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**Management of the mineral sector:
Trade implications for Peru**

By

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The views expressed are those of the author and do not necessarily reflect
the views of UNCTAD.



MANAGEMENT OF THE MINERAL SECTOR: TRADE IMPLICATIONS FOR PERU

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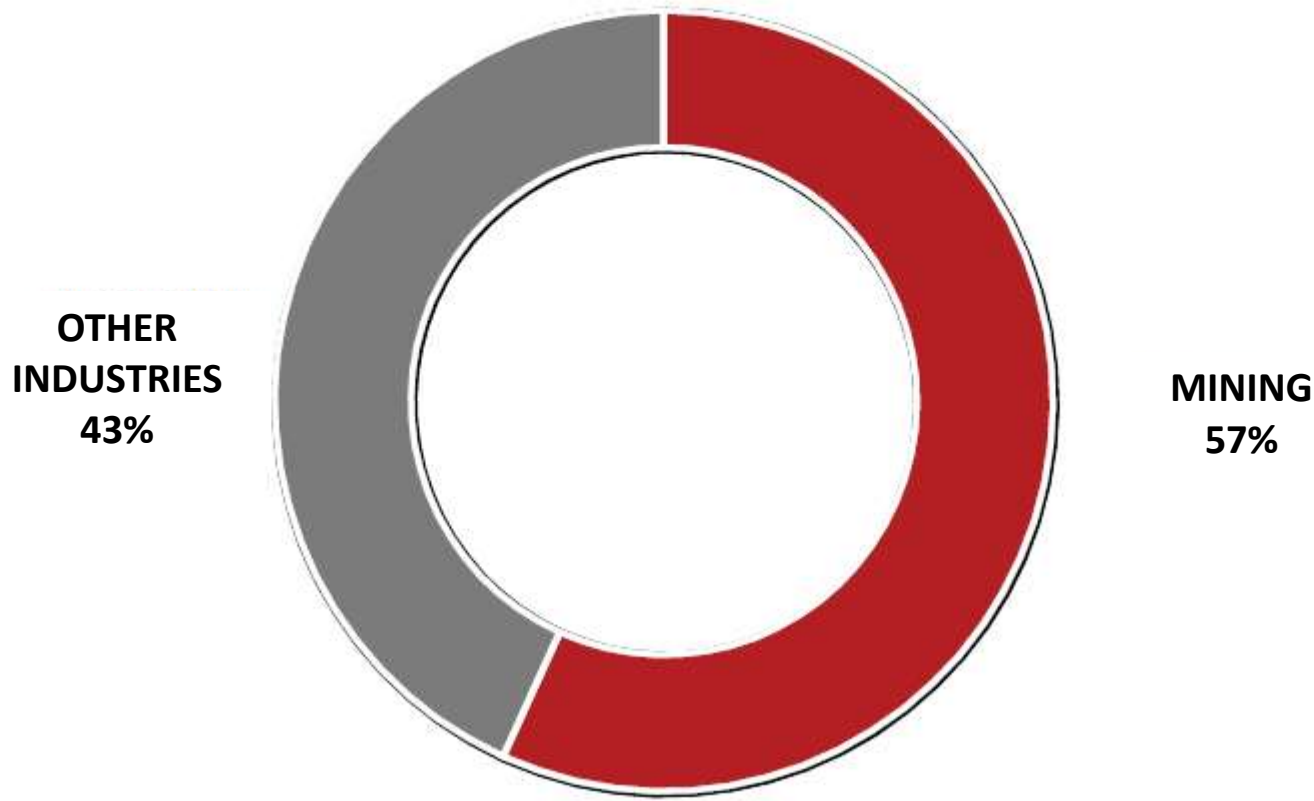
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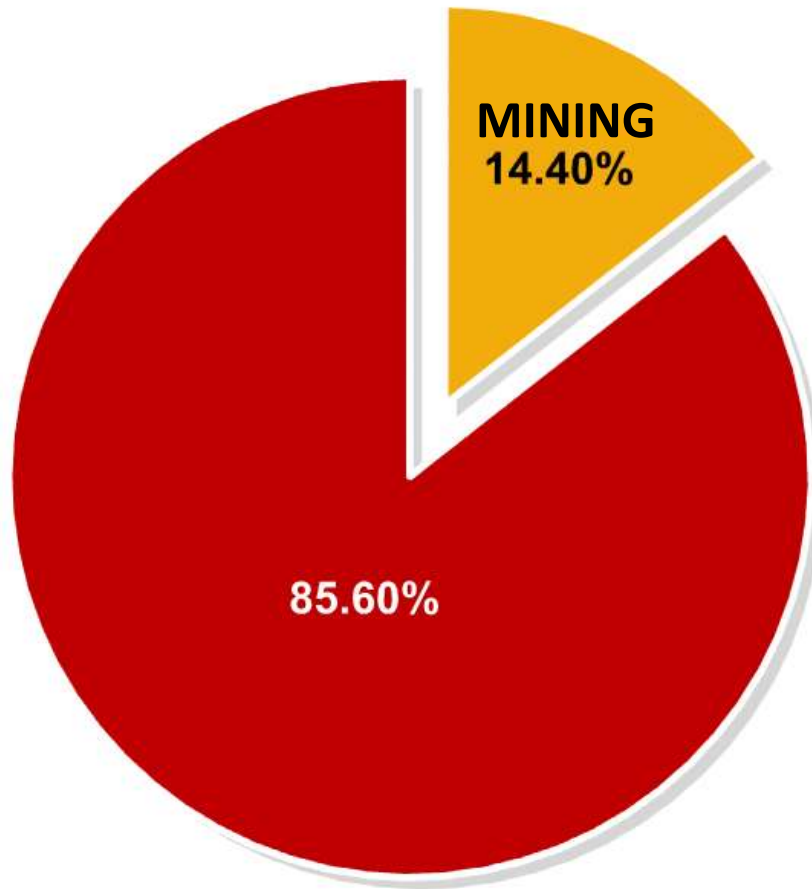
PERU. A MINING COUNTRY

Not only does Peru have a huge mining potential, but it is also now a world class mining nation.

57% of exports' value is created by mining.



MINING ACCOUNTS FOR 14.4% OF PERU'S GDP



Mining's contribution to Gross Aggregate Value (i.e. excluding import duties and taxes) totals 15.65%.

* New base year.

Source: Instituto Nacional de Estadística e Informática.



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PERU: A LEADING MINING NATION

2014 : POSICIÓN DEL PERÚ EN EL RANKING MUNDIAL DE PRODUCCIÓN MINERA
PLACE OF PERU IN THE WORLDWIDE RANKING OF MINING PRODUCTION

PRODUCTO / PRODUCT	LATINOAMÉRICA / LATIN AMERICA	MUNDO / WORLD
Zinc / Zinc	1	3
Estaño / Tin	1	3
Plomo / Lead	1	4
Oro / Gold	1	7
Cobre / Copper	2	3
Plata / Silver	2	3
Molibdeno / Molybdenum	2	4
Selenio / Selenium	2	9
Cadmio / Cadmium	2	8
Roca Fosfórica / Phosphoric Rock	2	12

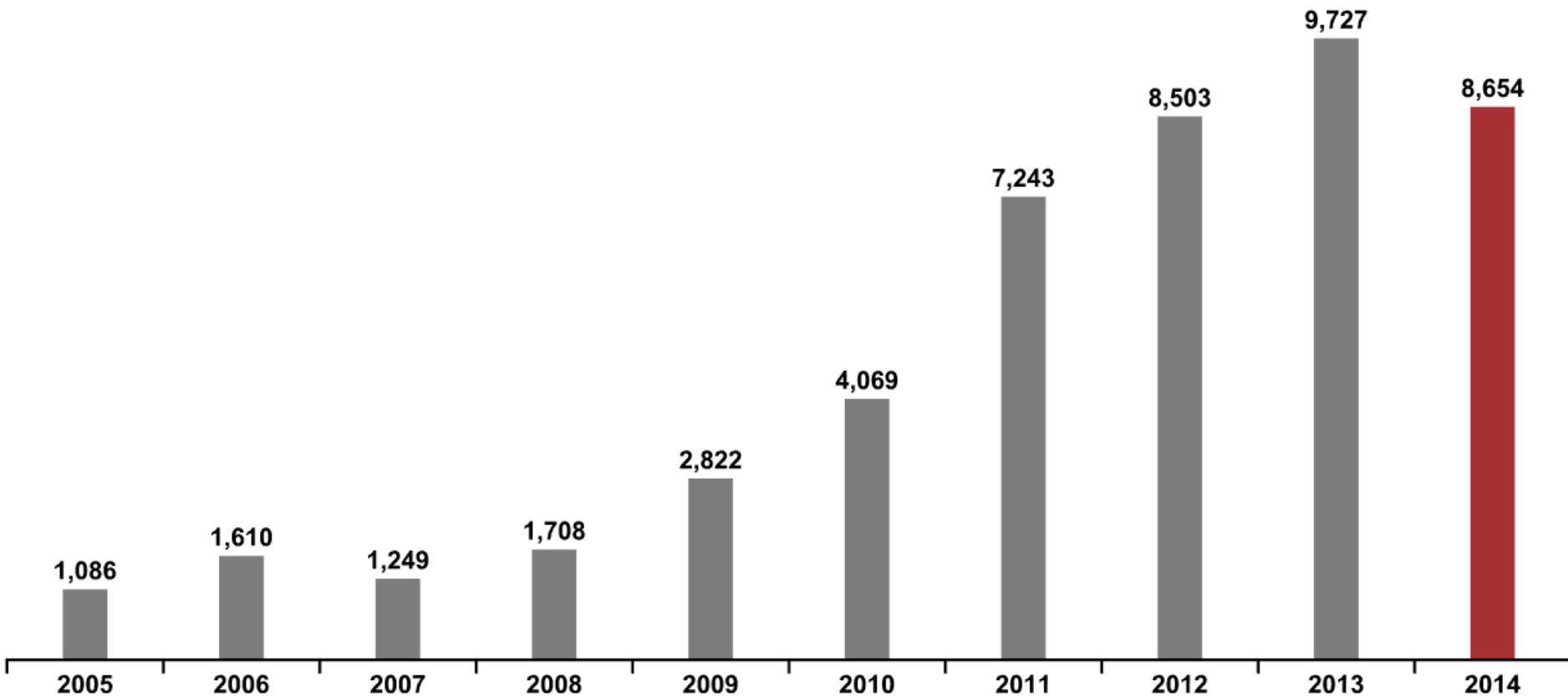
FUENTE: U.S.Geological Survey-USGS-, The Silver Institute; Gold Fields Minerals Services-GFMS-International Copper S Group-ILZSG-International Tin Research Institute - ITRI-; Intemational Molybdenum Association-IMOA- Instituto Latinoa
ELABORACIÓN: MEM



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Mining Investments



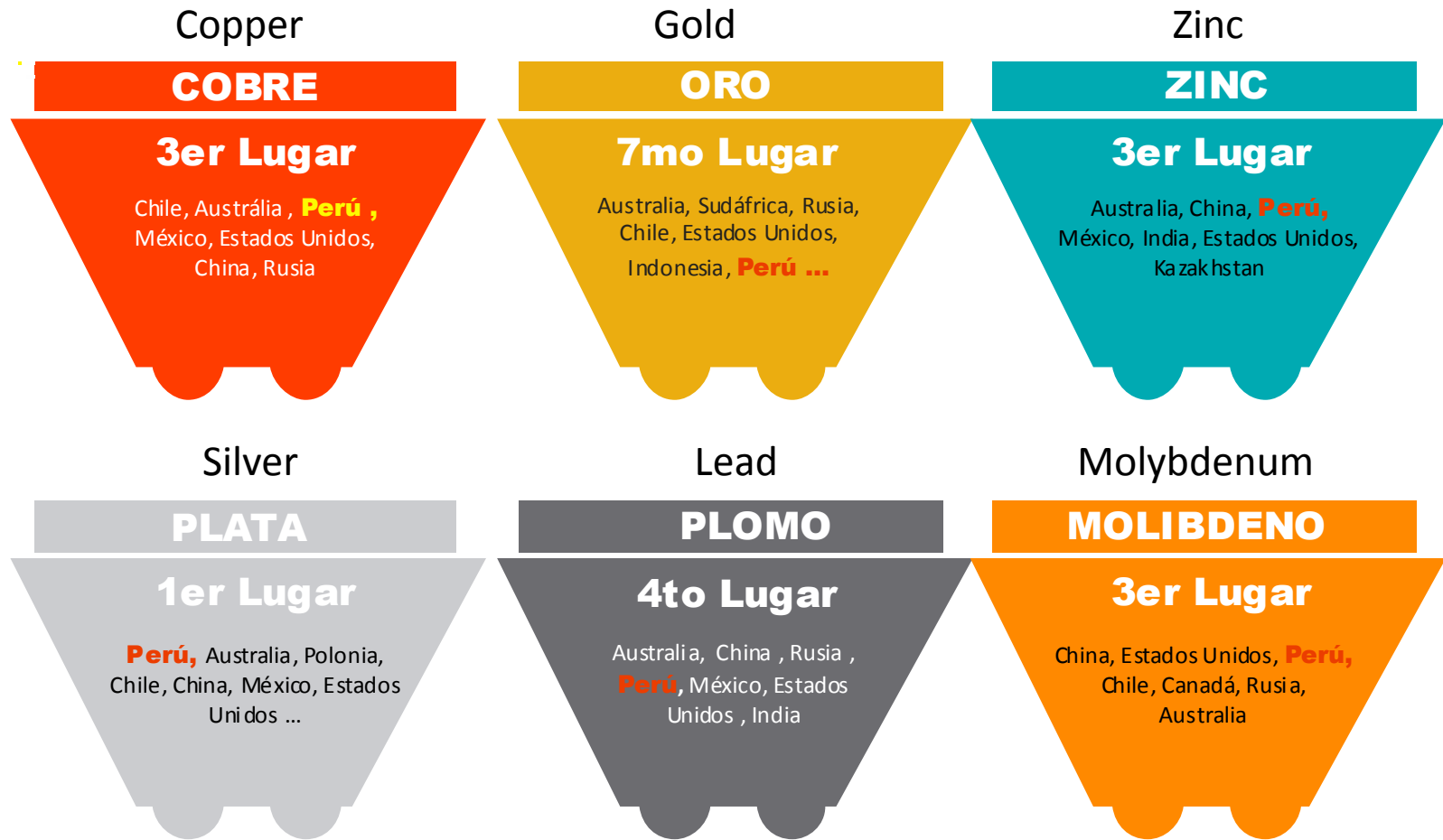
SOURCE: MINEM



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Recognized mining potential



Fuente: USGS Commodities Report. Elaborado por Ministerio de Energía y Minas.



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FRIENDLY INVESTMENT ENVIRONMENT

Peru offers an investor-friendly legal framework ...

- Non-discriminatory treatment: Foreign investors receive the same treatment as local investors.
- Free transfer of capitals.
- Free competition.
- Guarantees for private property.
- Freedom to purchase local stocks.
- Freedom to access internal and external credit.
- Freedom to pay royalties.
- Network of investment agreements and member of ICSID and MIGA.



PROJECT PORTFOLIO

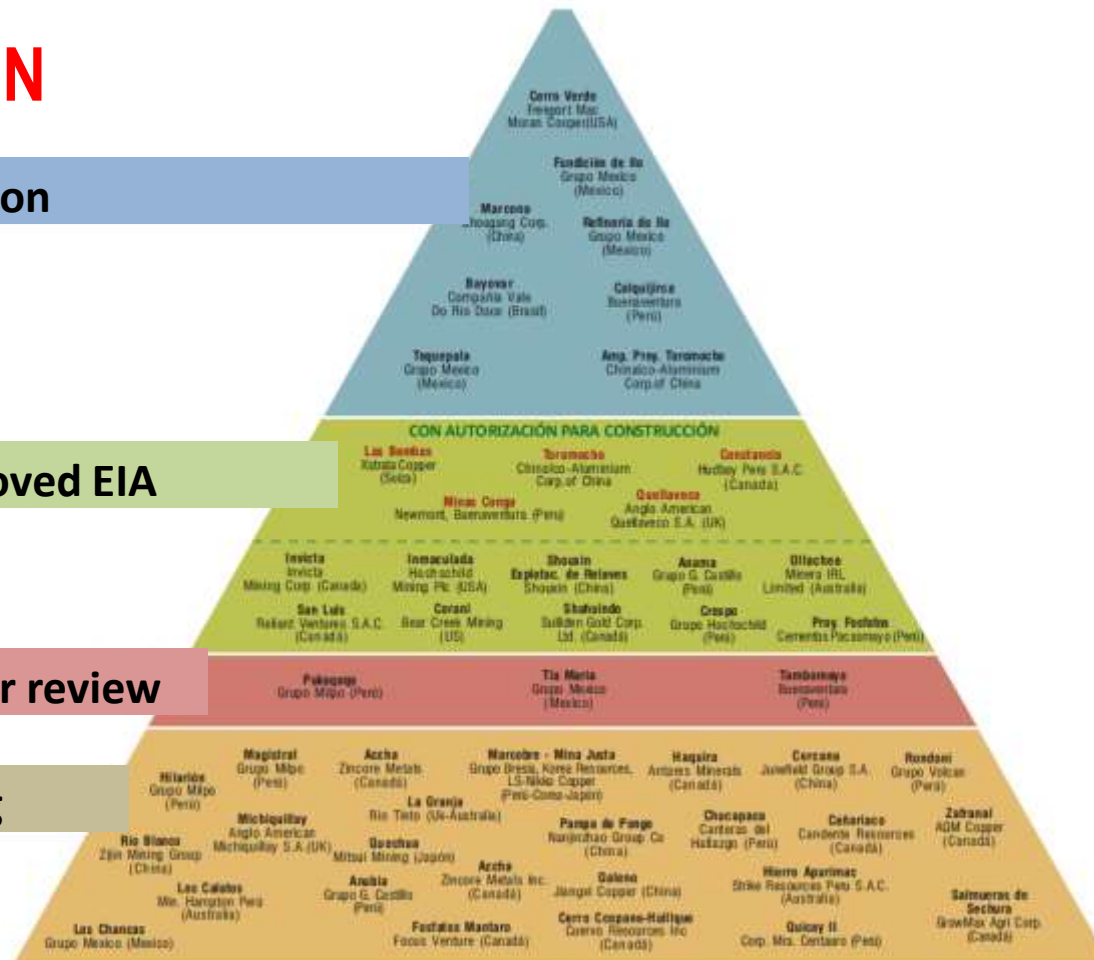
ESTIMATED
US\$ 64 BILLION

Expansion

Approved EIA

EIA under review

Prospecting



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PROMOTING TRANSPARENCY IN CORPORATE SOCIAL RESPONSIBILITY - EITI



- Peru is one of 44 countries worldwide implementing EITI.
- EITI has been enforced in Peru since 2005. In 2012 Peru was awarded “compliant nation” status.
- In Peru, we have the only two regional processes in Moquegua and Piura. This is a unique experience worldwide.



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WORKS FOR TAXES



Health



Education



Local Road Infrastructure



Energy

Compromisos de inversión en Obras por Impuestos: 2009 - 2014



Fuente: ProInversión



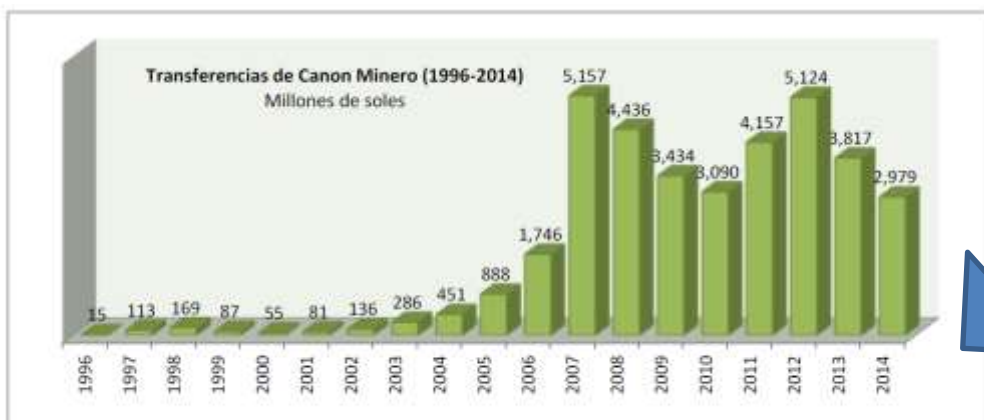
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TAX STRUCTURE APPLICABLE TO MINING FIRMS

Peru

Corporate Income Tax (CIT)		Mineral taxes	
Top rate of CIT	28%	Mineral tax name	1: Mining Royalty ²¹⁰ 2: Special Mining Tax 3: Special Mining Contribution
Level at which applied	Central Government	Level	1: Regional Government 2: Central Government 3: Central Government
Rates of tax amortisation		Basis	1: PBT ²¹¹ 2: PBT ²¹¹ 3: PBT ²¹¹
Ore assets	over probable life of mine	Rates ²¹²	
Lands/ Improvements	0%	Copper	1: 1.0% - 12.0% 2: 2.0% - 8.4% 3: 4.0% - 13.12%
Buildings	5.0%	Gold	1: 1.0% - 12.0% 2: 2.0% - 8.4% 3: 4.0% - 13.12%
Plant and Machinery	20.0% ²⁰⁶	Iron ore	1: 1.0% - 12.0% 2: 2.0% - 8.4% 3: 4.0% - 13.12%
Tailing liners	5.0%	Coal	1: 1.0% - 12.0% 2: N/A 3: N/A
Work/Construction in progress	0% ²⁰⁷	Deductible in CIT calculation	1: YES 2: YES 3: YES
Restriction on use of tax losses	4 years or 50% of profits ²⁰⁸		
Special allowances / contracts	YES ²⁰⁹		



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Illegal Gold Mining



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