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Emergency Decree establishes measures regarding the suspension or reduction of Corporate Income Tax prepayments for April, May, June and/or July 2020

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Due to COVID-19's impact on national economy, the Peruvian Government requested legislative faculties on tax matters, among others. Such faculties were granted by Congress through Law No. 31011, which led to the issuance of Legislative Decree No. 1471 (the Decree), published on April 29th, 2020.

The Decree established new rules regarding Corporate Income Tax prepayments (Prepayments), allowing taxpayers to suspend or modify Prepayments due for the periods of April, May, June and/or July 2020 (Periods 2020), provided that the net sales for such periods are lesser than the corresponding periods in 2019 (Periods 2019), or the first two months of 2020. The purpose of the Decree is to contribute to the recovery of the economy and to mitigate the impact of the quarantine and mandatory social immobilization measures on the national economy.

In accordance with the measures stated above, taxpayers should verify the following:

- 1)** If taxpayers earned revenues in the Periods 2019, they shall compare said revenues to the revenues earned in the Periods 2020 and:
 - i)** If revenues decreased by over 30%, the Prepayments for the Periods 2020 will be suspended for the months where the decrease is verified. However, the taxpayer shall file the monthly tax return corresponding to such period.
 - ii)** If revenues decreased by up to 30%, the taxpayer shall apply a factor of 0.5846 to the original Prepayments for the Periods 2020, in order to determine the modified Prepayments amount due.
 - iii)** If revenues did not decrease, the taxpayer shall pay the original amount of the Prepayments for the Periods 2020, without considering the rules established by the Decree.

- 2)** If taxpayers earned revenues in some of the Periods 2019, they shall consider the months in which revenues were earned to apply the

procedure detailed in 1) above. The comparison shall be performed using the month in 2019 with the highest net revenues.

- 3) If taxpayers did not earn revenues in any of the Periods 2019, they shall compare the net revenues earned in the Periods 2020 to the net revenues of January or February 2020, whichever is highest.
- 4) If taxpayers did not earn revenues in any of the Periods 2019, or in January or February 2020, they shall determine the Prepayments for the Periods 2020 by applying a factor of 0.5846 to the net revenues earned in the Periods 2020.

It should be noted that the powers granted through Law No. 31011 will expire on May 11th, 2020. However, the Peruvian Government has stated that it will request new powers in the short term, to establish new measures to reactivate the national economy. As a result, more specific regulations on tax matters could be issued to the extent new powers are granted.

Note: This article is intended to be a general summary of the Decree and does not constitute legal advice. You should consult with counsel to determine applicable legal requirements for a specific situation.

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