

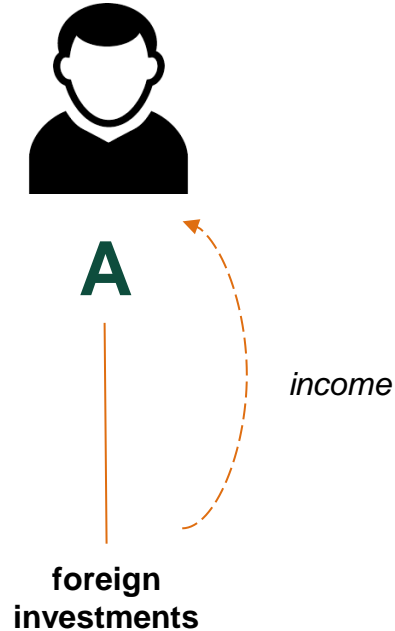
TRANSPARENCY AND TAX AMNESTY IN PERU

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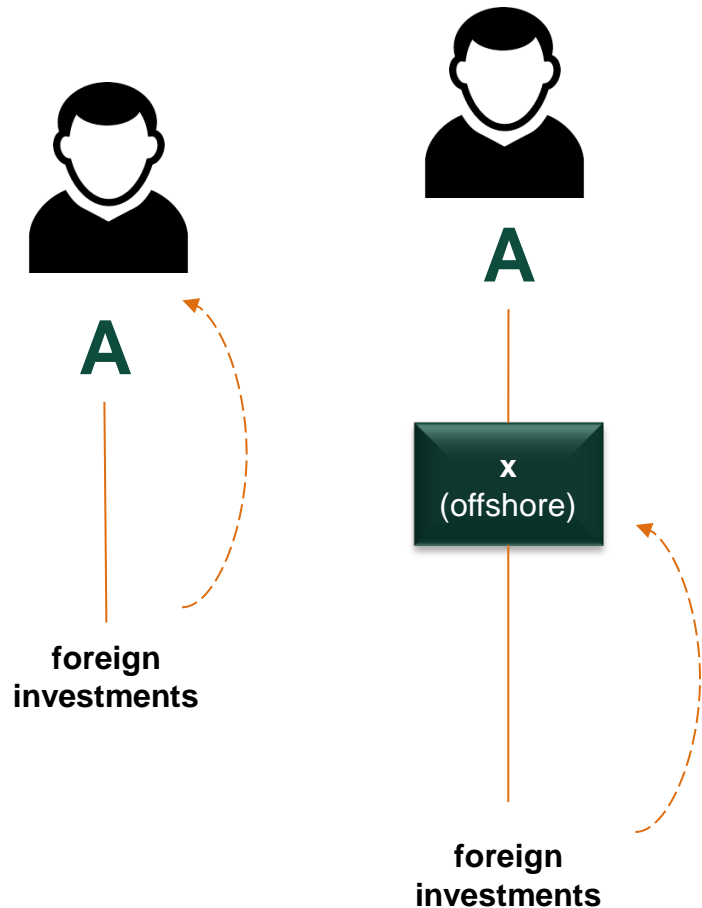


BACKGROUND – SITUATION IN PERU



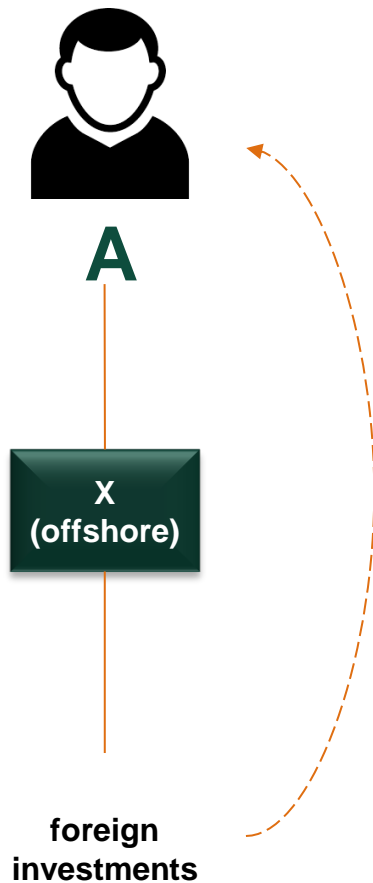
- No inheritance / estate taxes
- Income Tax (applied very aggressively)
- Joint liability of heirs for any tax debts at the level of the deceased (up to the amount of assets received – Tax Code)
- Statute of limitations
- Acquisition and loss of tax residency status

PERUVIAN RULES UNTIL DECEMBER 31, 2012



- "A" is an individual resident in Peru which holds foreign assets / investments
- Foreign source income subject to Income Tax on a cash basis
- If an offshore vehicle ("X") was interposed?
 - Tax liability was deferred
- Cash needs? satisfied via paid-in capital returns / reductions at the level of X

PERUVIAN RULES SINCE JANUARY 1, 2013



- SAAR introduced against capital return / reduction schemes to address cash needs
- Foreign source income still subject to Income Tax
- CFC rules apply
- "A" is subject to Income Tax on the foreign source passive income generated at the level of "X", even if the latter does not distribute profits
- Qualification of "X" as a CFC?

PERUVIAN RULES SINCE JANUARY 1, 2013 (CONT.)



A

CFC
(offshore)

foreign
investments

- If at the end of the year, "A" has a direct or indirect participation of more than 50% of a vehicle's:
 - paid-in capital; or
 - voting rights; or
 - profits,of a vehicle e.g. resident in a tax haven or in a jurisdiction having a low effective Income Tax (CFC)

TAX AMNESTY



foreign
investments



tax inspector

- Approval of a tax amnesty in Peru?
 - Law 30506 – Delegation of legislative powers
 - Income Tax temporary regime
 - Covering undeclared taxable income generated until December 31, 2015
 - 5%-8% and 10%-12% depending on whether the funds are repatriated or not to Peru

TAX AMNESTY (CONT.)



foreign
investments



tax inspector

- Taxable base?
- Tax inspectors reviewing amnesty declarations filed by taxpayers (requesting account and banking statements, etc.), during one year
- Concerns (criminal sanctions for tax officers revealing information filed by taxpayers)
- Term

EXCHANGE OF TAX INFORMATION



- Double Tax Treaties
- Exchange of Tax Information Agreement between Peru and the USA
- OECD efforts -- Common Reporting Standards



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