

Global Tax Alert

News from EY Americas Tax

Peru enacts new preferential tax regime for agribusiness

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In Law 31110 (published 31 December 2020, in the *Official Gazette*), Peru enacted a new preferential tax regime for agribusiness. The regime, which is effective as of 1 January 2021, replaces the prior preferential tax regime for agribusiness (Law 27360 and Urgency Decree 043-2019) repealed on 6 December 2020.

Scope of preferential tax regime for agribusiness

The new regime applies to:

- Taxpayers engaged in agribusiness activities and using mainly agricultural products outside Lima and Callao province
- Agricultural producers with five hectares or less of production

The regime does not apply to taxpayers engaged in activities related to wheat, tobacco, oil seeds, oils and beer. It also excludes producers organized in producer associations.

Income tax benefits

Rates

The regime applies a 15% corporate income tax (CIT) rate (versus a 29.5% rate) to net income at or below 1,700 Tax Units (approx. US\$2,060,606) from 2021 to 2030. Taxpayers with net income at or below 1,700 Tax Units in the tax year may also claim an income tax credit equal to 10% of reinvestments (amount from profits used to improve the competitiveness of agribusiness) that prioritize the implementation of a technical irrigation system. The credit is capped at 70% of the taxpayer's annual profits from 2021 to 2030.

For net income over 1,700 Tax Units, the corporate income tax rate gradually increases as follows:

Fiscal Year	CIT
2021-2022	15%
2023-2024	20%
2025-2027	25%
2028 onwards	General regime 29.5%

Estimated income tax payments

The regime requires taxpayers to pay estimated income taxes monthly. The estimated taxes equal a percentage of the month's net income. The percentages, which vary depending on the applicable corporate rates, are:

- 0.8% when the 15% CIT rate applies
- 1% when the 20% CIT rate applies
- 1.3% when the 25% CIT rate applies
- 1.5% when the 29.5% CIT applies

Depreciation

A 20% accelerated depreciation rate per year applies to investments in hydraulic and irrigation infrastructure.

Value-added tax (VAT) benefits

Regime participants may request an early refund of VAT applied to the import and acquisition of local new capital goods, new intermediate goods, services and construction agreements carried out during the pre-operative stage.

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