy of our entrepreneurs and the natural diversity of products and climates, amongst others, are factors of our own country. It is expected that there will be a substantial increase in agricultural harvest, given the diversification of destinations that Peru exports to. The main markets of the world, such as the ones in Europe and Asia, import fresh and organic products, which is why it is important for us to get preferential access to these. Consequently, there are many additional favorable aspects that can position us as a highly competitive agroindustrial country.

Lastly, the petrochemical industry is a potential area of growth due to Peru's 30 million hectares of petroleum that have not been explored yet. These could position Peru as the petrochemical hub in South America. In addition, Peru is considered as the only self-sustaining source of natural gas in the whole continent.

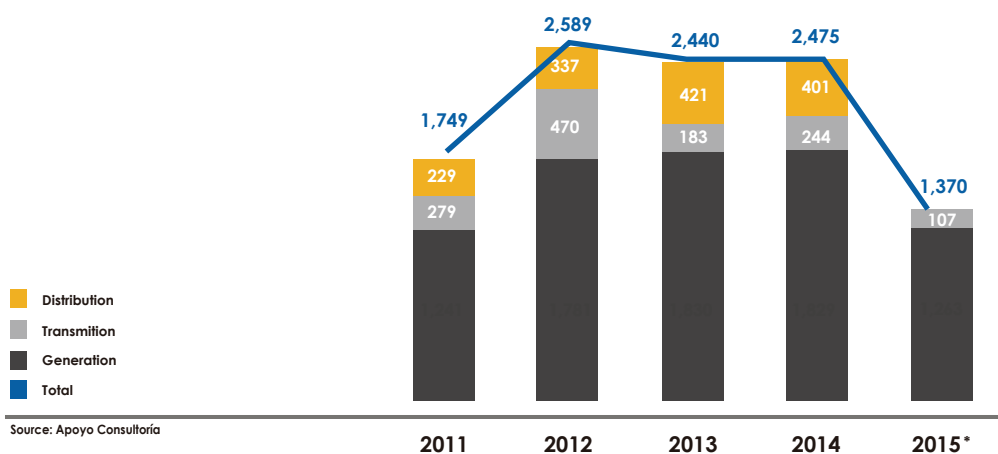
ENERGY

GDP'S EVOLUTION BY ENERGY

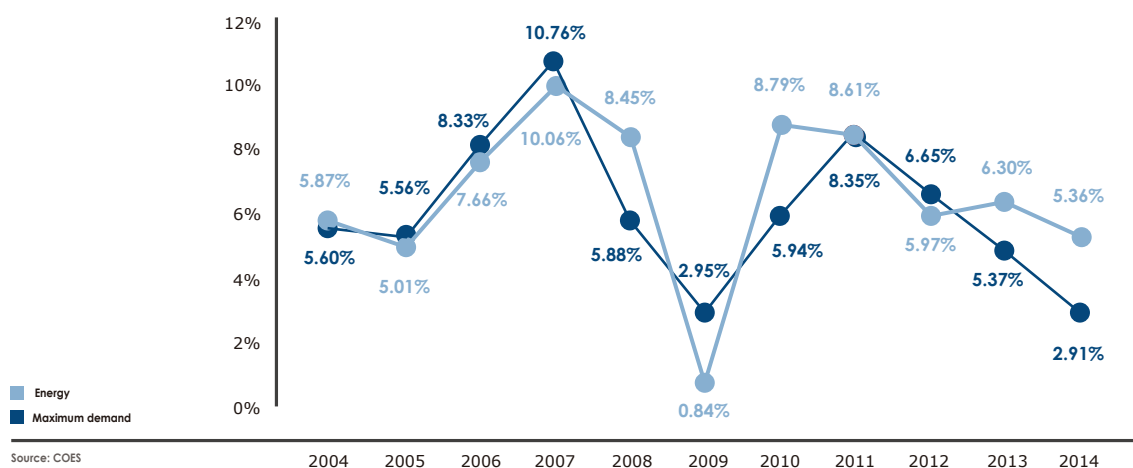


INVESTMENT IN ENERGY

US\$ MILLION

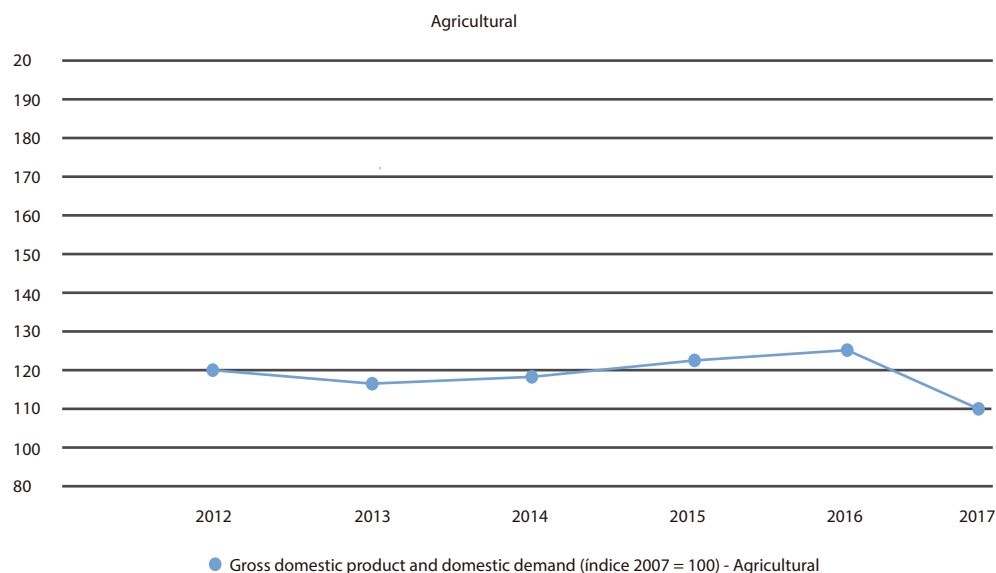


ANNUAL GROWTH OF ELECTRICITY CONSUMPTION

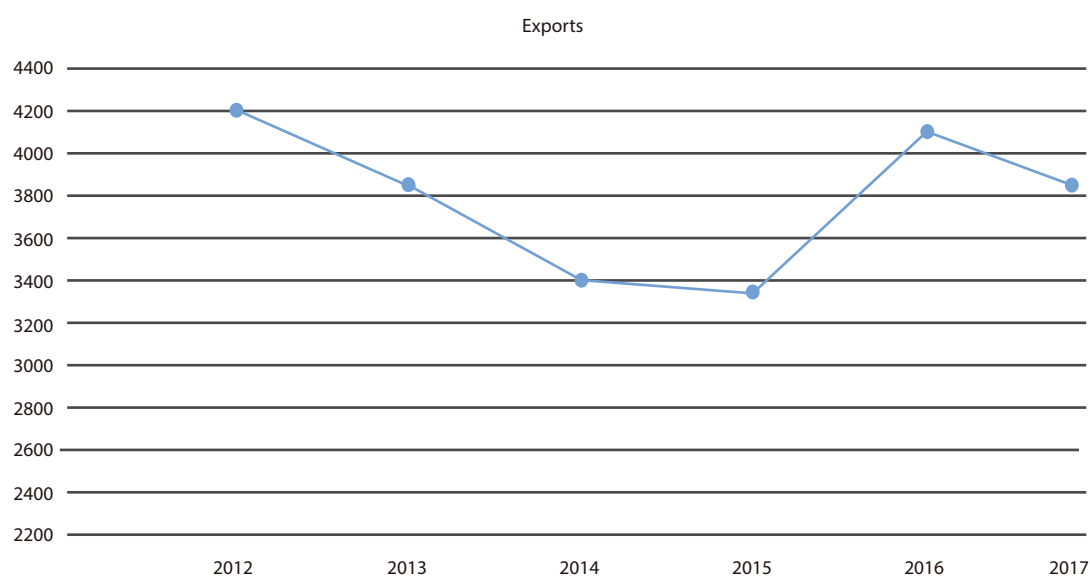


AGROINDUSTRY

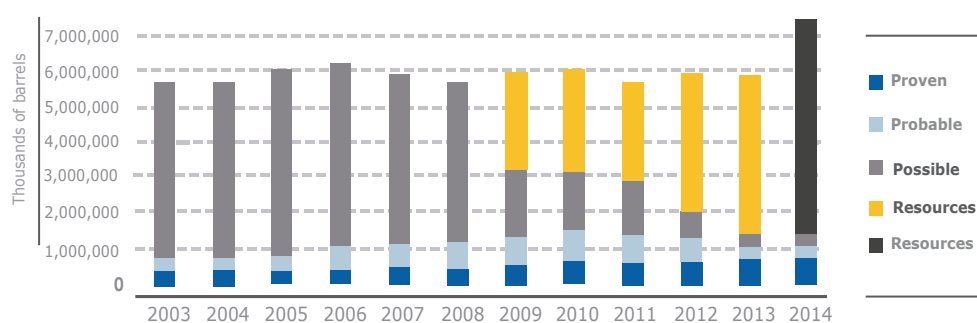
GDP'S EVOLUTION BY AGROINDUSTRY



EVOLUTION OF EXPORTS (US\$ MILLION)

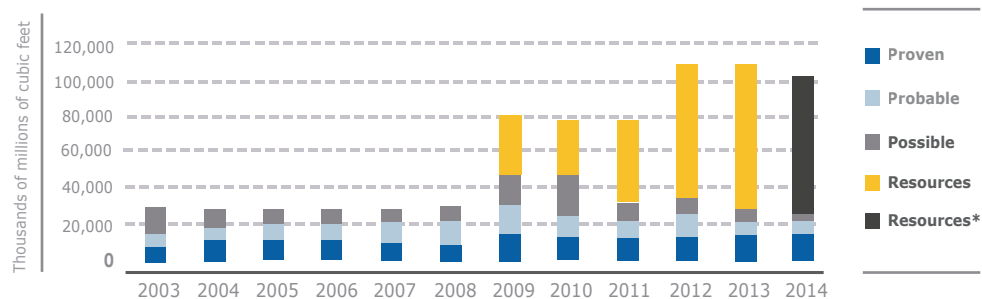


PETROLEUM RESERVES



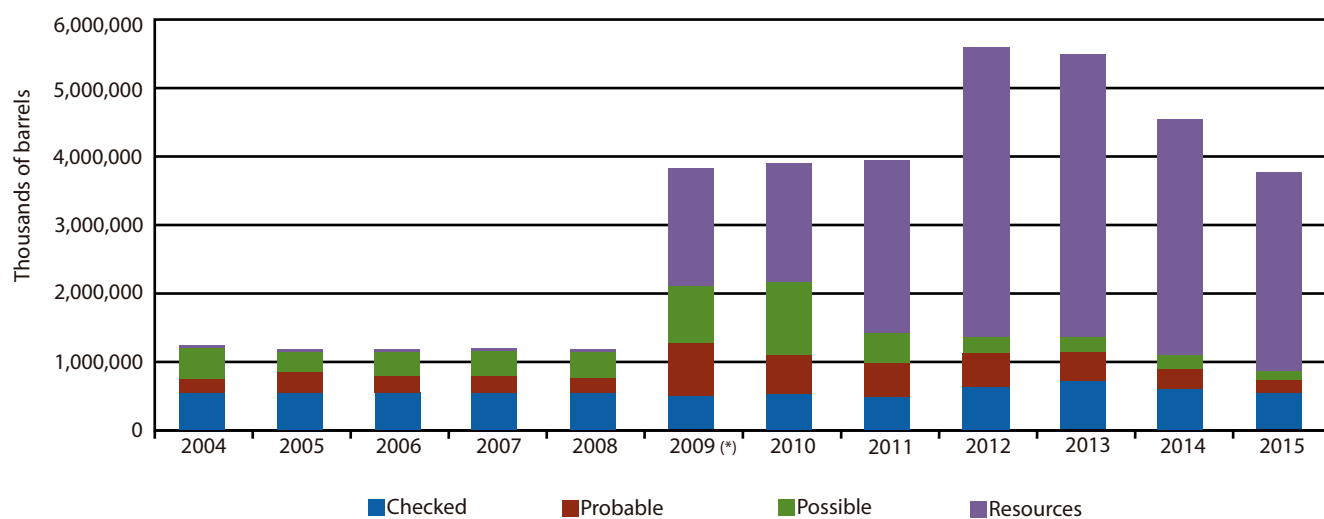
*Includes contingent and prospective resources. Data updated up to December, 2014.
The resources come principally from a reclassification of possible reserves to resources as of 2009
Source: Ministry of Energy and Mines

NATURAL GAS RESERVES



*Includes contingent and prospective resources. Data updated up to December, 2014.
The resources come principally from a reclassification of possible reserves to resources as of 2009
Source: Ministry of Energy and Mines

NATURAL GAS LIQUIDS RESERVES



SOURCES: WWW.MINEM.GOB.PE (Annual Book of Hydrocarbon Reserves)

(*) The RESOURCES come mainly from a reclassification of possible reserves as of 2009.



DOING BUSINESS IN PERU

3.

An investor who is seeking to invest in Peru has three basic ways to do business. First of all, the Corporation and the Limited Liability Company are the most important and most frequently used Company structures regulated under the General Law of Companies (Ley General de Sociedades). Second, an alternative to setting up a corporation is to establish a branch, which is deemed to have legal representation and enjoy procedural autonomy in the sphere of activities assigned to it by the parent company, in accordance with the power granted to their representatives. Finally, foreign investment is provided treatment equal to local Peruvian investments; therefore, an investor can seek strategic alliances in the Peruvian market and agree to carry out a particular business activity, through joint ventures, franchises and distribution agreements, thereby avoiding the need to establish a separate company.

I. Legal Entities

Peru has adopted a legal framework for investments that requires no previous authorization for foreign investment. By doing so, it has taken the necessary steps to establish a consistent investment policy that eliminates any barriers that foreign investors may face. Therefore, foreign investors can adopt any legal form provided by law.

Peruvian law does require that certain sectors of business, such as the financial and mining sectors, adopt specific corporate structures.

Peru's laws, regulations, and practices do not discriminate between domestic and foreign companies. Foreign investors receive equal treatment. In that sense, it recognizes the existence and capacity of legal entities incorporated abroad to exercise the same rights as local companies.

In order to execute all acts within its corporate purpose, the investor must register in the Peruvian Public Registry, indicating a legal address and designating a legal representative, who must be a Peruvian, or a foreign resident living in Peru who has legal immigration status.

The Corporation and the Limited Liability Company are the most important and most frequently used Company structures regulated under the General Law of Companies (Ley General de Sociedades). Peruvian law recognizes and regulates three types of corporations: (i) Ordinary or Private Corporations; (ii) Private Closed Corporations; (iii) Open Corporation. Also cooperatives are growing in Peruvian economy.

Partners and shareholders of any kind may agree with each other or third parties, in order to regulate their rights and obligations within the company. Additionally, they can agree to, minimum periods of permanence in society, trading rights, inspection of corporate records, etc.

INCORPORATION PROCESS

The process of incorporating a Company is the same for all the companies regulated in the General Corporate Law. This takes approximately fifteen (15) business days. If the founding partners are non-domiciled entities or individuals that will not be in Peru at the time of incorporation, registered powers of attorney will be required. These documents must be officially translated (if needed) and registered before the Public Registry, this process could take up to fifteen (15) additional business days.

Please find below a chart detailing the steps that need to be taken to incorporate a Company in Peru:

STEP 1

Adopt the most convenient legal entity

(Find a corporate attorney)



STEP 2

Checking the uniqueness of the proposed company name

(In order to discard a company with the same name)



STEP 3

Preparation of incorporation documents

(It contains the bylaws of the company, which requires a lawyer's signature)



STEP 4

Notarization of the incorporation documents by a notary public



STEP 5

Public deed and the registration of the incorporation documents before the peruvian public



STEP 6

Registration before the tax authority

Sociedades Anónimas (S.A.) – Corporations

	Ordinary Corporation	Closed Corporation	Open Corporation
General Features			
Minimum Number of Shareholders	2	2	2
Maximum Number of Shareholders	750	20	Limitless
Shareholder Liability	Shareholders have limited liability.		
Capital Requirements	<p>The General Law of Companies does not require a minimum amount of capital for the incorporation of any of these structures.</p> <p>In some cases, the law does require that corporations be formed with a minimum amount of capital based on the nature of their activities (for example, companies in the financial system, pension funds managing companies)</p>		
Capital Representation	<p>Shares.</p> <p>Different kinds of shares may exist. The difference may be found in the rights granted to shareholders, the obligations incurred by owners, or both.</p> <p>The corporation may issue non-voting stock, which shall provide the right to receive preferred dividends as per the terms established in the by-laws. If there are distributable profits, the corporation is required to pay the dividends to non-voting shareholders on a preferred basis.</p>		
Limits to shares transferability	Bylaws may establish limitations on transfer of shares but may not prohibit transfers.	Limited by other shareholder's right of first refusal, unless the bylaws state otherwise.	None.
Shares Transfers and Encumbrances	Transfers and encumbrances must be recorded in the company's Stock Ledger Book.		
Distribution of Profits	<p>Profits are distributed amongst shareholders in proportion to their capital contributions, unless otherwise stated in the bylaws.</p> <p>Companies are required to set aside a minimum of 10% of their after-tax profits during each fiscal year for the creation or increase of a reserve fund, until an amount is reached that is equal to 20% of the capital stock.</p>		
Agreements between Shareholders	Agreements between shareholders or between shareholders and third parties are valid in all types of corporations, and are enforceable in all matters concerning the corporation, from the moment they are duly recorded with the company.		Agreements between shareholders or between shareholders and third parties are valid, unless they prohibit or establish limitations on transfer of shares.

	Ordinary Corporation	Closed Corporation	Open Corporation
Management			
Board of Directors	<p>The existence of a Board of Directors as the governing body is prescribed by law. Directors must be natural persons.</p> <p>Directors are elected by shareholders. A board of directors must have a minimum of three directors. It is not necessary to be a shareholder in order to serve as a board member, unless so stated in the bylaws. Directors may be removed at any time.</p> <p>There are no limitations established by law as to nationality or domicile of board members.</p>	<p>The existence of a board of directors as the governing body is optional.</p>	<p>Es obligatorio que una Sociedad Anónima Abierta cuente con Directorio.</p> <p>Los directores son personas naturales que son elegidos por los accionistas.</p> <p>El Director puede ser accionista.</p> <p>El Directorio debe estar constituido por tres directores como mínimo. El número máximo del Directorio es determinado en el Estatuto de la Sociedad.</p> <p>No existe ninguna limitación con respecto a la nacionalidad o el domicilio de un director.</p>
General Manager	<p>A corporation may be managed by one or more managers.</p> <p>The manager may be removed at any time by the shareholders or by the board of directors, depending on the body making the appointment.</p>		
General Shareholders' Meeting	<p>The General Shareholder's Meeting is the corporation highest governing body, which consists of the shareholders that represent 100% of the corporation's capital stock.</p> <p>The law states the formal notice requirements for such meeting, the minimum quorum, and the matters that are solely under the jurisdiction of that general meeting, which are decided by majority vote simple or qualified (as established by law or by the corporate bylaws).</p> <p>The General meeting of shareholders must be duly convened and conducted with the quorum required by law.</p> <p>Each share receives the right to one vote. Resolutions are adopted by a majority vote and are binding on all, even those who have not participated in the meeting.</p>		

Limited Liability Company

Limited Liability Company	
General Features	
Minimum Number of Partners	2
Maximum Number of Partners	20
Partners Liability	Partners have limited liability.
Capital Requirements	The General Law of Companies does not require a minimum amount of capital for the incorporation of any of these structures.
Capital Representation	Participations
Limits to participation transferability	Limited to other partners' right of first refusal. Transfers are carried out on the basis of a Public Deed.
Distribution of Profits	Profits are distributed among the shareholders in proportion to their capital contributions, unless otherwise stated in the bylaws. Companies are required to set aside a minimum of 10% of their after-tax profits during each fiscal year for the creation or increase of a reserve fund, until an amount is reached that is equal to 20% of the capital stock.
Agreements between Partners	Agreements between shareholders or between shareholders and third parties are valid in all types of corporations, and are enforceable in all matters concerning the corporation, from the moment they are duly recorded with the company.
Management	
Board of Directors	Does not have board of directors.
General Manager	The General Manager is responsible for administering and legally representing the company.
General Partner's Meeting	The General Partner's Meeting is the limited liability company's highest governing body. Its actions are subject to the rules that apply to the company's general partners' meeting as provided by the General Law of Companies.

Cooperatives

A cooperative is an association of individual and autonomous businesses, farmers, ranchers or manufacturers with similar interests, who come together voluntarily intending to cooperate in marketing, shipping and related activities in order to satisfy their economical, social and cultural aspirations, through a jointly owned non-profit legal entity. Cooperatives represent a partnership model in which economic and business objectives are integrated with other social goals, thereby achieving growth based on employment, equity and equality.

Cooperatives represent a very useful economic scheme for the growth of a large segment of economic units in urban and rural areas. These types of legal entities are valuable examples for small entrepreneurs and microenterprises who seek the most effective way of growth.

This business model creates an organization of great value because it is based on the market itself and it gives associates important advantages such as: it facilitates the association and partnership between businesses and entrepreneurs, promotes the competitiveness of small economic units, which leads to the reduction of market barriers.

In Peru, cooperatives have operated for several decades and have taken various forms and different labels. Therefore, we can find in Peruvian legislation, worker cooperatives, producer cooperatives, credit unions and consumer cooperatives. The economic and financial situation of these type of business units is heterogeneous. There are highly successful experiences such as the case of cooperatives producing coffee and cocoa, which have positioned in the Peruvian and foreign markets due to their good management and high quality products. However, a significant number of cooperatives have not found business success.

	Credit Union Cooperatives	Consumer Cooperatives	Worker Cooperatives
General Features			
Minimum Number of Partners	11		
Maximum number of partners	There are no limits.		
Partners Liability	Partners have limited liability.		
Capital Requirements	Peruvian legislation does not require a minimum amount of capital for the incorporation of any of these structures.	Peruvian legislation states that in order to incorporate a Workes Cooperative the minimum amount of capital is 45 Peruvian Tax Units. A tax unit is around US\$1,200.00	
Capital Representation	Partners contributions are represented in certificates. There is also a list of associates (padrón de asociados).		
Profit Distribution	It is a non-profit company.		
Agreenents between Partners	Agreements between partners are valid since the day they are notified to the Cooperative. This agreements must not denature its non profit structure.		

II. Corporate Branch

Under Peruvian law, a Branch is any secondary establishment by means of which a company performs certain activities included in its corporate purpose in a different location from its legal domicile, that can be either domestic or foreign. To register a Branch of a foreign corporation, the legal representative of the corporation in Peru must execute an appropriate Public Deed at a Notary Public and afterwards it must be registered in the Peruvian Public Registry. The following information must be provided:

1. Certification of the corporation's existence issued by the competent authority of its country of origin, stating that its bylaws permit the incorporation of branches abroad.
2. Copy of the Bylaws (memorandum and Articles of Association) of the foreign company.
3. Board of Directors or competent body's resolution to establish the branch in Peru. This resolution should specify: (i) The capital assigned to the branch for its activities undertaken in the country; (ii) The activities of the branch and a declaration stating that such activities are part of the parent company's corporate purpose; (iii) The Branch address; (iv) The appointment of at least one permanent legal representative in the country, the powers vested in them and the express assumption of the Peruvian law for those obligations by the branch.

The above mentioned documents require the certification by a Notary Public or appropriate government officials in the country of incorporation of the company, and must be duly apostilled or certified by the Peruvian Consulate in the country of the company, before presenting them to the Peruvian Public Registry.

A Peruvian official translator must translate any document that is not in Spanish, in order to file it before the Public Registry for its registration.

There is no regulation requiring filing of the financial statements of the parent company in Peru. Therefore, it is sufficient to mention it in the above mentioned documents.

The process of incorporating a Branch takes approximately thirty (30) business days. After incorporating the Branch before the Peruvian Public Registry, it has to be registered before the Tax Authority (SUNAT).

III. Joint Ventures and other "Teaming Agreements" (Contratos de Colaboración Empresarial)

A third way of doing business in Peru is by entering into Joint Ventures and Teaming Agreements with other companies which already have expertise, goodwill, infrastructure and a customer base, that are considered as key ingredients for business success.

Peruvian law gives freedom to entrepreneurs so that they self-regulate these types of contracts. Among the most common agreements we may find the participation account agreement, the consortium or joint venture agreement. Likewise, Peruvian law does not contain specific provisions for the establishment, treatment or requisites for agency, franchising, trademark licensing agreement and distribution agreements. Foreign investment is given treatment equal to local Peruvian investments, therefore, foreign entrepreneurs can regulate these contracts according to their own interests.



Tax Regime: Key Aspects to Consider

4.

I. Main taxes

The main taxes relevant to businessmen (natural person) and legal entities are as follows:

- Income Tax (IT)
- Value Added Tax (VAT)
- Excise Tax (ET).
- Custom duties
- Real Estate Tax and Property Transfer Tax.
- Financial Transactions Tax (ITF).
- Temporary Tax on Net Assets (ITAN).
- Contributions to Social Security.

II. “Double-Taxation Agreements” (DTA)

Currently, Peru has signed DTAs with Chile, Canada, Brazil, Republic of Korea, Portugal, Switzerland and Mexico which are binding and in full force and effect. Likewise, along with the member countries of the Andean Community of Nations¹, Peru has signed Ruling 578 which also is in full force and effect in order to avoid double taxation and to prevent tax evasion among the member countries of that community is also in force.

It should be noted that in 2006 the governments of Peru and Spain signed an agreement to avoid double taxation and prevent tax evasion, which, however, to date, is not in force since it does not have the ratification of the Peruvian Congress.

The purpose of DTA is to establish distribution mechanisms of tax jurisdiction. These rules, determine which country can tax certain income.

III. Tax Registry (RUC)

Any Peruvian Subsidiary, Branch or Permanent Establishment of non-domiciled companies/persons, among others, must register in the Peruvian Tax Registry - RUC.

Usually, the Peruvian Tax Administration (SUNAT) requires that the General Manager be a Peruvian citizen or a foreign citizen with legal immigration status . The main purpose of this requirement is that such person would be able to register a RUC, as the legal attorney of the company.

IV. Income Tax (IT)

Background information

Peruvian companies are subject to IT for its taxable income, whether it is derived from Peruvian or Foreign Source. Fiscal period starts on January 1st and ends on December 31st of each calendar year, and the Income Tax Return of companies are to be filed by March and April each year.

Monthly advanced payments are required, on the basis of accrued income.

¹ The Andean Community of Nations is integrated by Bolivia, Colombia, Ecuador and Peru.

In general, Peruvian Companies can deduct, for Income Tax purposes, all expenditures related to the production of taxable income. Specific conditions are required, for certain kind of expenses.

Depending on the tax system chosen by the taxpayer, Fiscal Losses registered in a Fiscal Period may be carried forward through four consecutive years, starting from the year in which they were generated; also, Fiscal Losses can be totally used, but only above 50% of Net Income obtained on subsequent Fiscal periods.

IT - Domiciled Natural Persons

Fiscal Domicile is determinant to establish the tax treatment applicable to a Natural Person's income. Thus, because domiciled natural persons are taxed on their Peruvian and Foreign source income.

The income earned by Domiciled Natural Persons who do not perform business activities can be classified in two categories: Capital Gains and Labor Income.

Capital Gains are earnings derived from lease, sublease (among others) of assets, commonly known as "First Category Taxable Income". Capital Gains also include earnings linked to the sale of assets, and interest and dividends, commonly known as "Second Category Taxable Income".

Regarding Labor Income, it refers to earnings derived from independent ("Fourth Category Taxable Income") or dependent work ("Fifth Category Taxable Income").

In addition, Natural Persons can also be taxed by their "Foreign Income Source", which are earnings from activities abroad.

Capital Income (including dividends) is subject to an effective rate of 5.0%. The Annual Net Income of Work and the Income of Foreign Source obtained by natural persons domiciled are subject to the following cumulative progressive scale:

Net Labor Income and "Foreign Source Income"	Rate
Up to 5 UIT	8%
In excess of 5 UIT up to 20 UIT	14%
In excess of 20 UIT up to 35 UIT	17%
In excess of 35 UIT up to 45 UIT	20%
In excess of 45 UIT	30%

It should be noted that the interest on deposits in the Peruvian financial system are exempt, as well as the capital increases of such deposits.

Finally, it should be noted that the income produced from the sale of the following securities is exempt from IT until December 31, 2019: (i) Common shares and investment shares, (ii) American Depositary Receipts (ADR), Global Depositary Receipts (GDR), (iii) Exchange Trade Fund (ETF) units having underlying shares and / or debt securities, (iv) Debt securities, (v) Certificates of participation in mutual funds In securities, (vi) Certificates of participation in the Investment Fund for Real Estate (FIRBI), certificates of participation in the Securitization Trust for Investment in Real Estate Income (FIBRA); And, (vii) Negotiable invoices, when they meet the requirements established by law.

IT – Non Domiciled Natural Persons

Non Domiciled Natural Persons are taxed only on their "Peruvian Source Income". For that purpose, "non-domiciled" category depends on the days of residence inside Peruvian territory. In that regard, if a Natural Person stays in Peru for no more than 183 calendar days, he or she will remain as a "non-domiciled". Nevertheless, if that person stays in Peru for more than 183 calendar days, he or she will acquire the "domiciled" category, with legal effects from January 1st of next fiscal period.

Tax Rates applicable to Non Domiciled Natural Persons are as follows:

Income	Tax Rate
Independent work	24%
Dividends and other profits distribution	6.8%, 8.0% y 9.3%
Dependent work	30%
Real estate property sales	30%
Interests derived from local company loans	4.99%
Interests derived from local company loans (applicable to transactions between related legal entities or located in a tax haven)	30%
Capital gains derived from the sale of shares registered on the Peruvian Public Registry of the Stock Exchange "BVL"	5%
Capital gains derived from other sale of shares.	30%
Royalties	30%

As mentioned in the case of a Domiciled Natural Person, dividends received by Non Domiciled Natural Persons will be taxed on the withholding Tax Rates of 6.8%, 8% or 9.3% (depending on the year when profits distribution occur).

The general procedure to be followed for the purposes of non -domiciled natural persons is that they pay taxes on their Peruvian income when they are paid by a Peruvian resident.

- As a rule, employers domiciled in the country, must submit to foreign workers who have worker immigration status and had served during their stay in the country, a Certificate of income and deductions, in which the amount paid and the tax withheld are designated.
- It should be noted that such certificate shall be delivered by the employer to the employee domiciled at his request, in order that the non domiciled person hand it over to the immigration authorities at the time of leaving the country.

For the determination of net income of Peruvian Source obtained by non domiciled individuals as a result of the sale of assets, securities or rights, the cost incurred in the acquisition and improvement of such assets, securities or rights, will always be deducted and when certain conditions are met. To this end, non domiciled individuals should obtain a Certificate Recovery Invested Capital issued by the SUNAT.

Finally, the exemption referred in the last paragraph of the section entitled "IR - Natural Persons Domiciled" which refers to the income produced from the sale of securities, is also applicable to the present case.

IT - Legal Persons domiciled

Legal Persons domiciled are taxed on their Peruvian source income as well as their income from foreign sources. The distribution of dividends by companies domiciled is not ever taxed with the IT, only if the beneficiaries of dividends are domiciled entities.

The net result of transactions made abroad by resident legal entities will be added to its net income from Peruvian sources, but only if the result is positive (net income). It is important to note that losses from transactions made from, to, or through tax havens cannot be offset by income from foreign sources. Net loss from foreign sources cannot be compensated by the Peruvian source net income for tax purposes.

The procedure for determining the annual IT to be paid is via the application of taxes expenses against the income earned in the year.

- In terms of income, income from services and sales of assets accrued during the year are considered as taxable income.
- In terms of costs, they will be deductible in determining IT, to the extent that they have a direct causal relationship to income generation or the maintenance of the source; except for those that are expressly prohibited by law (for example, personal expenses, fines, costs supported with documents that do not meet the requirements established by the Regulation of Payment Vouchers, etc.).

In addition, and as indicated previously, domiciled legal entities may carry forward tax losses to offset them with future income using one of the following systems:

- The total net loss of Third Category of Peruvian source that is recorded in a taxable year may be offset imputed year to year, while supplies amount, to net income of Third Category that is obtained in the four subsequent fiscal years calculated from the following year to its generation. Under this regime, the balance of uncompensated losses after the expiry of four years is lost.
- The total net loss of Third Category of Peruvian source that is recorded in a taxable year may be offset imputed year to year, while supplies amount, to 50% of net income Third Category that is obtained in the subsequent immediate years. Under this regime, losses may be carried indefinitely.

Net rents are subject to IT with a rate of 29.5%.

On the other hand, the credits generated by monthly pre-payments paid during the year and the IT paid abroad (subject to requirements and conditions) may be imputed against the IT annual payment in Peru.

Finally, the exemption referred in the last paragraph of the section entitled "IR - Natural Persons Domiciled" which refers to the income produced from the sale of securities, is also applicable to the present case.

IT - Non domiciled Legal Entities

Non Domiciled Legal Entities and their branches or permanent establishments are taxed only on their Peruvian source income. Keep in mind that, branches or permanent establishments have the same formal obligations as legal persons domiciled in Peru (having accounting books, presenting affidavits, among others).

As a rule, Peruvian source income earned by non domiciled entities are subject to a withholding rate of 30%. However, the following special withholding rates are also applicable, depending on the case:

- Dividends: They are subject to the 5% retention rate.
- Royalties: Withholding is subject to withholding tax at the rate of 30%. For this purpose, the Law of IT defines royalties as any consideration in cash or in kind arising from the use or for the privilege of using patents, trademarks, designs or models, plans, processes or formulas secret and copyright of works literary, artistic or scientific, and any consideration for the assignment in use of computer instruction programs (software) and information concerning industrial, commercial or scientific experience.
- Interest: Interest from foreign loans between independent parties are subject to the rate of 4.99%, provided they meet the following requirements:
 - The entry of foreign currency into the country is proved.
 - The purpose of external credit is related to the business.
 - The creditor and the debtor are not related parties.
 - The credit does not accrue an annual interest to rebut above LIBOR plus 7 points (USA and Europe). If this condition is not met, only the excess of interests above the rate will be subject to the rate of 30%.

Interest from bonds or debt certificates and other financial instruments and deposits according to the Financial System Law, are subject to the rate of 4.99%.

Interest paid abroad to non domiciled legal entities by domiciled banks and finance companies as a result of the use in the country of their credit lines abroad, are subject to withholding at the rate of 4.99%.

- Rental of ships and aircraft: The income derived from rental of ships and aircraft is subject to a rate of 10%.
- Technical assistance: Income derived from services that qualify as technical assistance will be taxed at the rate of 15%, provided they meet certain requirements and conditions.
- In other cases, and in the ones that do not meet the requirements set out (per case), the withholding rate of 30% will be applied.

Finally, the exemption referred in the last paragraph of the section entitled "IR - Natural Persons Domiciled" which refers to the income produced from the sale of securities, is also applicable to the present case.

V. Value Added Tax (VAT)

Value Added Tax, equivalent to VAT, is applied to the following activities:

- Sale of movable property in Peru.
- Services rendered or used in Peru, with the exception of credit services provided by financial institutions; passenger transport services within the country; freight services from the country to outside and those made from abroad to the country; nominative interest on bonds issued by companies incorporated or to be incorporated in Peru, among others.
- Construction contracts executed in our country.
- The first sale of real estate made by its own constructor.
- Importation of goods.

The applicable rate is 18%, which includes the rate of Municipal Promotion Tax (2%).

Likewise, Law No. 30524, known as the "Fair VAT Law", has established that Micro and Small Companies with annual sales up to 1700 Tax Units may postpone the payment of the VAT for three months after the respective declaration, as long as certain requirements are met. This rule is effective from March 2017.

VAT credit applied against gross tax is the VAT stated in the document that supports the payment, that supports the procurement of goods, services and construction contracts or the payment on the importation of goods, provided that the requirements established by law are met, this is that the disbursement has the status of a deductible expense and the purchase made is allocated in its entirety to the realization of taxable transactions with VAT.

The export of goods is not taxed with the VAT. Regarding the services previously, only some services were not taxed with the VAT. Since September 2017, in general, the export of services is not taxed with the VAT as long as certain formal requirements are met:

- a) They are lent in an onerous way from Peru to a foreign country.
- b) The exporter is a person domiciled in the country.
- c) The user or beneficiary of the service is a person not domiciled in the country.
- d) The use, exploitation or use of the services by the non-domiciled take place abroad.

VI. Excise Tax

Excise Tax levied on certain products considered "luxury" in addition to VAT form.

The Excise tax is imposed in the following transactions:

- The sale in the country at the producer and import of goods specified in Appendix III and IV of the Act VAT and ET; for example: petroleum fuels.
- The sale in the country by the importer of goods specified in paragraph A of Appendix IV of the Act VAT and ET; for example: pisco, beer, cigarettes, soft drinks, other beverages, other liquors.
- Gambling and gambling, such as lotteries, bingo, raffles, lotteries and horse racing events.

The tax rate ranges, approximately, between 2% and 50% depending on the type of good or service.

The ET is completely detached from the tax credit which operates in the VAT; that is, for the latter (VAT) there is not tax credit for the excise tax, and for this (ET) there is not credit for VAT.

VII. Municipal taxes

The main municipal taxes are:

- **Property Transfer Tax (Alcabala):** This tax relates to transfers of urban or rural property for consideration or not. The rate is 3% of the value of the transfer, with certain minimal restrictions. It is paid by the buyer and must be paid until the last day of the calendar month following the date of the transfer. The first tranche equivalent to 10 UIT (2018, the first S / 41,500.00) are not affected).
- **Real Estate Tax:** It is annual and burdens the value of urban and rural properties. The tax is borne by the owners of the land, whether natural or legal persons. The tax rate is calculated by applying the tax base to the following cumulative progressive scale:

Amount	Rate
Up to 15 UIT (S/ 62, 250)	0.2%
From 15 UIT(S/ 62, 250) to 60 UIT (S/ 249, 000)	0.6%
More than 60 UIT (S/ 249, 000)	1%

- **Vehicle Property Tax:** It taxes the ownership of vehicles, cars, vans, station wagons, trucks, buses and buses, which are not older than three years from its entry in the vehicle registration. The tax base is determined by the original purchase price, import or income to equity. The tax rate is 1%.

VIII. Financial Transactions Tax (ITF)

ITF is a temporary tax levied on certain financial transactions mentioned in the law that created this tax. The Act stipulates that all obligations for amounts to S / 3,500 or US \$ 1,000 must be paid using so-called means of payment (this is relevant also to the deduction of expenses with effect on IT and application of the tax credit VAT). In the case of borrowing money, the use of means of payment will be required even for lower amounts.

The law considers as means of payment the following: (i) Deposits in bank accounts; (ii) Money and bank transfers; (iii) payment orders; (iv) Debit cards and credit cards issued in Peru; (v) Credit cards issued abroad by foreign companies whose purpose is the issuance and administration of credit cards, as well as by foreign banking or financial institutions, provided the payments are channeled through the Peruvian financial or banking institutions; (vi) checks with the clause "non-negotiable" or other equivalent; and (vii) others that are approved by Supreme Decree.

The ITF is applicable regardless of the amount of the transaction when it is carried out using any of the aforementioned means of payment, even if it is less than S / 3.500 or US \$ 1,000.

The ITF paid is deductible for purposes of IT as an expense for individuals and local companies. The ITF rate applicable for 2018 is 0.005%.

IX. Temporary Tax on Net Assets (ITAN)

This tax applies to taxpayers generating income in the third category, that is to say, to legal entities, which are subject to the General System of IT (which includes branches, agencies and other permanent establishments of non-resident legal entities). Taxpayers who have not yet started operations, the entities that are exempt or, and other institutions not affected by this tax.

The basis for the calculation of the ITAN is the value of net assets reflected on the balance sheet as of December 31 of the fiscal year prior to that to which payment corresponds, after having deducted the depreciations and amortizations permitted under the Income Tax Law. The following rates shall be applied to such basis:

Period	Rate	Net Assets
2009- onwards	0.4%	On the excess of S/. 1,000,000

The tax must be declared and paid, either in cash or fractionally (9 installments), according to the schedule established by the Peruvian Tax Administration.

The tax paid may be used as a credit against payments of annual IT or may also apply for refund of tax paid. An application for refund of this tax may be applied in case of tax losses or if it is determined ITAN lower compared to IT according to the general rules, provided certain conditions are met.



Labor relations and contracts

5.

I. Employment contract

Labor Relationship

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.

Local personnel are 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 it is required that there be a written employment contract. Fixed-term employment contracts are allowed but only in cases provided by law and they must be filed with the Labor Authority for registration purposes.

Part Time Employment Contracts

Part-time employees are those who work less than four hours a day. Part-time employees may work 24 hours a week if the employer establishes a 6 day work week. If the work 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 entitled to mandatory labor benefits and need not render services for more than four hours a day to benefit therefrom (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 as provided by law. They must also be filed with the labor authority for registration purposes. The Peruvian legal system has established 9 modalities of fixed term employment contracts, divided into 3 groups:

FIXED TERM EMPLOYMENT CONTRACTS		
Temporary Contracts	Accidental Contracts	Specific Work or Specific Service
Beginning of a new corporate activity	Occasional	Certain Work or Specific Service
Market needs	Replacement	Intermittent Service
Corporate Reconversion	Emergency	Seasonal Contract

II. 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 to a longer term. The extension of the trial period must be made in writing and may not exceed, together with the original trial period, 6 months for trusted employees, and 1 year for management employees.

III. Labor Benefits

CATEGORIES	
Minimum Wage	S/ 850
Working Hours	The maximum is an 8-hour work day or a 48-hour work week.
Weekly Rest	A minimum of Twenty-Four (24) hour rest period per week.
Non Working Paid 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.
Holidays	Workers are entitled to thirty (30) calendar days of paid holiday leave after each fully year of service.
Unjustified Dismissal Indemnity	In the event of unjustified dismissal, employees are entitled to an indemnity that equals 1.5 times their monthly remuneration per each year of service, up to a limit of 12 monthly remunerations. This type of agreement does not require compliance of any special formality.
Seniority Pay Severance (CTS)	All workers are entitled to seniority pay (CTS), as long as they work a minimum of four (4) hours a day. The benefit is deposited semi-annually in the banking and financial institution of the worker's choice.
Legal Bonuses	Workers are entitled to two bonuses a year, one in July (Independence Day) and another in December (Christmas). The amount of each bonus is equal to one month's pay.

Profit Sharing	<p>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).</p> <p>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 percentage varies according to the employer's business:</p> <ul style="list-style-type: none"> • Mining 8% • Fishing 10% • Industry 10% • Telecommunications 10% • Wholesale, retail and restaurants 8% • Other activities 5%
Overtime	<p>Overtime, including work on statutory holidays, is payable at a premium agreed on between the parties, which may not be lower than 25% of the ordinary hourly rate for the first two hours, and 35% for the following hours.</p> <p>The employer and employee may agree, instead, to compensate overtime with rest periods.</p> <p>Normal working hours should not exceed 8 hours per day or 48 hours per week. This 48 hour work per week period applies to all employees with the exception of those appointed to management positions and positions of trust, and those whose activities are not performed under the employer's supervision.</p>
Social Security Health Insurance	<p>Employers must register their employees in ESSALUD (Social Security System). The monthly contribution for ESSALUD is equivalent to 9% of the employee's monthly remuneration and shall be paid by the employer.</p>
Life Insurance	<p>Workers have the right to life insurance paid by the employer after completing four (4) years of work with them.</p>
Family Allowance	<p>This benefit is granted to employees whose remunerations are not regulated by collective bargaining.</p> <p>It gives the employee the right to receive a monthly amount equivalent to 10% of the minimum wage (that percentage is currently equivalent to S/ 850.00), if he or she has one or more children under the age of 18 or until the age of 24 if they are pursuing higher education.</p>
Pension	<p>Employers must deduct from workers who chose the private pension system (AFP) a rate of approximately 12.9%³. However, if the worker is under the national pension system (ONP), the rate ascends to 13%.</p> <p>In the case of foreign workers utilizing the private pension system, when they leave the country they may request the transfer abroad of funds accumulated during their stay in Peru.</p>

³ This percentage may vary depending on the AFP chose by the worker.

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	Female workers are entitled to 98 days of maternity leave (49 before birth and 49 after birth). In the event of multiple births or the birth of a child with a disability, there shall be an additional 30 days of postnatal leave.
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	<p>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.</p> <p>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.</p>
Collective Rights of Workers	Peru is a current member of the International Labor Standards (ILO). Peruvian law recognizes the right of workers to join trade unions, to engage in collective bargaining, and to strike.

IV. Monthly Costs for the Employer

Taking into consideration the above-mentioned benefits and contributions, the structure of monthly, estimated costs for a company or employer who hires a worker is:

	Employer	Worker
Salary	100%	
Social Security Health Insurance - ESSALUD	9%	
Holidays	8.33%	
Legal Bonuses	16.66%	
Seniority Pay Severance (CTS)	9.72%	
Income Tax		According to scale
Private Pensions		13% (aprox).

V. Special Regime (Small and Micro Enterprises)

Peruvian legislation differentiates between micro, small and medium enterprises taking into account their annual sales:

	Annual Sales Tax Unit = S/ 3,950
Micro-Enterprise	To the maximum amount of 150 Tax Units.
Small-Enterprise	To the maximum amount of 1,700 Tax Units.
Medium Enterprise	To the maximum amount of 2,300 Tax Units

Workers who labor in micro and small enterprises have the following rights:

REFERENCE	Regime of the micro business	Regime of the small business
Annual Sales	To the maximum amount of 150 Tax Units.	To the maximum amount of 1,700 Tax Units.
Minimum Wage	S/. 850.00	S/. 850.00
Working Hours	The maximum is an 8-hour work day or a 48-hour work week.	The maximum is an 8-hour work day or a 48-hour work week.

REFERENCE	Regime of the micro business	Regime of the small business
Weekly Rest	Twenty Four (24) hours	Twenty Four (24) hours
Holidays	15 calendar days	15 calendar days
Unjustified Dismissal Indemnity	Ten (10) days for each full year of working remuneration. Maximum amount: Ninety (90) days of remuneration	Twenty (20) days for each full year of working remuneration. Maximum amount: One Hundred and Twenty (120) days of remuneration
Seniority Pay Severance (CTS)	Not applicable	Fifteen (15) day for each full year of working remuneration. Maximum amount: Ninety (90) remuneration
Legal Bonuses	Not applicable	Two Legal Bonuses per year. Each legal bonus represents ½ remuneration
Sharing Profits	Not applicable	According to Legislative Decree N° 892
Overtime	According to Legislative Decree N° 854	According to Legislative Decree N° N° 854
Social Security Health Insurance	Partially subsidized by the government.	The monthly contribution for ESSALUD is equivalent to 9% of the employee's monthly remuneration and shall be paid by the employer.
Life Insurance	Not applicable	Workers have the right to life insurance paid by the employer after completing four (4) years of work with them.
Family Allowance	Not applicable	Not applicable
Pension	Mandatory for workers under forty (40).	Mandatory
Collective Rights of Workers	Not applicable	Not applicable

VI. 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.

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 technicians, 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. Foreign employees may not be included in the payroll until they fulfill both requirements. Special rules apply in case of Spanish citizens, and citizens from countries of the Andean Community and MERCOSUR.

Migratory categories



6.

Foreigners who enter Peru are subject to different migratory categories, depending on their activities they seek to perform. Each of these classifications have a different type of visa that will regulate the permanence or residence of foreigners in the country. Legislative Decree 1350 is the Immigration Law, which is duly in force since March 1st, 2017, called the Legislative Migration Decree. It regulates the different immigration qualifications for foreigners in Peru to date.

Peruvian law recognizes the following migratory categories:

Temporary: It allows the entry and stay of a foreigner in the territory of the Republic, without the intention of living as a resident.	
Migratory Categories	Description
International Agreements	<p>It allows the entry and stay of the foreigner, as stipulated in the international treaties and agreements that Peru has subscribed.</p> <p><u>It is granted by MIGRATIONS.</u></p> <p>Your request, term of stay, possibility of extension and other characteristics will be those stipulated in the international treaties or agreements subscribed by Peru.</p>
Artistic or Sports	<p>It allows the foreigner to develop remunerated or lucrative activities, linked to artistic, cultural, sports or other similar shows under a contract in accordance with current regulations.</p> <p><u>It is granted by MIGRATIONS,</u> prior to entering the country. Allows single entry. The term of stay is ninety (90) days. It can not be extended.</p>
Special	<p>It allows the foreigner to enter and stay in situations not contemplated in the other Migratory Categories of this Legislative Decree. This category is exceptional, subsidiary and residual.</p> <p>The Ministry of Foreign Affairs grants this quality in the case of international speakers at official events; official delegates in non-profit sports competitions; artists, athletes, and non-profit or philanthropic personalities; and for those foreigners whose stay in the national territory is of interest to the Peruvian State.</p> <p><u>The other cases are granted by MIGRATIONS</u> at immigration and / or border control posts or at their offices at the national level.</p> <p>It allows single entry. The term of stay is up to one hundred eighty-three (183) days, extendable once only for the same period.</p>
Training/Temporary Research	<p>It allows the entry and stay of foreigners who wish to carry out the same activities referred to training and temporary research, but not for the purpose of residence.</p> <p><u>It is granted by MIGRATIONS.</u></p> <p>Allows single entry. The term of stay is ninety (90) days. Extension applies for the same term.</p>

Migratory Categories	Description
Business	<p>It allows the foreigner to carry out business, legal activities, contractual, specialized technical assistance or similar activities.</p> <p><u>It is granted by the Ministry of Foreign Affairs.</u> In the case of countries with which Peru has signed agreements or international conventions exempting business visas, the Migratory Category <u>is granted by MIGRATIONS</u> in immigration and / or border control posts.</p> <p>It allows multiple entries. The term of stay is one hundred and eighty-three (183) days, cumulative during a period of three hundred and sixty-five (365) days. It can not be extended.</p>
Worker/Temporary Assigned Job	<p>It allows the entry and stay of foreigners who wish to carry out the same activities referred to in the Migratory Categories: Worker and Temporary Assigned Job, but not for the purpose of residence.</p> <p>It is granted by MIGRATIONS.</p> <p>It allows multiple entries. The term of stay is one hundred eighty-three (183) days, cumulative during a period of three hundred and sixty-five (365) days. Extension applies for the same term.</p>
Journalism	<p>It allows the entry of a foreign journalist into the country under the conditions provided by special regulations.</p> <p><u>It is granted by the Ministry of Foreign Affairs.</u></p> <p>It allows multiple entries. The Peruvian State determines the term of stay and if the extension is applied.</p>
Tourist	<p>It allows the foreigner to carry out only tourist, leisure, health or similar activities. It does not allow to work or to perform lucrative activities.</p> <p>It is granted by the Ministry of Foreign Affairs. In the case of countries with which Peru has signed international tourism visa exemption agreements, the Migratory Category is granted by MIGRATIONS at the border and / or border control posts.</p> <p>It allows multiple entries. The term of stay is one hundred eighty-three (183) days, cumulative during a period of three hundred and sixty-five (365) days. It can not be extended.</p>
Crew	<p>It allows a foreigner member of a crew to enter the country when using an international means of transport.</p> <p>It is granted by MIGRATION in the migratory and / or border control posts. Allows single entry. The term of stay is thirty (30) days. It can not be extended.</p>

Residence: It authorizes the entry and/or residence in Peruvian territory. These Migratory Categories are extendable and allow multiple entries.

Migratory Categories	Description
Cooperative	<p>For the foreigner to whom the Peruvian State recognizes such category by virtue of international treaties and agreements in which Peru participates as a party, governmental or non-governmental cooperation, as experts or volunteers, as well as members of the Entities and Institutions of International Cooperation established abroad registered with the Peruvian Agency for International Cooperation (APCI) and which are governed by the said international instruments and special provisions.</p> <p>It also includes a foreigner who enters the national territory to perform welfare activities within the framework of social assistance or humanitarian aid or in cases of natural disasters, provided that such request is made by a foreign government or international organization or by any The entities that make up the National System of Disaster Risk Management (SINAGERD).</p> <p><u>It is granted by the Ministry of Foreign Affairs.</u> It allows multiple entries. The term of stay and extension is according to what the Peruvian State determines.</p>
Designated	<p>It allows the foreigner to carry out work activities in the national territory that consist in the accomplishment of a specific task or function or a work that requires specialized professional, commercial or technical knowledge sent by a foreign employer.</p> <p><u>It is granted by MIGRATIONS.</u> It allows multiple entries. The term of stay is three hundred and sixty-five (365) days</p>
Training	<p>It allows the foreigner to develop regular studies of higher education, basic education, arts or crafts, in institutions recognized by the Peruvian State. It includes foreigners of student exchanges, pre-professional or professional, cultural practices, and other formative modalities recognized in Peru, in accordance with current regulations.</p> <p>It does not allow to work or to perform lucrative activities, it needs the previous emission of the Extraordinary Work Permit is granted by MIGRATIONS.</p> <p>This Migratory Category is granted by MIGRATIONS through its offices at the national level. It can be requested by the interested party in the national territory, or before the entrance to Peru through an authorized representative. The term of stay is three hundred and sixty-five (365) days.</p>
Religious	<p>It allows the development of activities of a religious or pastoral nature in an organization or congregation recognized by the Ministry of Justice and Human Rights. It can carry out complementary activities to the pastoral like those related to the education health and others. It does not allow to work or to perform lucrative activities, unless they have previous authorization of the Extraordinary Work Permit granted by MIGRACIONES.</p> <p>It is granted by MIGRATIONS. The term of stay is three hundred and sixty-five (365) days.</p>

Migratory Categories	Description
Exchange	<p>For the foreigner to whom the Peruvian State recognizes such quality by virtue of treaties, and international agreements of which Peru participates as a party, of cultural or research exchange or others, and which is governed by said international instruments.</p> <p>This migratory category extends to the foreigner who, by virtue of the same instruments, enters the national territory to carry out studies, activities under labor training modalities, courses or seminars, as well as other academic or educational activities framed within the educational, scientific, cultural And others similar.</p> <p><u>It is granted by the Ministry of Foreign Affairs.</u> It allows multiple entries. The term of stay and extension is according to what the Peruvian State determines.</p>
Investor	<p>It allows the foreigner to establish, develop or administrate one or more lawful investments within the framework of Peruvian legislation. The amount of the investment and the other conditions will be fixed in the respective Regulation.</p> <p><u>It is granted by MIGRATIONS.</u> The term of stay is three hundred and sixty-five (365) days.</p>
Investigation	<p>It extends to the foreigner with recognized knowledge and experience in the fields of science, technology or innovation; as well as in projects of education of high specialization; through the authority in national science and technology. It allows to carry out any activity that generates income, dependent or independent in the public or private sector.</p> <p><u>It is granted by MIGRATIONS.</u> The term of stay is up to three hundred and sixty-five (365) days.</p>
Work	<p>It enables the foreigner to engage in lucrative activities in a subordinate or independent manner for the public or private sectors, by virtue of a work contract, administrative relationship or contract for the provision of services. In the case of frontier workers, the benefits stipulated in the international agreements on the subject are granted. It is granted under a labor contract previously approved by the Ministry of Labor.</p> <p>It includes employees of a transnational company or international corporation and that travels to Peru to work in a company of the same economic group or holding company, to work as personnel of senior management or of confidence or as specialist or by specialized work. The foreigner is allowed to sign contracts or transactions.</p> <p><u>It is granted by MIGRATIONS.</u> The term of stay is three hundred and sixty-five (365) days.</p>

Migratory Categories	Description
Resident's Family	<p>It allows the residence of the foreigner which is member of the family of a Peruvian or foreign resident. It allows to carry out lucrative activities such as subordinate or independent works.</p> <p><u>It is granted by MIGRATIONS.</u> The term of stay is up to two years.</p>
Suspended	<p>For foreigners who have been detained or deprived of their liberty for infringement of the criminal law. This includes the stages of preliminary investigation, of the criminal process and of compliance with the sentence.</p> <p>It extends to the period that the foreigner enjoys some penitentiary benefit as well as to the period that must wait in the national territory until its exit takes effect. It does not carry fines for migratory administrative offenses abroad.</p> <p>It allows for formal activities paid on a dependent or self-employed basis.</p> <p><u>It is granted by MIGRATIONS.</u> The Peruvian State determines the period of permanence.</p>
Humanitarian	<p>For the foreigner who is in the national territory and does not meet the requirements to access the status of asylee or refugee, and is in a situation of great vulnerability or danger of life in case of abandonment of the Peruvian territory or for those who require protection due to a threat or act of violation or impairment of their fundamental rights.</p> <p>Likewise, it will apply to asylum seekers and asylum seekers or to those who have migrated due to natural and environmental disasters; or for those who have been trafficked or trafficked; or for unaccompanied children and adolescents; or for stateless persons.</p> <p>It also applies to people who are outside the national territory in exceptional situations of internationally recognized humanitarian crisis, who request to come to Peru and obtain protection.</p> <p>It allows for lucrative activities in a subordinate, autonomous or self-employed manner.</p> <p>It is granted by the Ministry of Foreign Affairs.</p> <p>The term of stay is one hundred eighty-three (183) days, and may be maintained as long as the conditions of vulnerability for which migration quality was granted persist.</p> <p>adolescents; or for stateless persons.</p> <p>It also applies to people who are outside the national territory in exceptional situations of internationally recognized humanitarian crisis, who request to come to Peru and obtain protection.</p> <p>It allows for lucrative activities in a subordinate, autonomous or self-employed manner.</p> <p><u>It is granted by the Ministry of Foreign Affairs.</u> The term of stay is one hundred eighty-three (183) days, and may be maintained as long as the conditions of vulnerability for which migration quality was granted persist.</p>
Rentier	<p>It allows the residence to the foreigner that enjoys pension of retirement or permanent rent of Peruvian or foreign source. The amount of the income and the other conditions will be fixed in the respective Regulation.</p> <p><u>It is granted by MIGRATIONS.</u> The term of stay is INDEFINITE.</p>

Migratory Categories	Description
International Agreements	<p>It allows residence to nationals of countries that have an International Agreement with Peru in force and that establish the possibility of residence. It includes the statutes of Political Asylum and Refugees.</p> <p><u>It is granted by MIGRATIONS.</u> In cases of Political Asylum and Refugees is granted by the <u>Ministry of Foreign Affairs.</u></p> <p>The term of stay and conditions, are in accordance with the stipulated in the applicable international treaties and conventions. In case of Political Asylum and Refugee, the term of stay is one year.</p>
Consular	<p>For the foreigner to whom the Ministry of Foreign Affairs of Peru recognizes the consular quality accredited to the Peruvian State.</p> <p><u>It is granted by the Ministry of Foreign Affairs.</u> The period of permanence is established by the Ministry of Foreign Affairs.</p>
Diplomatic	<p>For the foreigner to whom the Ministry of Foreign Affairs of Peru recognizes the diplomatic quality accredited to the Peruvian State.</p> <p><u>It is granted by the Ministry of Foreign Affairs.</u> The period of permanence is established by the Ministry of Foreign Affairs.</p>
Official	<p>This Authorization is for the foreigner to whom the Ministry of Foreign Affairs of Peru recognizes him the quality of official, under the conditions foreseen in the special regulations.</p> <p><u>It is granted by the Ministry of Foreign Affairs.</u> The term of stay is three hundred and sixty-five (365) days.</p>
Official's Family	<p>It allows the residence of the official's family who returns to the country at the end of his diplomatic, consular or official duties abroad or a Peruvian official who dies in the exercise of his duties abroad. It allows for lucrative activities in a subordinate, autonomous or self-employed manner.</p> <p><u>It is granted by the Ministry of Foreign Affairs.</u> The period of permanence is established by the Ministry of Foreign Affairs.</p>



**How do you sell to
the government?**



I. Public Procurement Law

On 11 July, 2017 a new Law on Public Procurement Law was enacted and came into force in April 2017, Legislative Decree No. 1341 (hereinafter, "LPP"). The new LPP has the goal to create an effective system of public procurement, to promote and facilitate future investments, which will lead to the attainment of better results in private sector investments. In that sense, LPP's objective is to establish the rules focused on maximizing the value for taxpayers' money in procurement activities performed by Public Sector Entities so that this procurement shall be executed in a timely manner and under the best quality and price conditions, complying with principles referred. There are some modifications that were enforced the day after the LPP was published, specifically those referred to the principle of integrity (incorporated as literal j of article 2 of the LPP), the responsibility of the entities to prevent conflicts of interest (incorporated as clause 9.2 of article 9 of the LPP) and impediments by sentences by corruption crimes and others (incorporated as literals m and n of article 11 of the LPP).

Among the other major changes incorporated, we can highlight two new assumptions for contracting with suppliers not domiciled in the country excluded from the scope of the LPP. Likewise, the procurement of insurance from non-domiciled suppliers is regulated, as long as the requirements established in the Regulations of the LPP are met.

With regard to the restrictions to contracting with the Government, the scope of the law and periods regarding this have been specified for several public positions, as well as the inclusion to the subcontractors. Before the LPP, the legal entities such as corporations, who were linked to a person with impediments to subscribe agreements with the government that had 5% could not enter any contract with the government. There has been an increase from 5% to 30% with the LPP.

Likewise, new restrictions have been included such as having influence, decision-making power or privileged information up to 12 months after leaving the public office. Also, four new restrictions have been set for those who wish to participate in contracting with the state. Article 11 (k) of the LPP has been deleted, referring to legal persons that share partners, shareholders, representatives and others, which was confusing and that during its application was subject to different interpretations by the Court of Public Procurement. The reference value has been included again, which is generally public, but unlike the previous regulation, it is possible to determine that it is private when the conditions so require, leaving aside the figure of the estimated value.

It has been added within the tender and public tender, a mixed modality which is destined to the provision of services and construction of projects simultaneously. On the other hand, the inclusion of an essential "anticorruption" clause has been required. Something that is going to be quite attractive for the investors, especially for the non-domiciled, is the modification regarding the validity of the Suppliers National Registry, which is for an indeterminate period of time.

Finally, we have the inclusion of four new administrative sanctions, which aim to avoid higher costs to the State. With the modifications given, LPP seeks to specify and make flexible some aspects of the current Law, always within the objective of a results management policy aimed at eliminating the regulatory and regulatory perspective that characterized the old Law.

II. The Supervising Agency of the Government Procurement (OSCE)

The Supervising Agency of the Government Procurement (OSCE) is the entity responsible for assuring compliance with public procurement rules of the Peruvian State. It has jurisdiction over the national level, and oversees the process of procurement of goods, services and works undertaken by state entities.

It is a specialized technical body under the Ministry of Economy and Finance, with legal status under public law, relating to technical, functional, administrative, economic and financial operations. OSCE staff is subject to the labor of private activity.

III. Suppliers/Providers National Registry

The Suppliers/Providers National Registry (hereinafter, "RNP") is the only public registry entrusted to record, classify, validate and update relevant information regarding natural and legal persons, domestic and foreigners, resident and non-resident, that supply goods and services or execute works, that want to contract with the government.

One of the changes that brought the latest changes to the LCE and RLCE was the elimination of the expiration that was in the RNP, to date, the registration in the aforementioned record is made only once with the commitment to update the information periodically.

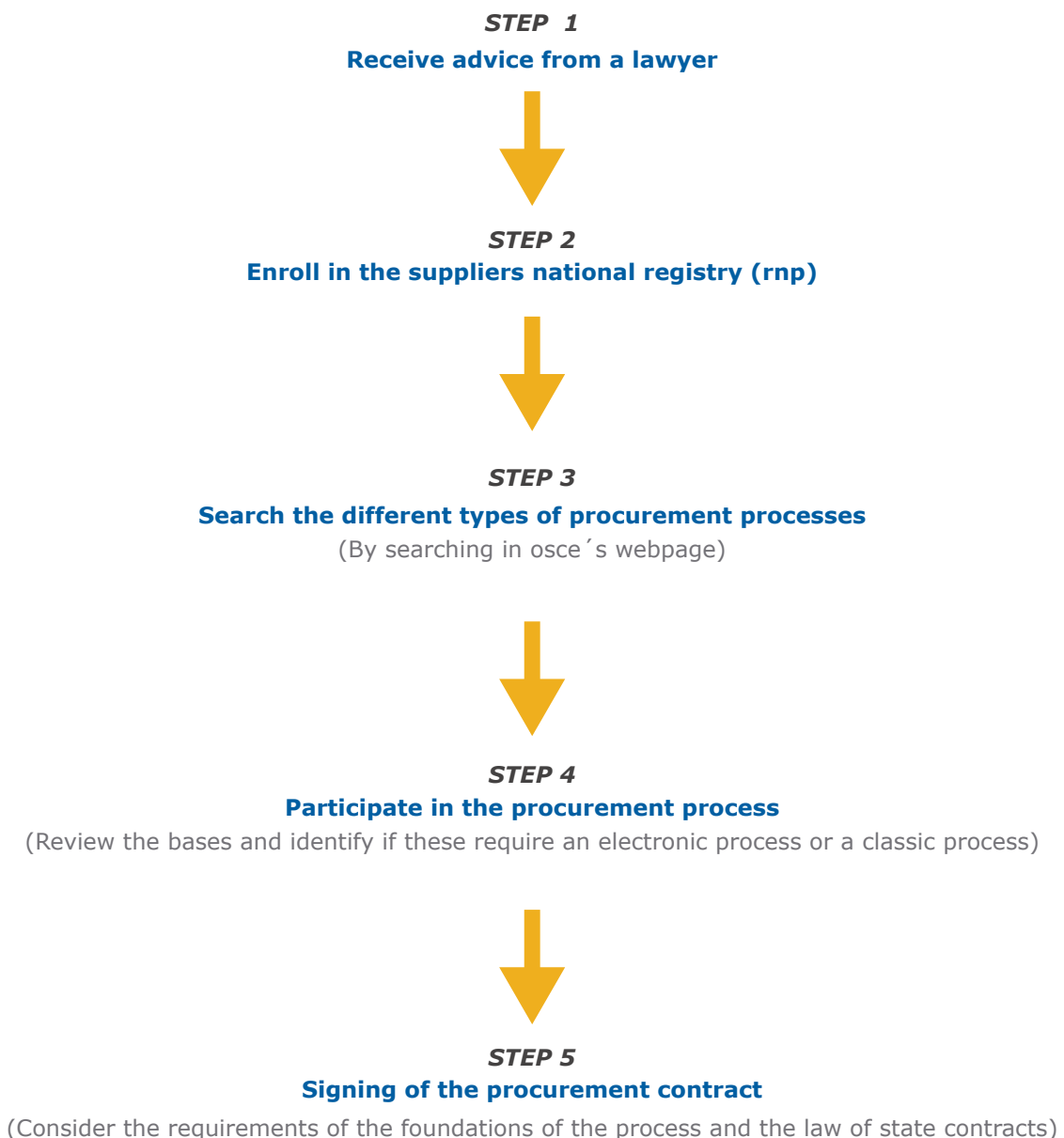
The RNP is composed of the following records:

- Vendors Registry
- Service Provider Registry.
- Works Consultants Registry
- Works Executors Registry.
- Banned Companies Registry

IV. Procurement Process

A public entity may contract with the private sector by public bid, public tender, simplified adjudication, selection of individual consultants, comparison of prices, electronic auction, direct recruitment and other selection procedures of general application that addresses LPP and its regulations, that must observe the principles governing contracts and treaties or international commitments including public procurement provisions.

HOW TO SELL STATE IN FOUR STEPS?



A black and white photograph of a stone building with arches and a large yellow number 8. The building is made of rough-hewn stone and features several arched windows and doorways. In the foreground, there are some bare, spindly trees and a dense patch of low-lying plants. A semi-transparent dark grey rectangle is overlaid on the upper half of the image, containing the word "Contact" in white. A large, bold yellow number "8." is positioned in the lower right corner, partially overlapping the building and the foreground plants.

Contact

8.

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