



PrimeGlobal

*An Association of
Independent Accounting Firms*

DOING BUSINESS IN PERU





COMPANY FORMATION IN PERÚ

MAIN FORMS OF COMPANY/BUSINESS IN PERÚ

The forms of the corporation are: Close Corporation (S.A.C.) and Open Corporation (S.A.).

According to the General Corporation Law other corporate forms are: Collective Company, Limited Partnership, Limited Partnership by shares, Commercial Private Limited Company and Non-trading Company.

SPECIFIC TAX CONCERNS RELATED TO ESTABLISHING A COMPANY

You can choose between three (3) ways of paying taxes according to the income projected to have a year:

Simplified Single System - RUS, for individuals and Individual Private Limited Company (EIRL). The monthly fee is payable as tables of categories (from USD6 to USD180).

Special Income Tax System - RER, for individuals and companies planning income and/or purchases not exceeding USD 157,000 per year. For income tax share of 1.5% on net monthly income is paid. VAT is paid by 18 % over sales for the month, with deduction of VAT paid on purchases.

General Income Tax System Income, for natural person or company business with any form of corporate organization. For income tax share of 1.5% on net monthly income is paid. VAT is paid by 18% over sales for the month, with deduction of VAT paid on purchases.

LEGAL ISSUES RELATED TO ESTABLISHING A COMPANY

A company can be formed by a natural person or a legal person. In the first case there will be no separation of assets; in the second case if there will be separation of assets.

There is no law established a minimum amount as capital base.

The law does not provide impediment to foreign partners, they can be represented by a proxy to set up a company.

CULTURAL CONCERNS RELATED TO ESTABLISHING A COMPANY

The subsidiaries have limited responsibility and can have a selection the name according to the availability what is available and does not create confusion with the existing ones.

For the branch, the name selection is limited to the name of the investor's company plus " — Sucursal del Perú" and will have responsibility according to the investor's legal type.

Corporate Social Responsibility renews the conception of the company, giving it a broad and inclusive dimension that goes beyond mere economic issue that seamlessly incorporates the triple facet of economic, social and environmental sustainability.



DOING BUSINESS IN PERÚ

OTHER COUNTRY-SPECIFIC ISSUES RELATED TO ESTABLISHING A COMPANY

A local bank account is required to set up a company.

To obtain the unique registration number of Taxpayer, an indispensable requirement to start operation, it is required to appoint at least one legal representative.





PERMANENT ESTABLISHMENT IN PERÚ: BRANCH OR SUBSIDIARY?

DEFINITION OF A PERMANENT ESTABLISHMENT

It is defined as a permanent, unlike the branch establishment and subsidiary:

1. Any fixed place of business in which to develop all or part of a business activity of any nature constituted abroad. Permanent establishments are administrative or mobile centers, offices, factories, workshops, places of extraction of natural resources and any facility or structure, fixed, used for the exploration or exploitation of natural resources.
2. When a person acts in the country on behalf of an enterprise of any kind incorporated abroad, if that person has, and habitually exercises in the country, powers to enter into contracts on behalf of them.
3. When the person acting on behalf of a business of any nature constituted abroad, usually held in the country stock of goods or commodities to be traded in the country on behalf of them.

DEFINITION AND MAIN DIFFERENCES BETWEEN A BRANCH AND A SUBSIDIARY

When, from a business perspective, it is time that a foreign business group established operations in Peru, corresponds to ask whether the vehicle to be used will be a subsidiary or a branch. The best known of choosing between one or the other figure practical consequence is the existence of limited liability, in the first case (as it is commonly called subsidiary is nothing more than a company controlled by another, which is often called matrix), while in the second case, not to be an independent legal entity branch to the company that controls it, that company is responsible for the obligations assumed through its branch (as recalls Article 397 of the General Corporation Law).

Despite this important and well-known difference, and taking into account that the branch receives treatment substantially equal to that of a society in areas such as taxation and labor relations, branches remain chosen for certain projects (for example in sectors such as construction), and particularly when it comes to temporary business. It is therefore important to note that there are other practical consequences of that choice, which could be important for certain undertakings (and their creditors).

TAX AND ACCOUNTING OBLIGATIONS

A branch or permanent establishment in Peru of a not resident company, regarding their Peruvian source income, receives the treatment of a resident, and thus acquires the status of taxpayer and / or responsible for taxes, such as value added tax and / or tax income is obliged to register with the Unique Register of Taxpayers - RUC. Not be the status quo, that is, if the company does not resident in Peru does not develop economic activities through a branch or permanent establishment, the company will be required to register in the RUC if it acquires the status of taxpayers and / or responsible for administered taxes and / or collected by the tax authorities, except that only derives income which are subject to withholding at the source or derives income why you do not make the retention because the payer is an entity not resident.

Tax Law Peruvian income combines the criterion of domicile with the criterion of source thereof, noting that regardless of domicile, will be taxed at the income tax operations that qualify as Peruvian source income. In



that sense, for companies not resident in Peru the principle of territoriality applies, so that such companies only taxed on income arising that were considered Peruvian source under the Law of Income Tax.

REGISTRATION FORMALITIES

Generally the constitution of a company in Peru involves the execution of 9 steps: preparing the draft of constitution, public deed, registration in public records, process the Unique Register of the Taxpayer (RUC), enroll workers in Social Health Insurance - Essalud, request permission or authorization or special registration, obtain authorization from the book of payroll, legalize the accounting books, deal with the municipal license.

STANDARD LEGAL OBLIGATIONS AND FORMALITIES FOR A BRANCH

The General Corporation Law and the Regulations of the Register of Companies - SUNARP establish a series of formal requirements for the operation of the company incorporated and domiciled abroad, noting that the branch is constituted by public deed is inscribed in the Register of Legal persons and must contain at least: a) the certificate of validity of society in their country of origin with proof of your social pact if its status prevent him from establishing branches abroad. b) Copy of the social pact and statute or equivalent instruments in the country. c) The agreement to establish a branch in Peru, taken by the competent corporate body of the company indicating: capital assigned to it for rotation of its activities in the country, the statement that such activities fall within its corporate purpose; the place of domicile of the branch.



HOW TO HIRE MY FIRST EMPLOYEE IN PERÚ

MAIN LEGAL STEPS TO FOLLOW TO HIRE A FIRST EMPLOYEE

In Peru there are two ways of hiring:

- a) the standard form of employment contract is for an indefinite period, the employment relationship will last until a particular case prevents its continuation, for example, the resignation of the worker, dismissal, retirement;
- b) special arrangements, the Act regulates other special arrangements, which are: employment contract fixed term, employment contract seasonal, temporary work contract, contract work group or team.

The requirements for hiring foreign personnel are: request to the Sub - Director of General Records, employment contract, Affidavit according to established format, photocopy notarized or photocopy certified by the consular service, proof of payment of the corresponding rate in the National Bank (Banco de la Nación), indicate the number of RUC force.

DESIGN AND CONTENTS OF AN EMPLOYMENT CONTRACT

See Model Contract Work Abroad on following pages.

CAN SOMEBODY DO BUSINESS FOR ME AND NOT BE AN EMPLOYEE?

In Peru there by Law other modalities for holding an employment contract special mode for a specified as employment contracts fixed-term, seasonal, casual labor time contract permanent employment is characterized by the existence of a certain period duration, maximum may be 5 years, the contract must be in writing , expressly established time duration.

Also you can hire temporary staff through job placement firms and outsourcing. Peruvian law regulates the field of action of labor intermediation businesses, covering secondary tasks (complementary and specialized as maintenance, cleaning, security) and the main tasks, provided they are temporary. The rule states that the number of outstanding workers should not exceed 50 percent of the payroll.



MODEL CONTRACT WORK ABROAD

This document certifies the Contract Foreign Personnel Working to specified date, entered into by the company with Single Taxpayer Registry No., residing in province of department whose constitution work properly inscribed on record No the Register of Legal Persons, dedicated to economic activity, having begun his business with date, duly represented by, identified with Identity according to enrolled in heading No of the Public Records, whom hereinafter referred to as "EMPLOYER" and Don the other part identified with identification, born in, of nationality sex of. Years of age, marital status, profession or specialty, residing in who henceforth they were considered "WORKER ", in the following terms and conditions:

FIRST: THE EMPLEADOR

"EMPLOYERS" is a company engaged in the economic activity described in the introduction to this document and requires a (describe position of the worker to hire), to take charge of position

SECOND: WORKER TRABAJADOR

Is (describe rating labor) and declared to be qualified for the job offered.

THIRD: THE SERVICES

Hereby document "EMPLOYER" enlists the services of "worker", which will be held in the home district, province, department

FOURTH: THE JORNADA

Working hours will be Monday through Friday, hours to hours.

FIFTH: COMPENSATION TOTAL

"The employer" pay the worker remuneration as the following:

Cash

- Have Monthly x 12 =
- Gratuities per year =
- Other bonuses per year =
- Annual Subtotal =

Species

- Housing for an annual value of = S /.
- College for children, for an annual value of S /.
- Auto use, maintenance, fuel and worth S /.
- Others (specify)
- Annual Subtotal =

Total remuneration

- Total Annual Compensation (A + B) = - Remuneration Total Monthly =

The total monthly remuneration will be taken into account to determine the limiting percentages.

SIXTH: THE REGIME LABORAL

"WORKER" is subject to the labor regulations governing private activity and the rights and benefits provided therein are applicable.



SEVENTH: THE TERM

The term of this Agreement is (Maximum three years), in accordance with the provisions of Article 5 of the D, No. 689 and Legislative. Art. 11 of the Regulations, counted from the date of commencement of the service. The service will start only the next day that the approval of the employment contract and obtaining the qualifying immigration status occurs.

EIGHTH: GOOD FAITH LABORAL

THE "WORKER" on its part undertakes expressly to put at the service of "employer" full capacity.

NINTH: EFFECT OF APPROVAL OF THE CONTRACT

It is stated that the parties are aware that the approval of the Administrative Labor Authority that falls in this contract does not authorize the commencement of the provision of services, while not have obtained the enabling immigration status, granted by the competent immigration authority under the responsibility of "employer".

TENTH: THE TRAINING

The parties are committed to train national staff in the same position, they hired the "worker".

ELEVENTH: THE RETORNO

"EMPLOYER" promises to deliver the tickets as working to the cessation occur. The cost will be borne by the "employer" and the ticket will be extended for the following persons: 1. Holder, age
2. Kinship age 3. Kinship age 4. Relationship age

TWELFTH: THE TRIBUTACIÓN

In terms of tax obligations is clearly Instructed the WORKER which is subject to Peruvian law. Consequently, you must meet submit your Affidavit of Income Tax and comply with all other tax obligations, "EMPLOYER" undertakes to make withholdings corresponding law.

Subscribed and signed in (Peru) to month of the year 20XX in 3 copies of the same tenor to record the parties and the Labor authority, whose approval will be submitted. CONTRACTED LEGAL REPRESENTATIVE OF THE COMPANY



HOW TO READ FINANCIAL STATEMENTS IN PERÚ

The complete sets of financial statements existing in Peru are:

- Balance Sheet
- Profit and Loss Statement
- Cash Flow Statement
- Changes in Equity
- Notes to the financial statements



Balance Sheet
As of December 31,
(Expressed in soles)

	Balances at December 31		Balances at December 31	
	2015 S/.	2014 S/.	2015 S/.	2014 S/.
Activo	Assets		Pasivo y patrimonio	Liabilities and Equity Capital
Activo corriente	Current assets		Pasivo corriente	Current liabilities
Efectivo y bancos	Cash and banks		Sobregiro bancario	Bank overdraft
Cuentas por cobrar comerciales:	Trade accounts receivable :		Obligaciones financieras	Financial obligations
- Terceros, neto	- Third , net		Cuentas por pagar comerciales	Trade accounts payable
- Entidades relacionadas	- Related Entities		- Terceros, neto	- Third , net
Otras Cuentas por cobrar a partes vinculadas	Other Accounts receivable from related parties		- Entidades relacionadas	- Related Entities
Otras cuentas por cobrar	Other accounts receivable		Cuentas por pagar a partes vinculadas	Accounts payable to related parties
Inventarios	Inventories		Tributos, remuneraciones y otras cuentas por pagar	Tributes, payroll and other debts to pay
Impuestos diferidos	Deferred tax assets		Pasivo por impuesto a la renta diferido	Tax liabilities Deferred income
Total activo corriente	Total current assets		Total pasivo	Total liabilities
Activo no corriente	Non-current assets		Patrimonio	Equity Capital
Mobiliario y equipo, neto	Furniture and Equipment , net		Capital	Capital
Activos intangibles, neto	Intangibles Assets , net		Reserva legal	Legal reserves
Total activo no corriente	Total non-current assets		Resultados acumulados	Retained Earnings
			Resultados del ejercicio	Net Income
Total activo	Total assets		Total pasivo y patrimonio	Total Liabilities and Equity Capital



Profit and Loss Statement
For the year ended December 31, 2015
(Expressed in soles)

		Balances at December 31 For year ended 31 December 2015
Ingresos operativos	operating income	
Venta neta y servicios prestados netos	Net sales of products and services rendered	0
Costo de ventas de productos y servicios	Cost of goods and services sold	0
Utilidad bruta	Gross profit	0
Gastos operativos	Operating expenses	
Gastos de administración	Administrative expenses	0
Ingresos varios	Miscellaneous income	0
Utilidad operativa	Operative utility	0
Otros ingresos (gastos)	Other income (expense)	
Ingresos financieros	Financial income	0
Gastos financieros	Financial expenses	0
Diferencia en cambio	Exchange difference	0
Utilidad antes de impuesto a la renta	Income before income taxes	0
Impuesto a la renta	Income tax	0
Utilidad neta del ejercicio	Net income	0



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Expressed in of changes in equity
For the year ended December 31, 2015
(Expressed in soles)

Movimientos patrimoniales	Equity movements	Capital	Legal Reserve	Retained Earnings	Net Income	Total Equity Capital
Saldos al 01 de enero de 2014	Balances at January 1, 2014	0	0	0	0	0
Transferencia del resultado del ejercicio del año anterior	Transfer the profit of the last year	0	0	0	0	0
Utilidad neta del ejercicio	Net income	0	0	0	0	0
Saldos al 31 de diciembre de 2014	Balances at December 31, 2014	0	0	0	0	0
Transferencia del resultado del ejercicio del año anterior	Transfer the profit of the last year	0	0	0	0	0
Reversión de provisión	Reversal of provision	0	0	0	0	0
Utilidad neta del ejercicio	Net income	0	0	0	0	0
Saldos al 31 de diciembre de 2015	Balances at December 31, 2015	0	0	0	0	0



Statement of cash flows
For the year ended December 31, 2015
(Expressed in soles)

		For the year ended
		December 31 :
		2015
Actividades de operación	Operating activities	
Cobro de anticipos de clientes	Collection of customer advances	0
Otros cobros relativos a la actividad	Other charges related to the activity	0
Menos:	Less:	
Pago a proveedores	Payment to suppliers	0
Pago de tributos	Payment of taxes	0
Pago de remuneraciones	Payment of wages	0
Otros pagos relativos a la actividad	Other payments related to the activity	0
(Disminución) aumento de efectivo proveniente de las actividades de operación	(Decrease) increase in cash from operating activities	0
Actividades de inversión	Investing activities	
Compra de activos	Purchase of assets	0
Compra de activos intangibles	Purchase of intangible assets	0
Préstamos a partes relacionadas	Loans to related parties	0
(Disminución) de efectivo proveniente de las actividades de inversión	(Decrease) in cash from investment activities	0
Actividades de financiamiento	Financing activities	
Préstamos y sobregiro bancarios	Bank loans and overdrafts	0
Prestamos de partes relacionadas	Loans from related parties	0
Aumento (disminución) de efectivo proveniente de las actividades de financiamiento	Increase (decrease) in cash from financing activities	0
(Disminución) aumento neto del efectivo del ejercicio	Net (decrease) increase in cash for the year	0
Saldo de efectivo al inicio del ejercicio	Cash balance at beginning of year	0
Saldo de efectivo al finalizar el ejercicio	Cash balance at year-end	0



Statement of cash flows
For the year ended December 31, 2015
(Expressed in soles)

Reconciliation of net income to cash and cash equivalents from operating activities

		For the year ended December 31 :
		2015
Utilidad del ejercicio	Net income	
Más: Ajuste a la pérdida del ejercicio:	More : Fit loss for the year :	
Depreciación del ejercicio	Depreciation	0
Amortización del ejercicio	Amortization for the year	0
Impuesto a la renta diferido	Deferred income tax	0
Cargos y abonos por cambios netos en el activo y pasivo:	Debits and credits for net changes in assets and liabilities:	
Disminución (aumento) de activos de operación:	Decrease (increase) in operating assets :	0
(Aumento) disminución en cuentas por cobrar comerciales	(Increase) decrease in trade accounts receivable	0
Disminución (aumento) otras cuentas por cobrar	Decrease (increase) in other receivables	0
(Aumento) en inventarios	(Increase) in inventories	0
Disminución en gastos pagados por anticipado	Decrease in prepaid expenses	0
Aumento (disminución) de pasivos de operación:	Increase (decrease) in liabilities:	0
Aumento (disminución) en cuentas por pagar comerciales	Increase (decrease) in trade payables	0
Aumento en tributos por pagar	Increase in taxes payable	0
(Disminución) en remuneraciones por pagar	(Decrease) in salaries payable	0
Aumento (disminución) en otras cuentas por pagar	Increase (decrease) in other payables	0
(Disminución) aumento del efectivo proveniente de las actividades de operación	(Decrease) increase in cash from operating activities	0