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Global Tax Alert

News from EY Americas Tax

Peru establishes carryforward rule for losses incurred during fiscal year 2020

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On 8 May 2020, Peru's Executive Power issued Legislative Decree 1481, which establishes a special rule for carrying forward losses incurred during fiscal year 2020. The legislative decree responds to the COVID-19 crisis.

Generally, a Peruvian company may carry losses forward in one of two ways:

- ▶ System A: Losses incurred in a year may be carried forward to offset 100% of profits obtained in the following four years, beginning with the year following the year in which the losses are reported.
- ▶ System B: Losses incurred in a year may be carried forward indefinitely to offset 50% of profits in future years.

According to Legislative Decree 1481, companies that opt for System A may carry losses incurred in tax year 2020 forward for five years instead of four, counted from tax year 2021.

Legislative Decree 1481 will go into effect on 9 May 2020.

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