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Global Tax Alert

News from EY Americas Tax

Peru extends income tax and VAT exemptions

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On 12 December 2019, Peru enacted Urgent Decree 024-2019 and Urgent Decree 025-2019, extending income tax and value-added tax (VAT) exemptions. Both Urgent Decrees will go into effect on 1 January 2020.

Urgent Decree 024-2019

The VAT exemption is extended until 31 December 2020, for the following transactions:

- ▶ Sales and imports listed in Appendix I of the VAT Law, which include: (i) the sale or import of specific animals, vegetables, fruits, minerals and used vehicles, among others; (ii) the first sale of real estate made by a construction company for residential purposes, provided the value does not exceed approx. US\$50,000; and (iii) the import of goods that are part of the Peruvian cultural heritage and the import of artwork made by Peruvian artists, etc.
- ▶ Services listed in Appendix II of the VAT Law, which include: (i) inbound and outbound cargo transportation; (ii) music concerts and cultural events; and (iii) complementary local postal services for postal services initiated in a foreign country
- ▶ The issuance of electronic money

In Peru, as a general rule, any payment levied with income tax also is levied with VAT. As a result, Urgent Decree 024-2019 also extends the VAT exemption for: (i) income received by resident and nonresident mortgage companies from the sale and purchase of bills of exchange, promissory notes and other negotiable instruments; and (ii) interest received as a consequence of the collection of credits (e.g., unpaid invoices and accounts receivable) transferred by banking entities to trusts and funds.

Urgent Decree 024-2019 also extends up to 31 December 2020, the refund of VAT and income taxes when entities authorized to receive donations make acquisitions and purchases with foreign donations. In addition, the extension applies to imports made by “diplomatic missions.”

Urgent Decree 025-2019

The income tax exemption is extended until 31 December 2020, for foundations and non-profit associations created exclusively for charity, social assistance, education, cultural purposes, scientific purposes, artistic purposes, literary purposes, sports, political purposes, trade and/or housing.

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