



### **Regulation regarding the indirect tax credit**

The Peruvian Ministry of Finance and Economy has issued the regulations regarding the indirect tax credit for dividends and other profit distributions received by Peruvian entities. The main aspects of the new regulation are the following:

- Taxes paid abroad must be converted into Peruvian currency based on the weighted average exchange rate as of 31 December of the year in which the income is attributed.
- It is considered that the first-tier non-resident company has distributed dividends or profits when they have been paid or made available to the legal entity resident in Peru.
- Income tax paid by the first or second-tier non-resident company is understood as business income tax paid by them abroad, in proportion to the dividends or profits distributed to the legal entity resident in Peru or to the first-tier non-resident company, respectively;
- To establish the percentage of indirect participation that the legal entity resident in Peru has in the second-tier non-resident company, the percentage of participation that it has in the first-tier non-resident company must be multiplied by the percentage of participation that it has in the second-tier non-resident company; and
- The Peruvian entity must keep a registry established by the Peruvian Tax Authority regarding the percentage of ownership in the first-tier non-resident company and the second-tier non-resident company; and the information of the dividends or profits obtained by the Peruvian entity.