

# Global Tax Alert

News from EY Americas Tax

## Peru repeals agribusiness preferential tax regime

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On 4 December 2020, Peru enacted Law 31087, which repeals the special rules to promote agribusiness (i.e., agrarian regime) established in both Law 27360 and Urgency Decree 043-2019.

### Background

In 2000, Peru enacted Law 27360, establishing the agrarian regime, which provided the following benefits to agribusiness entities:

- ▶ 15% corporate income tax rate
- ▶ 20% depreciation rate for investments in hydraulic infrastructure and irrigation works
- ▶ Value-added tax (VAT) recovery during the pre-operational stage for the acquisition of capital goods, inputs, services and construction contracts incurred, provided that the pre-operative stage is less than five years

The regime was extended until 31 December 2031 by Urgency Decree No. 043-2019.

## Law 31087

With the repeal of Law 27360 and Urgency Decree 043-2019, agribusiness entities will be subject to the general tax regime beginning 1 January 2021. Under that regime, agribusiness entities will be subject to:

- ▶ A 29.5% corporate Income tax rate
- ▶ A 10% depreciation rate on investments in hydraulic infrastructure and irrigation works

The agribusiness entities also are subject to the early VAT recovery regime, provided they meet the following requirements:

1. The entities make an investment of at least US\$5 million in any project.
2. The pre-operative stage of the project (time incurred until the first invoice is issued for the project) is not less than two years.

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