

Peru to Cut Income and Profit Taxes in \$3.9 Billion Stimulus

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Peru's government plans to cut taxes for companies and workers and increase spending to offset a slump in investment hurting the \$202 billion economy.

The government plans legislation to reduce the corporate [tax rate](#) to 28 percent from 30 percent, Finance Minister Alonso Segura told Radio Programas. It is also proposing to cut the lowest income tax band for workers to 8 percent from 15 percent.

Both changes would take effect Jan. 1, he said.

The proposals, which will cost the government 11.5 billion soles (\$3.9 billion), are part of efforts to revive an economy the central bank forecasts will expand 3.1 percent this year, the slowest pace since 2009. The government authorized bonuses and pay increases for government employees and increased outlays on public works in recent months as part of the stimulus measures.

"It's a very, very aggressive proposal and very audacious," Segura said. "We're thinking outside the box to ensure the economy grows close to 6 percent toward the end of 2015."

Peru's corporate tax rate will be lowered to 26 percent within four years, Segura said. Tax on dividends will rise to offset the income tax cut and encourage companies to reinvest earnings, he said.

The latest round of economic stimulus is equivalent to 2 percent of GDP and includes about 7.5 billion soles of additional spending next year, Segura said.

Cabinet Meeting

The measures were approved at a cabinet meeting yesterday and include a bond issue of as much as 3 billion soles to finance investment projects, according to a statement on the website of Cabinet Chief Ana Jara.

The bonds will be sold over the next three years in the domestic market and proceeds will finance local government projects and infrastructure maintenance, Gestión [reported](#), citing comments by Segura to reporters.

Peru's sol rose 0.1 percent to 2.924 per [U.S. dollar](#) at the close of trading, according to Datatec prices.

Spending approved yesterday includes outlays on police uniforms and a one-time, year-end bonus for some retirees, Jara said in the statement.

The government will raise the tax on dividends to 6.8 percent from 4.1 percent and introduce changes that will mean any type of loan by a company to its shareholders will be considered a dividend, Jara said. The government also plans to cut a levy on gasoline and ethanol-based fuel, she said.

Tax revenue rose 3.5 percent to 78.5 billion soles in the first 10 months of this year as sales tax growth helped offset declines in revenue from mining companies, the tax collection agency Sunat said Nov. 13. Tax revenue contracted 1.6 percent in real terms in October from a year earlier.

Peru's move contrasts with tax increases in neighboring [Chile](#), where Congress passed a bill Sept. 10 to raise the corporate tax rate to 25 percent from 20 percent as the government seeks to finance more spending on education.

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