Doing Business in Peru
Preface

This guide has been prepared by Baker Tilly Peru, an independent member of Baker Tilly International. It is designed to provide information on a number of subjects important to those considering investing or doing business in Peru.

Baker Tilly International is a top 10 network of independent accounting and business advisory firms by combined fee income, and is represented by 126 firms in 147 countries and over 30,000 people worldwide. Its members provide high quality accounting, assurance, tax and specialist business advice to privately held businesses and public interest entities.

This guide is one of a series of country profiles compiled for use by Baker Tilly International member firms’ clients and professional staff. Copies may be downloaded from www.bakertillyinternational.com.

Doing Business in Peru has been designed for the information of readers. Whilst every effort has been made to ensure accuracy, information contained in this guide may not be comprehensive and recipients should not act upon it without seeking professional advice. Facts and figures as presented are correct at the time of writing.

Up-to-date advice and general assistance on Peruvian matters can be obtained from Baker Tilly Peru, contact details can be found at the end of this guide.

February 2017
Contents

1 Fact Sheet 2

2 Business Entities and Accounting 4
2.1 Companies 4
2.2 Partnerships 5
2.3 Individual Business Forms 6
2.4 Branches 6
2.5 Joint Ventures 6
2.6 Audit and Accounting Requirements 7
2.7 Filing Requirements 7

3 Finance and Investment 8
3.1 Exchange Control 8
3.2 Banking and Sources of Finance 8
3.3 Investment Incentives and Restrictions 9

4 Employment Regulations 10
4.1 General Employment Matters 10
4.2 Visas 10
4.3 Trade Unions 11

5 Taxation 12
1 Fact Sheet

Facts and figures as presented in sections 1 through 4 are correct as at 9 February 2017.

Geography

Location: Western South America
Area: 1,285,216km²
Land boundaries: Bolivia, Brazil, Chile, Colombia and Ecuador
Coastline: South Pacific Ocean
Climate: Tropical in the east, dry in the west, temperate to frigid in the Andes
Terrain: Western coastal plain, high and rugged Andes in the centre, eastern lowland jungle of the Amazon basin
Time zone: GMT -5

People

Population: 31.49 million (July 2016 estimate)
Religion: Roman Catholic 81.3%, Evangelical 12.5%, other 3.3%, none 2.9%
Language: Spanish, Quechua and Aymara are the official languages

Government

Country name: Republic of Peru
Government type: Presidential republic
Capital: Lima
Administrative divisions: 25 regions and one province

Political situation

The unicameral Congress of the Republic of Peru has 130 seats. The Head of State and the Head of Government is the President, who is elected by popular vote for a five-year term. The Council of Ministers is appointed by the President.
Economy

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP – real growth rate</td>
<td>3.3% (2015)</td>
</tr>
<tr>
<td>Labour force</td>
<td>16.97 million (2014)</td>
</tr>
<tr>
<td>Unemployment</td>
<td>6.2% (December 2016)</td>
</tr>
<tr>
<td>Currency (code)</td>
<td>Peruvian Nuevo Sol (PEN)</td>
</tr>
</tbody>
</table>
2 Business Entities and Accounting

The main company forms in Peru are the limited liability company and the corporation. Other business forms include partnerships, business forms available to individuals, and branches.

2.1 Companies

2.1.1 Limited liability companies

A limited liability company (sociedad de responsabilidad limitada) may be formed by a minimum of two members who may be natural and/or legal persons. The maximum number of members is 20. Generally, members are not personally liable for the debts of the company. The capital of the company is divided into interests that are equal, cumulative and indivisible. The capital may not be incorporated into securities nor be called shares.

Limited liability companies are administered by general meetings of the members, and by one or more managers who may or may not be partners in the company.

2.1.2 Corporations

A corporation (sociedad anónima) may be formed by simultaneous formation by the founders, or by offer to third parties. There must be a minimum of two shareholders who may be natural and/or legal persons. Generally, shareholders are not personally liable for the debts of the corporation.

A corporation may be a closed corporation if it has no more than 20 shareholders, and does not have shares registered in the Public Registry of Securities Market (Registro Público del Mercado de Valores).

A corporation is an open corporation if it meets one or more of the following criteria:

- The corporation has made an initial public offering of shares or convertible bonds
- There are more than 750 shareholders
- More than 35% of the capital is owned by 175 or more shareholders
- The corporation is constituted as an open corporation, or
- The shareholders unanimously vote that the corporation be an open corporation.
Open corporations are supervised and controlled by the National Supervisory Commission of Companies and Securities (Comisión Nacional Supervisora de Empresas y Valores).

Corporations are administered by general meetings of the shareholders, by a board of directors with a minimum of three directors (optional for closed corporations), and by one or more managers. An external auditor must be appointed by open corporations and where otherwise required by legislation. Other corporations may appoint an external auditor if provided for by the corporation’s social contract or statute, or if agreed at the annual general meeting.

2.1.3 Company names and registration

The company name must include its corporate form or relevant abbreviation. The name must meet certain legislative requirements, including that it not be the same or similar to the name of an existing company.

A company becomes a separate legal entity once registered in the Register of Legal Entities.

2.2 Partnerships

2.2.1 General partnerships

A general partnership (sociedad colectiva) may be formed by a minimum of two partners who may be natural and/or legal persons. Partners are jointly and severally liable to an unlimited extent for the debts and obligations of the partnership.

2.2.2 Limited partnerships

A limited partnership (sociedad en comandita) may be formed by a minimum of two partners who may be natural and/or legal persons. General partners are jointly and severally liable to an unlimited extent for the debts and obligations of the partnership. The liability of limited partners is generally limited to their agreed capital contribution. Limited partners are not generally permitted to take part in the administration of the partnership, unless agreed otherwise.

A limited partnership may be a simple partnership or a partnership limited by shares. The rules applicable to corporations generally apply to partnerships limited by shares, except in circumstances prescribed by legislation.
2.3 Individual Business Forms

A sole natural person may establish an individual limited liability company (empresa individual de responsabilidad limitada) by public deed. The individual is not generally liable for the debts and obligations of the company, except in circumstances prescribed by legislation. An individual limited liability company is a separate legal entity and is required to be registered in the Register of Legal Entities.

An individual may also undertake business activities in Peru as a sole proprietorship. The individual is liable for the debts and obligations of the business.

2.4 Branches

A foreign company may generally conduct business activities in Peru through a branch or office. A branch may undertake activities that are within the scope of the parent company’s corporate purposes. A branch is not a separate legal entity, and the parent company is liable for the debts and obligations of the branch. A permanent legal representative with certain powers must be appointed. Certain documentation must be filed with the Registry, including a certificate of good standing that meets certain conditions, a copy of the company’s social contract or similar documentation, and the agreement to establish a branch in Peru.

Branches are required to be registered in the Register of Legal Entities.

2.5 Joint Ventures

A joint venture (asociación en participación) may be formed by contract where one party (managing partner) grants one or more other parties (partners) a share in the profit(s) of one or more businesses or enterprises of the managing partner. A joint venture contract must be concluded in writing, but is not subject to registration requirements. A joint venture is not a separate legal entity.
2.6 Audit and Accounting Requirements

The board of directors of a corporation is required to prepare annual financial statements and a proposed allocation of profits (if applicable). Financial statements must clearly and accurately show the economic and financial position of the corporation, the state of the business, and the results of operations. Corporations are also required to prepare a report on the progress and status of the business, the projects and major developments during the year, the position of the company, and the results obtained. The report should include an indication of the significant investments made during the year, the existence of significant contingencies, significant events that occurred after the balance sheet date, any other relevant information, and any other reports or requirements required by legislation.

Financial statements must generally be prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) (mandatory for certain companies), or IFRS as endorsed by the relevant Peruvian authority. Small and medium-sized companies (as defined) may use IFRS as endorsed by the relevant Peruvian authority or IFRS for SMEs.

Corporations with an appointed external auditor (see 2.1.2) are required to have their annual financial statements audited.

2.7 Filing Requirements

Corporations supervised by the Superintendency of the Securities Market (Superintendencia del Mercado de Valores (SMV)) are generally required to submit their audited annual financial statements to the SMV by 15 April following the year end.
3 Finance and Investment

3.1 Exchange Control

There are generally no foreign exchange controls. Legislation requires financial companies (as defined) to identify their customers and to report suspicious financial transactions to the Financial Intelligence Unit (Unidad de Inteligencia Financiera (UIF)) of Peru.

3.2 Banking and Sources of Finance

The Central Reserve Bank of Peru (Banco Central de Reserva del Perú (BCRP)) is responsible for (amongst others) monetary policy, payment systems, and issuing banknotes and coins.

Commercial banks operating in Peru provide the majority of financial services. There are generally no restrictions on foreigners opening bank accounts in Peru (certain documentation and a minimum deposit may be required).

The Lima Stock Exchange (Bolsa de Valores de Lima (BVL)) provides a marketplace for listing and exchanging securities.

Private equity and venture capital investors provide investment in Peru.
3.3 Investment Incentives and Restrictions

There are generally no restrictions on foreign business investment in Peru. However, investments in certain areas, such transportation services by sea or air, private security and surveillance, the production of weapons, and natural areas that are subject to protection, may be prohibited or subject to restrictions.
4 Employment Regulations

4.1 General Employment Matters

4.1.1 National employment standards

Legislation provides minimum rights and conditions of employment in Peru, including maximum daily and weekly working hours, rest periods, paid annual leave entitlement, public holiday bonus, profit sharing rights, and maternity leave rights.

Employers are required to give preference to Peruvian workers. The proportion of foreign workers may not exceed 20% of the total workforce, and salaries paid to foreign workers may not exceed 30% of total payroll. Exemptions from the established percentages may be permitted in certain circumstances.

4.1.2 Pensions and other benefits

Social security contributions (see 5.3.2) generally provide associated benefits.

4.2 Visas

Citizens of certain countries (including USA, UK and most EU jurisdictions) do not generally require a visa for short-term visits to Peru. A visa is generally required for such visits by citizens of other countries.

Visas available for entry into Peru include:

- Tourist visa
- Business visa, and
- Student visa.

There are generally no restrictions on foreigners purchasing real property in Peru. However, foreigners may not generally acquire land or certain resources located within 50km of the Peruvian border.
4.3 Trade Unions

Workers may form trade unions. One or more trade unions or representatives of workers may conclude collective labour agreements with one or more employers or with a group of employers.
5 Taxation

We have comprehensive tax guides covering 150 countries. To be sent these guides, please confirm which countries are of interest by email to tax.desk@bakertillyinternational.com.
Member Firm Contact Details

Baker Tilly Peru
www.noles.com.pe

Walter Noles
T: +51 1206 6700
wnoles@bakertillyperu.com.pe