

# Doing Business 2010

## Peru

COMPARING REGULATION IN 183 ECONOMIES



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# Introduction

*Doing Business 2010: Reforming Through Difficult Times* is the seventh in a series of annual reports investigating regulations that enhance business activity and those that constrain it. Doing Business presents quantitative indicators on business regulations and the protection of property rights that can be compared across 183 economies, from Afghanistan to Zimbabwe, over time.

A set of regulations affecting 10 stages of a business's life are measured: starting a business, dealing with construction permits, employing workers, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. Data in *Doing Business 2010: Reforming Through Difficult Times* are current as of June 1, 2009\*. The indicators are used to analyze economic outcomes and identify what reforms have worked, where, and why.

The Doing Business methodology has limitations. Other areas important to business such as an economy's proximity to large markets, the quality of its infrastructure services (other than those related to trading across borders), the security of property from theft and looting, the transparency of government procurement, macroeconomic conditions or the underlying strength of institutions, are not studied directly by Doing Business. To make the data comparable across economies, the indicators refer to a specific type of business, generally a local limited liability company operating in the largest business city. Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across economies. The data not only highlight the extent of obstacles to doing business; they also help identify the source of those obstacles, supporting policymakers in designing reform.

The data set covers 183 economies: 46 in Sub-Saharan Africa, 32 in Latin America and The Caribbean, 27 in Eastern Europe and Central Asia, 24 in East Asia and Pacific, 19 in the Middle East and North Africa and 8 in South Asia, as well as 27 OECD high-income economies as benchmarks.

The following pages present the summary Doing Business indicators for Peru. The data used for this country profile come from the Doing Business database and are summarized in graphs. These graphs allow a comparison of the economies in each region not only with one another but also with the "good practice" economy for each indicator. The good-practice economies are identified by their position in each indicator as well as their overall ranking and by their capacity to provide good examples of business regulation to other countries. These good-practice economies do not necessarily rank number 1 in the topic or indicator, but they are in the top 10.

More information is available in the full report. *Doing Business 2010: Reforming Through Difficult Times* presents the indicators, analyzes their relationship with economic outcomes and recommends reforms. The data, along with information on ordering the report, are available on the Doing Business website ([www.doingbusiness.org](http://www.doingbusiness.org)).

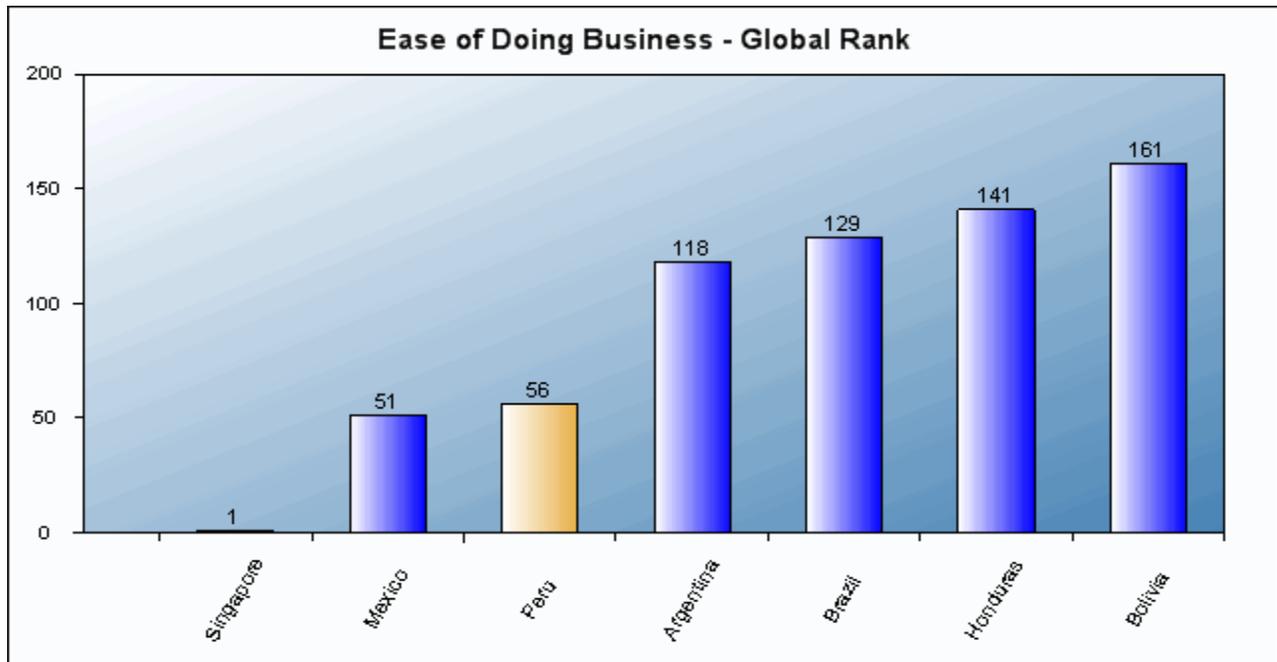
\* Except for the Paying Taxes indicator that refers to the period January to December of 2008.

*Note: Doing Business 2008 and Doing Business 2009 data and rankings have been recalculated to reflect changes to the methodology and the addition of new countries (in the case of the rankings).*

## Economy Rankings - Ease of Doing Business

Peru is ranked 56 out of 183 economies. Singapore is the top ranked economy in the Ease of Doing Business.

### Peru - Compared to global good practice economy as well as selected economies:



### Peru's ranking in Doing Business 2010

Rank	Doing Business 2010
Ease of Doing Business	56
Starting a Business	112
Dealing with Construction Permits	116
Employing Workers	112
Registering Property	28
Getting Credit	15
Protecting Investors	20
Paying Taxes	87
Trading Across Borders	91
Enforcing Contracts	114
Closing a Business	99

## Summary of Indicators - Peru

<b>Starting a Business</b>	Procedures (number)	9
	Time (days)	41
	Cost (% of income per capita)	24.5
	Min. capital (% of income per capita)	0.0
<b>Dealing with Construction Permits</b>	Procedures (number)	21
	Time (days)	205
	Cost (% of income per capita)	130.1
<b>Employing Workers</b>	Difficulty of hiring index (0-100)	44
	Rigidity of hours index (0-100)	13
	Difficulty of redundancy index (0-10)	60
	Rigidity of employment index (0-100)	39
	Redundancy costs (weeks of salary)	17
<b>Registering Property</b>	Procedures (number)	4
	Time (days)	14
	Cost (% of property value)	3.3
<b>Getting Credit</b>	Strength of legal rights index (0-10)	7
	Depth of credit information index (0-6)	6
	Public registry coverage (% of adults)	23.0
	Private bureau coverage (% of adults)	31.8
<b>Protecting Investors</b>	Extent of disclosure index (0-10)	8
	Extent of director liability index (0-10)	5
	Ease of shareholder suits index (0-10)	7
	Strength of investor protection index (0-10)	6.7
<b>Paying Taxes</b>	Payments (number per year)	9
	Time (hours per year)	380
	Profit tax (%)	12.1
	Labor tax and contributions (%)	11.0
	Other taxes (%)	17.2
	Total tax rate (% profit)	40.3

<b>Trading Across Borders</b>	Documents to export (number)	7
	Time to export (days)	23
	Cost to export (US\$ per container)	875
	Documents to import (number)	8
	Time to import (days)	24
	Cost to import (US\$ per container)	895
<b>Enforcing Contracts</b>	Procedures (number)	41
	Time (days)	428
	Cost (% of claim)	35.7
<b>Closing a Business</b>	Recovery rate (cents on the dollar)	25.4
	Time (years)	3.1
	Cost (% of estate)	7

# Starting a Business

When entrepreneurs draw up a business plan and try to get under way, the first hurdles they face are the procedures required to incorporate and register the new firm before they can legally operate. Economies differ greatly in how they regulate the entry of new businesses. In some the process is straightforward and affordable. In others the procedures are so burdensome that entrepreneurs may have to bribe officials to speed up the process or may decide to run their businesses informally.

Analysis shows that burdensome entry regulations do not increase the quality of products, make work safer or reduce pollution. Instead, they constrain private investment; push more people into the informal economy; increase consumer prices and fuel corruption.

## Methodology

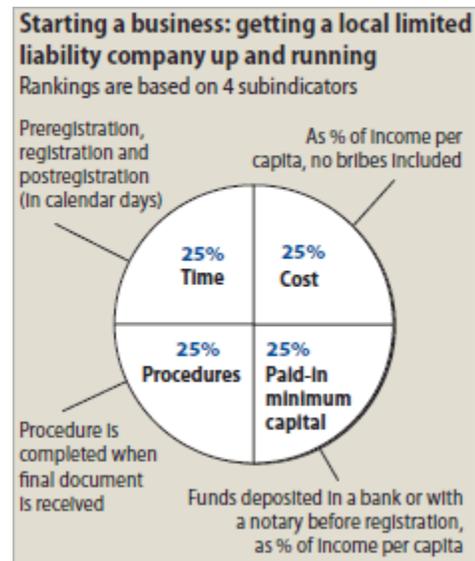
The data on starting a business is based on a survey and research investigating the procedures that a standard small to medium-size company needs to complete to start operations legally. This includes obtaining all necessary permits and licenses and completing all required inscriptions, verifications and notifications with authorities to enable the company to formally operate. Procedures are recorded only where interaction is required with an external party. It is assumed that the founders complete all procedures themselves unless professional services (such as by a notary or lawyer) are required by law. Voluntary procedures are not counted, nor are industry-specific requirements and utility hook-ups. Lawful shortcuts are counted.

It is assumed that all information is readily available to the entrepreneur, that there has been no prior contact with officials and that all government and nongovernment entities involved in the process function without corruption.

## Survey Case Study

*The business:*

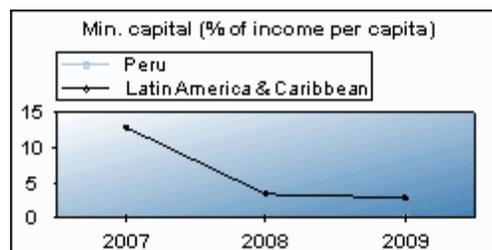
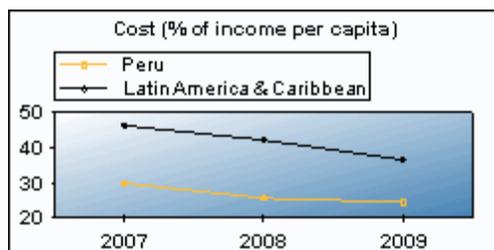
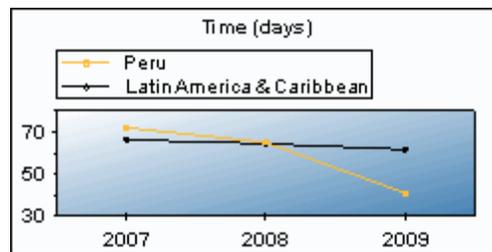
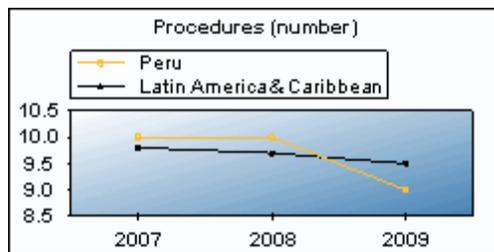
- is a limited liability company conducting general commercial activities
- is located in the largest business city
- is 100% domestically owned
- has a start-up capital of 10 times income per capita
- has a turnover of at least 100 times income per capita
- has between 10 and 50 employees
- does not qualify for any special benefits
- does not own real estate



## 1. Historical data: Starting a Business in Peru

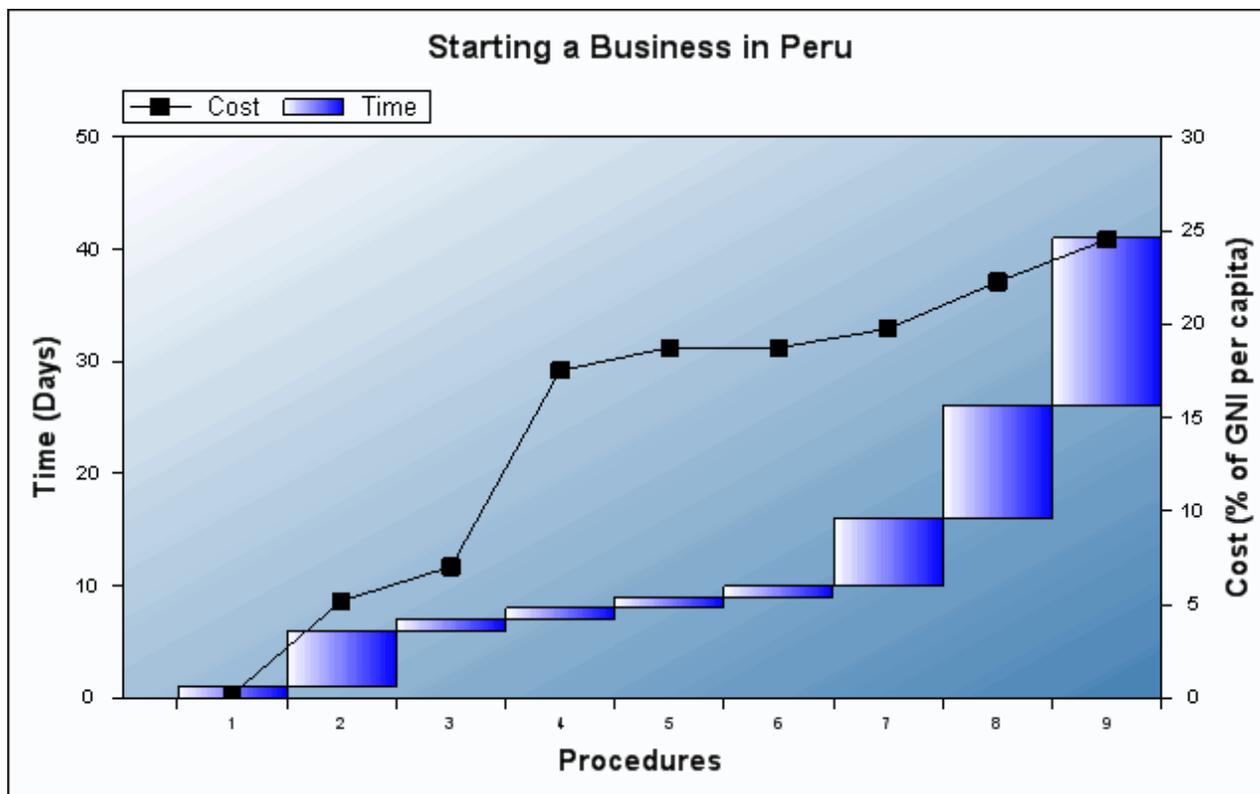
Starting a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	117	112
Procedures (number)	10	10	9
Time (days)	72	65	41
Cost (% of income per capita)	29.9	25.7	24.5
Min. capital (% of income per capita)	0.0	0.0	0.0

## 2. The following graphs illustrates the Starting a Business indicators in Peru over the past 3 years:



### 3. Steps to Starting a Business in Peru

It requires 9 procedures, takes 41 days, and costs 24.52 % GNI per capita to start a business in Peru.



#### List of Procedures:

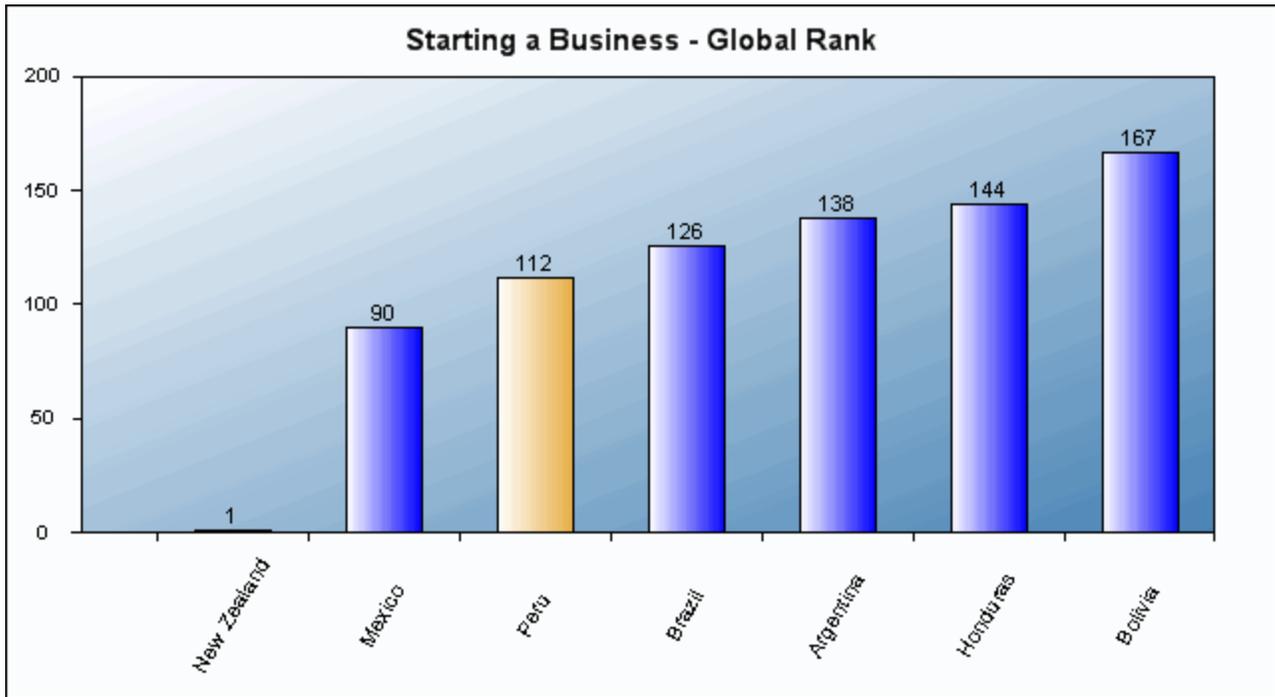
- |  |   |
|--|---|
| 1. Check the uniqueness of the proposed company name   | 8. Obtain technical report of approval from the National Institute of Civil Defense (Instituto Nacional de Defensa Civil, INDECI) |
| 2. Notarize company documents by a notary  |   |
| 3. Deposit at least 25% of capital in a bank and obtain proof thereof  | 9. Obtain municipal license from the City Council   |
| 4. Register the incorporation documents with the local legal entities public registry  |   |
| 5. The notary stamps the accounting book and the minute book   |   |
| 6. Obtain taxpayer identification number (Registro Unico del Contribuyente, RUC) at the National Superintendency of Tax Administration (Superintendencia Nacional de Administracion Tributaria, SUNAT) |   |
| 7. Obtain a Certificate of Compatibility from the District Council   |   |

More detail is included in the appendix.

#### 4. Benchmarking Starting a Business Regulations:

Peru is ranked 112 overall for Starting a Business.

Ranking of Peru in Starting a Business - Compared to good practice and selected economies:



The following table shows Starting a Business data for Peru compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Procedures (number)</b>	<b>Time (days)</b>	<b>Cost (% of income per capita)</b>	<b>Min. capital (% of income per capita)</b>
<b>Denmark*</b>			0.0	
<b>New Zealand*</b>	1	1		0.0

<i>Selected Economy</i>				
<b>Peru</b>	9	41	24.5	0.0

<i>Comparator Economies</i>				
<b>Argentina</b>	15	27	11.0	2.9
<b>Bolivia</b>	15	50	99.2	2.5
<b>Brazil</b>	16	120	6.9	0.0
<b>Honduras</b>	13	14	47.3	17.3
<b>Mexico</b>	8	13	11.7	8.9

\* The following economies are also good practice economies for :

**Procedures (number):** **Canada**

**Cost (% of income per capita):** **Slovenia**

# Dealing with Construction Permits

Once entrepreneurs have registered a business, what regulations do they face in operating it? To measure such regulation, Doing Business focuses on the construction sector. Construction companies are under constant pressure from government to comply with inspections, with licensing and safety regulations, from customers to be quick and cost-effective. These conflicting pressures point to the tradeoff in building regulation; the tradeoff between protecting people (construction workers, tenants, passersby) and keeping the cost of building affordable.

In many economies, especially poor ones, complying with building regulations is so costly in time and money that many builders opt out. Builders may pay bribes to pass inspections or simply build illegally, leading to hazardous construction. Where the regulatory burden is large, entrepreneurs may tend to move their activity into the informal economy. There they operate with less concern for safety, leaving everyone worse off. In other economies compliance is simple, straightforward and inexpensive, yielding better results.

## Methodology

The indicators on dealing with construction permits record all procedures officially required for an entrepreneur in the construction industry to build a warehouse. These include submitting project documents (building plans, site maps) to the authorities, obtaining all necessary licenses and permits, completing all required notifications and receiving all necessary inspections. They also include procedures for obtaining utility connections, such as electricity, telephone, water and sewerage. The time and cost to complete each procedure under normal circumstances are calculated. All official fees associated with legally completing the procedures are included. Time is recorded in calendar days. The survey assumes that the entrepreneur is aware of all existing regulations and does not use an intermediary to complete the procedures unless required to do so by law.

## Survey Case Study

### *The business:*

- is a small to medium-size limited liability company
- is located in the largest business city
- is domestically owned and operated, in the construction business
- has 20 qualified employees

### *The warehouse to be built:*

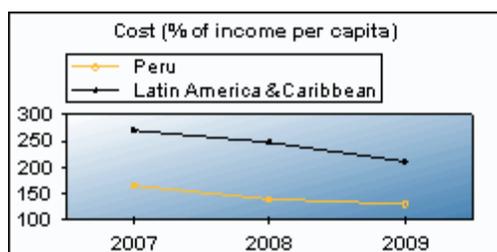
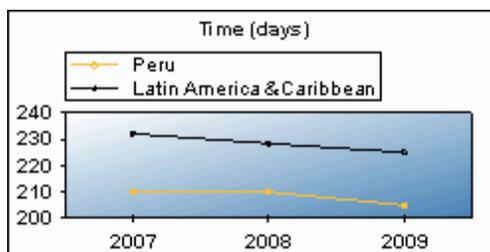
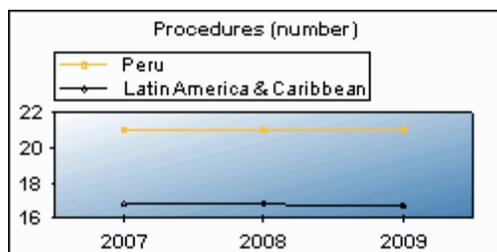
- is a new construction (there was no previous construction on the land)
- has complete architectural and technical plans prepared by a licensed architect
- will be connected to electricity, water, sewerage (sewage system, septic tank or their equivalent) and one land phone line. The connection to each utility network will be 32 feet, 10 inches (10 meters) long.
- will be used for general storage, such as of books or stationery. The warehouse will not be used for any goods requiring special conditions, such as food, chemicals or pharmaceuticals.
- will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements).



## 1. Historical data: Dealing with Construction Permits in Peru

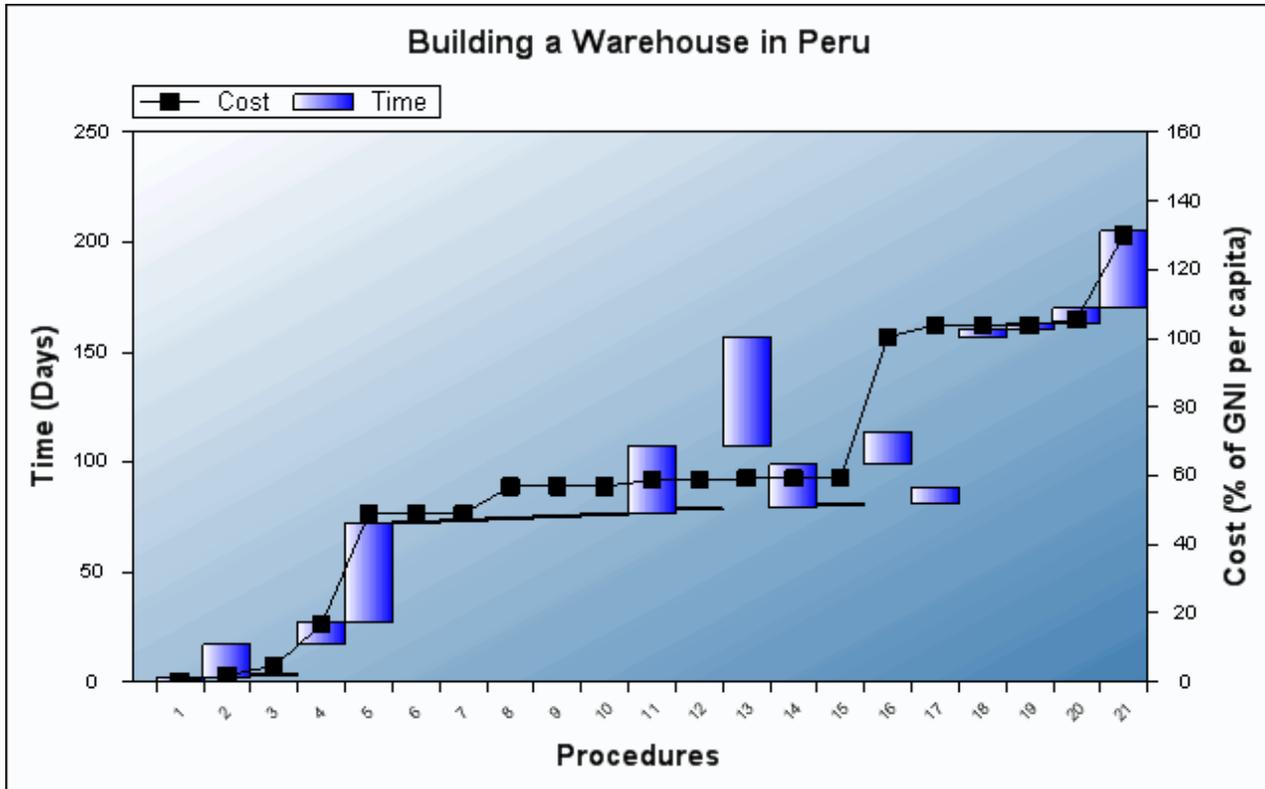
Dealing with Construction Permits data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	113	116
Procedures (number)	21	21	21
Time (days)	210	210	205
Cost (% of income per capita)	165.0	139.7	130.1

2. The following graphs illustrates the Dealing with Construction Permits indicators in Peru over the past 3 years:



### 3. Steps to Building a Warehouse in Peru

It requires 21 procedures, takes 205 days, and costs 130.09 % GNI per capita to build a warehouse in Peru.



#### List of Procedures:

- |  |  |
|--|--|
| 1. Obtain property ownership certificate   | 9. Receive second of a minimum of three inspections during the construction            |
| 2. Obtain Land Development and Building Parameter Certificate (Certificado de Parámetros Urbanísticos y Edificatorios)                                   | 10. Receive third of a minimum of three inspections during the construction            |
| 3. Obtain project authorization certificate (boleta de Habilitación del Proyecto) from the Professional Association of Engineers (Colegio de Ingenieros) | 11. Request water supply service feasibility study from water utility SEDAPAL          |
| 4. Submit Preliminary Design for Consultation to the Municipality (Revision de Anteproyecto)   | 12. Receive inspection from SEDAPAL  |
| 5. Obtain Construction License from the Municipality (Licencia de Obra para Edificación nueva)   | 13. Request potable water service installation   |
| 6. Register the construction project with the Professional Association of Architects   | 14. Request electricity service feasibility study                                      |
| 7. Register the construction project with the Professional Association of Engineers  | 15. Receive inspection from the electricity company                                    |
| 8. Receive first of a minimum of three inspections during construction   | 16. Request electricity connection   |
|  | 17. Request and obtain telephone line installation                                     |
|  | 18. Notify of project completion to and receive final inspection from the Municipality |

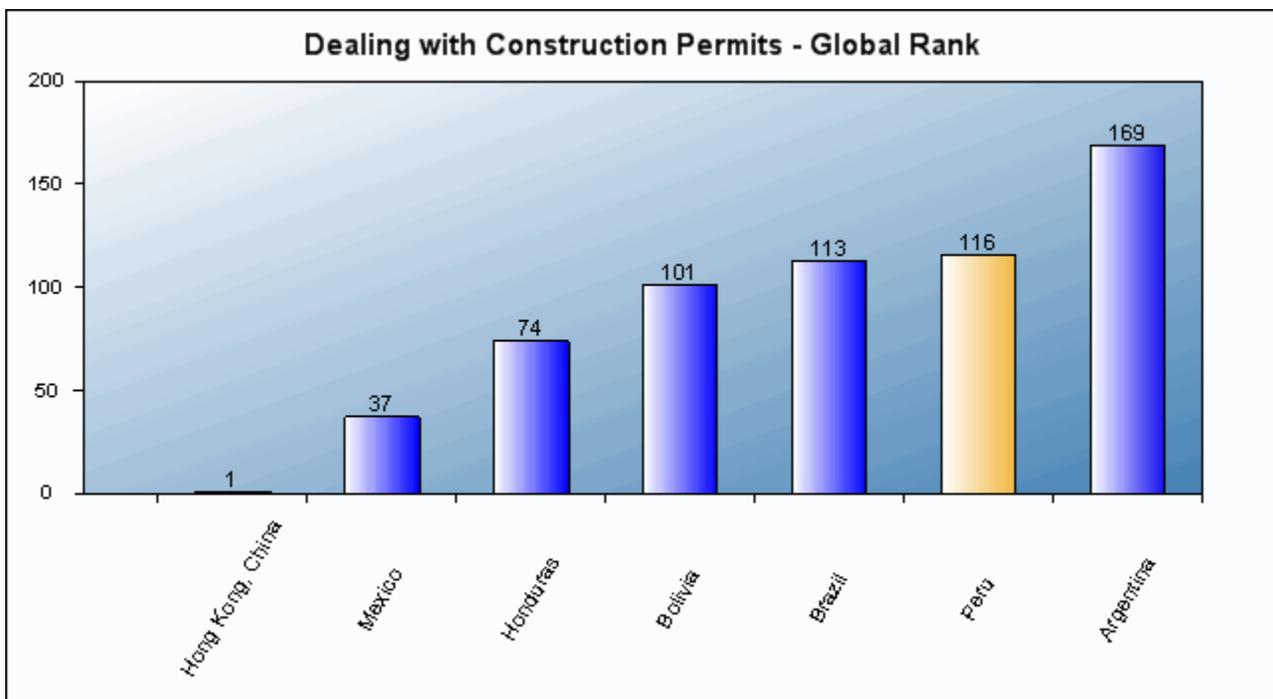
19. Obtain construction work conformity certificate
20. Obtain Factory Statement (Declaratoria de Fábrica)
21. Register the Factory Statement (Declaratoria de Fábrica) with SUNARP

More detail is included in the appendix.

#### 4. Benchmarking Dealing with Construction Permits Regulations:

Peru is ranked 116 overall for Dealing with Construction Permits.

Ranking of Peru in Dealing with Construction Permits - Compared to good practice and selected economies:



The following table shows Dealing with Construction Permits data for Peru compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Procedures (number)</b>	<b>Time (days)</b>	<b>Cost (% of income per capita)</b>
<b>Denmark</b>	6		
<b>Qatar</b>			0.6
<b>Singapore</b>		25	

<i>Selected Economy</i>			
<b>Peru</b>	21	205	130.1

<i>Comparator Economies</i>			
<b>Argentina</b>	28	338	145.1
<b>Bolivia</b>	17	249	107.4
<b>Brazil</b>	18	411	50.6
<b>Honduras</b>	17	106	465.1
<b>Mexico</b>	12	138	113.1

# Employing Workers

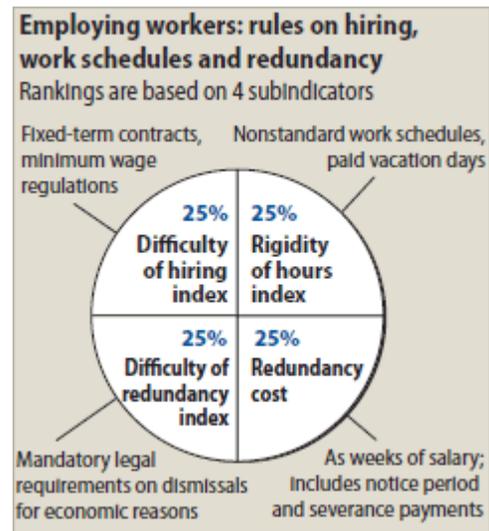
Economies worldwide have established a system of laws and institutions intended to protect workers and guarantee a minimum standard of living for its population. This system generally encompasses four bodies of law: employment, industrial relations, social security and occupational health and safety laws.

Employment regulations are needed to allow efficient contracting between employers and workers and to protect workers from discriminatory or unfair treatment by employers. Doing Business measures flexibility in the regulation of hiring, working hours and dismissal in a manner consistent with the conventions of the International Labour Organization (ILO). An economy can have the most flexible labor regulations as measured by Doing Business while ratifying and complying with all conventions directly relevant to the factors measured by Doing Business and with the ILO core labor standards. No economy can achieve a better score by failing to comply with these conventions.

Governments all over the world face the challenge of finding the right balance between worker protection and labor market flexibility. But in developing countries especially, regulators often err to one extreme, pushing employers and workers into the informal sector. Analysis across economies shows that while employment regulation generally increases the tenure and wages of incumbent workers, overly rigid regulations may have undesirable side effects. These include less job creation, smaller company size, less investment in research and development, and longer spells of unemployment and thus the obsolescence of skills, all of which may reduce productivity growth.

## Methodology

Two measures are presented: a rigidity of employment index and a redundancy cost measure. The rigidity of employment index is the average of three sub-indices: difficulty of hiring, rigidity of hours and difficulty of redundancy. Each index takes values between 0 and 100, with higher values indicating more rigid regulation. The difficulty of hiring index measures the flexibility of contracts and the ratio of the minimum wage to the value added per worker. The rigidity of hours index covers restrictions on weekend and night work, requirements relating to working time and the workweek taking into account legal provisions that refer specifically to small to medium-size companies in the manufacturing industry in which continuous operation is economically necessary, as well as mandated days of annual leave with pay. The difficulty of redundancy index covers workers' legal protections against dismissal, including the grounds permitted for dismissal and procedures for dismissal (individual and collective): notification and approval requirements, retraining or reassignment obligations and priority rules for dismissals and reemployment.



The Redundancy cost indicator measures the cost of advance notice requirements, severance payments and penalties due when terminating a redundant worker, expressed in weeks of salary.

## Survey Case Study

*The business:*

- is a limited liability company operating in the manufacturing sector
- is located in the largest business city
- is 100% domestically owned
- has 60 employees
- The company is also assumed to be subject to collective bargaining agreements in economies where such agreements cover more than half the manufacturing sector and apply even to firms not party to them.

## 1. Historical data: Employing Workers in Peru

Employing Workers data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	161	112
Redundancy costs (weeks of salary)	52	52	17
Rigidity of employment index (0-100)	46	46	39

2. The following graphs illustrates the Employing Workers indicators in Peru over the past 3 years:



### 3. Benchmarking Employing Workers Regulations:

Peru is ranked 112 overall for Employing Workers.

Ranking of Peru in Employing Workers - Compared to good practice and selected economies:



The following table shows Employing Workers data for Peru compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Rigidity of employment index (0-100)</b>	<b>Redundancy costs (weeks of salary)</b>
<b>Hong Kong, China*</b>	0	
<b>New Zealand*</b>		0

<i>Selected Economy</i>		
<b>Peru</b>	39	17

<i>Comparator Economies</i>		
<b>Argentina</b>	21	95
<b>Bolivia</b>	77	not possible
<b>Brazil</b>	46	46
<b>Honduras</b>	57	95
<b>Mexico</b>	41	52

\* The following economies are also good practice economies for :

**Rigidity of employment index (0-100):** Australia, Brunei Darussalam, Kuwait, Marshall Islands, Singapore, St. Lucia, Uganda, United States

**Redundancy costs (weeks of salary):** Denmark, Iraq, Marshall Islands, Micronesia, Fed. Sts., Palau, Puerto Rico, Tonga, United States

# Registering Property

Formal property titles help promote the transfer of land, encourage investment and give entrepreneurs access to formal credit markets. But a large share of property in developing economies is not formally registered. Informal titles cannot be used as security in obtaining loans, which limits financing opportunities for businesses. Many governments have recognized this and started extensive property titling programs. But bringing assets into the formal sector is only part of the story. The more difficult and costly it is to formally transfer property, the greater the chances that formalized titles will quickly become informal again. Eliminating unnecessary obstacles to registering and transferring property is therefore important for economic development.

Efficient property registration reduces transaction costs and helps to formalize property titles. Simple procedures to register property are also associated with greater perceived security of property rights and less corruption. That benefits all entrepreneurs, especially women, the young and the poor. The rich have few problems protecting their property rights. They can afford to invest in security systems and other measures to defend their property. But small entrepreneurs cannot. Reform can change this.

## Methodology

Doing Business records the full sequence of procedures necessary for a business (buyer) to purchase a property from another business (seller) and to transfer the property title to the buyer's name. The property of land and building will be transferred in its entirety. The transaction is considered complete when the buyer can use the property as collateral for a bank loan.

Local property lawyers and officials in property registries provide information on required procedures as well as the time and cost to complete each one. For most economies the data are based on responses from both. Based on the responses, three indicators are constructed:

- number of procedures to register property
- time to register property (in calendar days)
- official costs to register property (as a percentage of the property value)

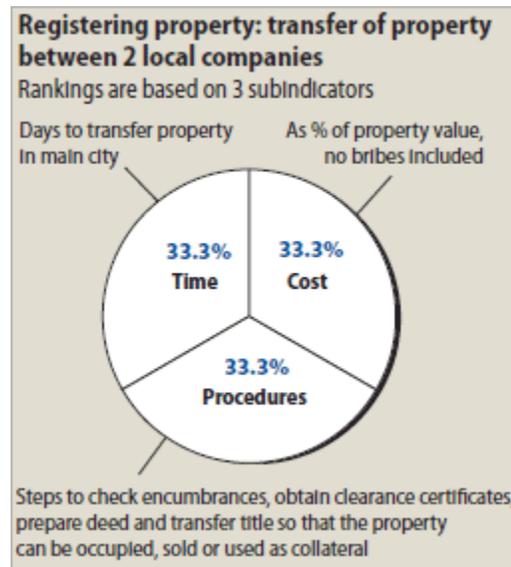
## Survey Case Study

*The buyer and seller:*

- are limited liability companies
- are private nationals (no foreign ownership)
- are located in periurban area of the largest business city
- conduct general commercial activities

*The property:*

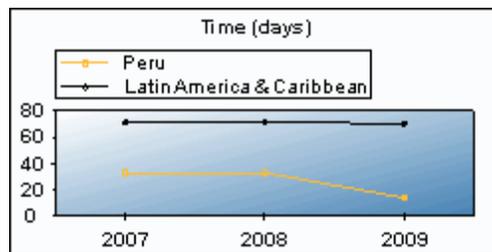
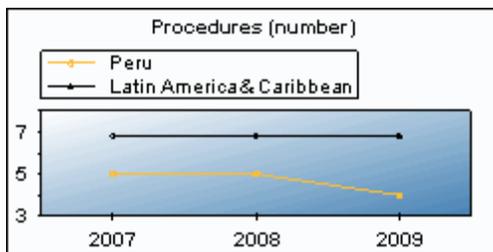
- consists of land and a 2-story building (warehouse)
- is located in the periurban commercial zone of the largest business city
- The land area is 557.4 m<sup>2</sup> (6,000 square feet).
- The warehouse has a total area of 929 m<sup>2</sup> (10,000 square feet).
- has a value equal to 50 times income per capita
- The seller company owned the property for the last 10 years.
- is registered in the land registry and/or cadastre and is free of all disputes.



## 1. Historical data: Registering Property in Peru

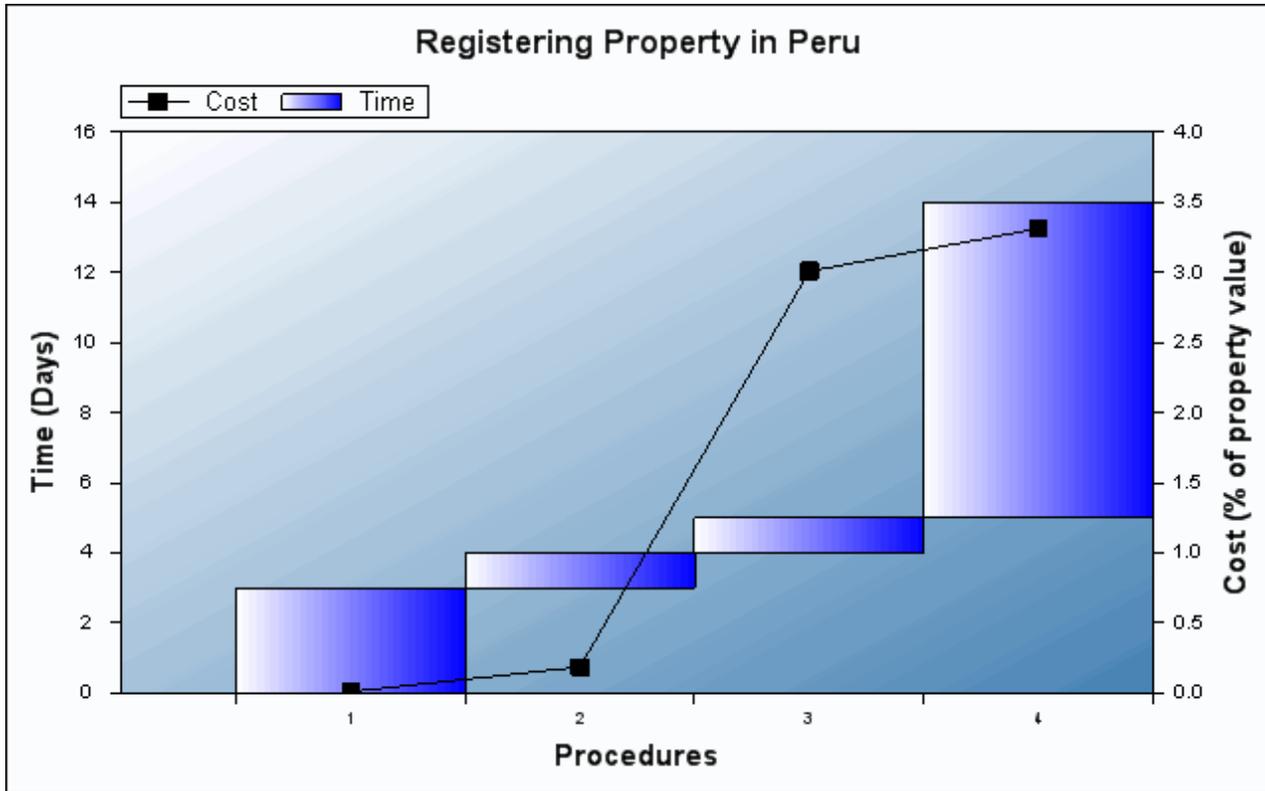
Registering Property data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	40	28
Procedures (number)	5	5	4
Time (days)	33	33	14
Cost (% of property value)	3.3	3.3	3.3

2. The following graphs illustrates the Registering Property indicators in Peru over the past 3 years:



### 3. Steps to Registering Property in Peru

It requires 4 procedures, takes 14 days, and costs 3.31 % of property value to register the property in Peru.



#### List of Procedures:

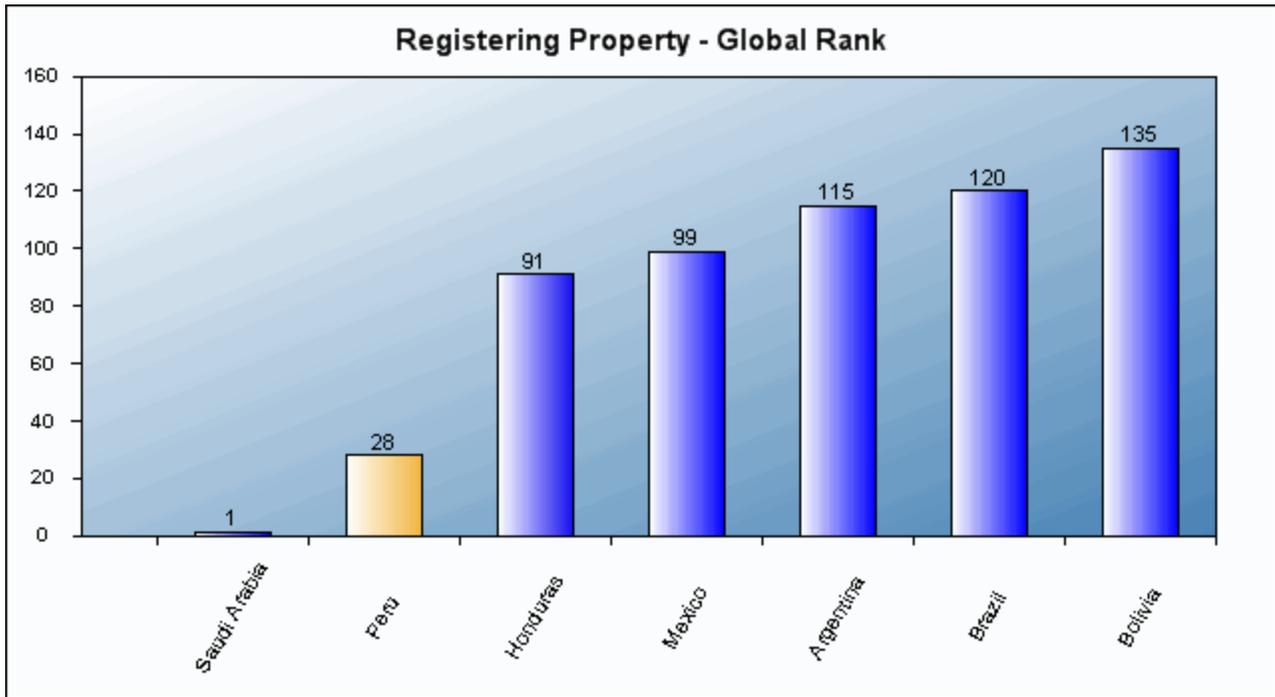
1. Obtain a Property Registry Certificate
2. The notary public executes the sale-purchase agreement
3. Payment of Transfer tax (“Impuesto de Alcabala”)
4. The public deed is filed for registration with the Property Registry

More detail is included in the appendix.

#### 4. Benchmarking Registering Property Regulations:

Peru is ranked 28 overall for Registering Property.

Ranking of Peru in Registering Property - Compared to good practice and selected economies:



The following table shows Registering Property data for Peru compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Procedures (number)</b>	<b>Time (days)</b>	<b>Cost (% of property value)</b>
<b>New Zealand*</b>		2	
<b>Norway*</b>	1		
<b>Saudi Arabia</b>			0.0

<i>Selected Economy</i>			
<b>Peru</b>	4	14	3.3

<i>Comparator Economies</i>			
<b>Argentina</b>	6	52	7.0
<b>Bolivia</b>	7	92	4.8
<b>Brazil</b>	14	42	2.7
<b>Honduras</b>	7	23	5.5
<b>Mexico</b>	5	74	5.2

\* The following economies are also good practice economies for :

**Procedures (number): United Arab Emirates**

**Time (days): Saudi Arabia, Thailand, United Arab Emirates**

# Getting Credit

Firms consistently rate access to credit as among the greatest barriers to their operation and growth. Doing Business constructs two sets of indicators of how well credit markets function: one on credit registries and the other on legal rights of borrowers and lenders. Credit registries, institutions that collect and distribute credit information on borrowers, can greatly expand access to credit. By sharing credit information, they help lenders assess risk and allocate credit more efficiently. They also free entrepreneurs from having to rely on personal connections alone when trying to obtain credit.

## Methodology

Credit information: three indicators are constructed

- depth of credit information index, which measures the extent to which the rules of a credit information system facilitate lending based on the scope of information distributed, the ease of access to information and the quality of information
- public registry coverage, which reports the number of individuals and firms covered by a public credit registry as a percentage of the adult population
- private bureau coverage, which reports the number of individuals and firms, covered by a private credit bureau as a percentage of the adult population

Legal Rights: the strength of legal rights index measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders. Ten points are analyzed:

- Can a business use movable assets as collateral while keeping possession of the assets, and can any financial institution accept such assets as collateral?
- Does the law allow a business to grant a non-possessory security right in a single category of revolving movable assets, without requiring a specific description of the secured assets?
- Does the law allow a business to grant a non-possessory security right in substantially all of its assets, without requiring a specific description of the secured assets?
- Can a security right extend to future or after-acquired assets and extend automatically to the products, proceeds or replacements of the original assets?
- Is general description of debts and obligations permitted in collateral agreements and in registration documents, so that all types of obligations and debts can be secured by stating a maximum rather than a specific amount between the parties?
- Is a collateral registry in operation that is unified geographically and by asset type as well as being indexed by the name of the grantor of a security right?
- Are secured creditors paid first when a debtor defaults outside an insolvency procedure or when a business is liquidated?
- Are secured creditors subject to an automatic stay or moratorium on enforcement procedures when a debtor enters a court-supervised reorganization procedure?
- Are parties allowed to agree in a collateral agreement that the lender may enforce its security right out of court?

## Legal Rights Survey Case Study

*The Debtor:*

- is a Private Limited Liability Company
- has its headquarters and only base of operations in the largest business city
- obtains a loan from a local bank (the Creditor) for an amount up to 10 times income (GNI) per capita
- Both debtor and creditor are 100% domestically owned.

## Getting credit: collateral rules and credit information

Rankings are based on 2 subindicators

Regulations on nonpossessory security interests in movable property

62.5%  
Strength of legal rights index  
(0-10)

37.5%  
Depth of credit information index  
(0-6)

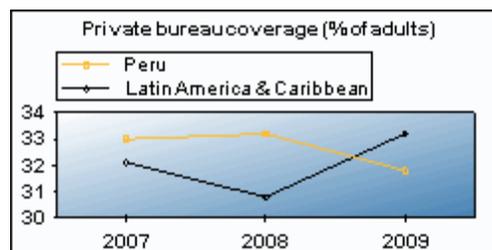
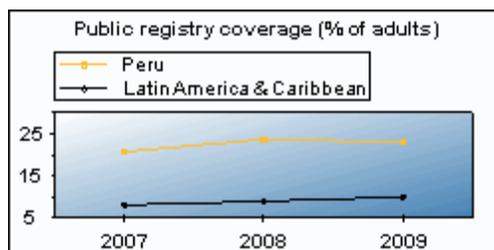
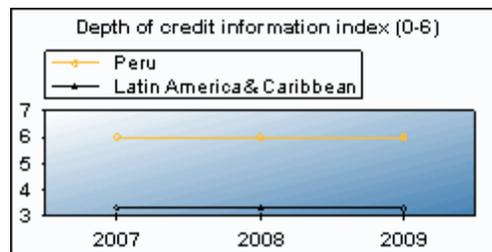
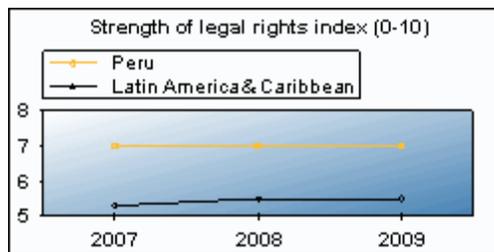
Scope, quality and accessibility of credit information through public and private credit registries

Note: Private bureau coverage and public registry coverage are measured but do not count for the rankings.

## 1. Historical data: Getting Credit in Peru

Getting Credit data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	12	15
Strength of legal rights index (0-10)	7	7	7
Depth of credit information index (0-6)	6	6	6
Private bureau coverage (% of adults)	33.0	33.2	31.8
Public registry coverage (% of adults)	20.7	23.7	23.0

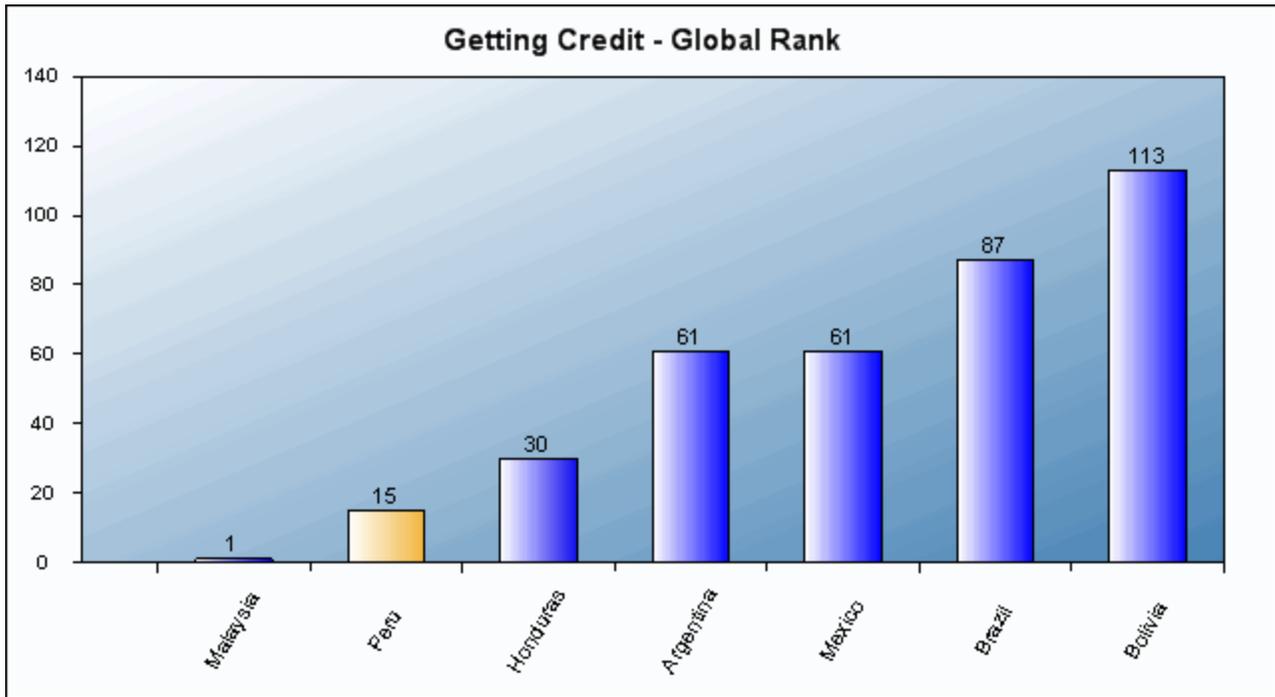
## 2. The following graphs illustrates the Getting Credit indicators in Peru over the past 3 years:



### 3. Benchmarking Getting Credit Regulations:

Peru is ranked 15 overall for Getting Credit.

Ranking of Peru in Getting Credit - Compared to good practice and selected economies:



The following table shows Getting Credit data for Peru compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Strength of legal rights index (0-10)</b>	<b>Depth of credit information index (0-6)</b>	<b>Public registry coverage (% of adults)</b>	<b>Private bureau coverage (% of adults)</b>
<b>New Zealand*</b>				100.0
<b>Portugal</b>			81.3	
<b>Singapore*</b>	10			
<b>United Kingdom</b>		6		

<i>Selected Economy</i>				
<b>Peru</b>	7	6	23.0	31.8

<i>Comparator Economies</i>				
<b>Argentina</b>	4	6	34.3	100.0
<b>Bolivia</b>	1	6	11.6	33.9
<b>Brazil</b>	3	5	23.7	59.2
<b>Honduras</b>	6	6	21.7	58.7
<b>Mexico</b>	4	6	0.0	77.5

\* The following economies are also good practice economies for :

**Strength of legal rights index (0-10): Hong Kong, China, Kenya, Kyrgyz Republic, Malaysia**

**Private bureau coverage (% of adults): Argentina, Australia, Canada, Iceland, Ireland, Norway, Sweden, United Kingdom, United States**

**27 countries have the highest credit information index.**

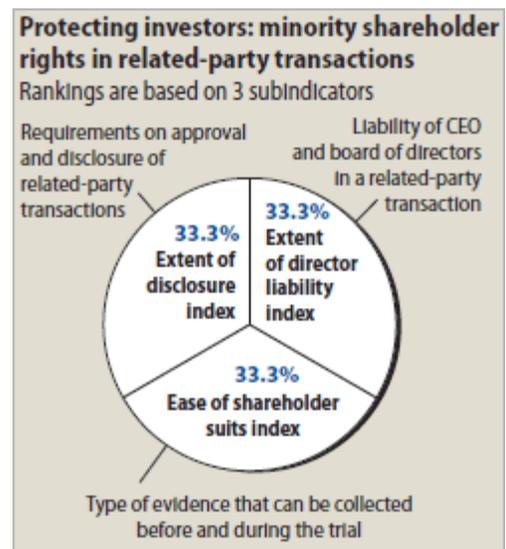
# Protecting Investors

Companies grow by raising capital, either through a bank loan or by attracting equity investors. Selling shares allows companies to expand without the need to provide collateral and repay bank loans. However, investors worry about their money, and look for laws that protect them. A study finds that the presence of legal and regulatory protections for investors explains up to 73% of the decision to invest. In contrast, company characteristics explain only between 4% and 22%\*. Good protections for minority shareholders are associated with larger and more active stock markets. Thus both governments and businesses have an interest in reforms strengthening investor protections.

## Methodology

To document some of the protections investors have, Doing Business measures how economies regulate a standard case of self-dealing, use of corporate assets for personal gain. Three indices of investor protection are constructed based on the answers to these and other questions. All indices range from 0 to 10, with higher values indicating more protections or greater disclosure. The three indices are:

- The extent of disclosure index covers approval procedures, requirements for immediate disclosure to the public and shareholders of proposed transactions, requirements for disclosure in periodic filings and reports and the availability of external review of transactions before they take place.
- The extent of director liability index covers the ability of investors to hold Mr. James and the board of directors liable for damages, the ability to rescind the transaction, the availability of fines and jail time associated with self-dealing, the availability of direct or derivative suits and the ability to require Mr. James to pay back his personal profits from the transaction.
- The ease of shareholder suits index covers the availability of documents that can be used during trial, the ability of the investor to examine the defendant and other witnesses, shareholders' access to internal documents of the company, the appointment of an inspector to investigate the transaction and the standard of proof applicable to a civil suit against the directors.



These three indices are averaged to create the strength of investor protection index.

## Survey case study

Mr. James, a director and the majority shareholder of a public company, proposes that the company purchase used trucks from another company he owns. The price is higher than the going price for used trucks. The transaction goes forward. All required approvals are obtained, and all required disclosures made, though the transaction is prejudicial to the purchasing company. Shareholders sue the interested parties and the members of the board of directors.

Several questions arise:

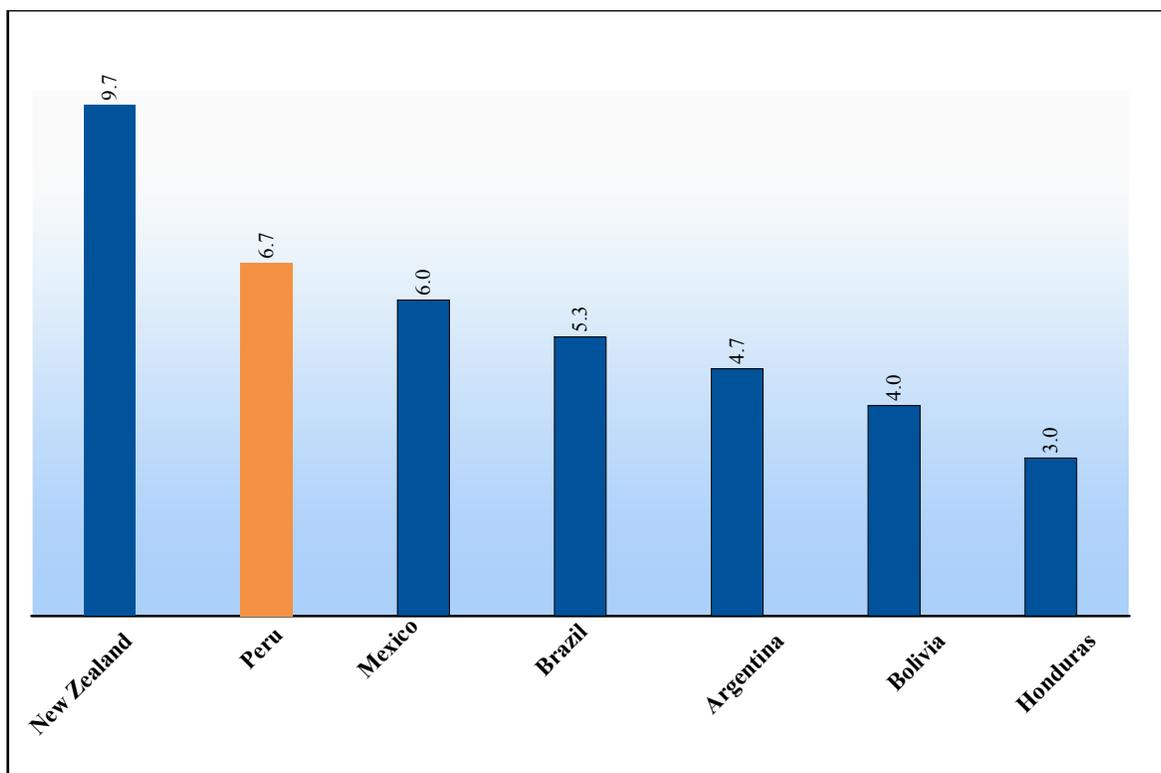
- Who approves the transaction?
- What information must be disclosed?
- What company documents can investors access?
- What do minority shareholders have to prove to get the transaction stopped or to receive compensation from Mr. James?

\*Doidge, Kardy and Stulz (2007)

**1. Historical data: Protecting Investors in Peru**

Protecting Investors data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	19	20
Strength of investor protection index (0-10)	6.7	6.7	6.7

**2. The following graph illustrates the Protecting Investors index in Peru compared to best practice and selected Economies:**

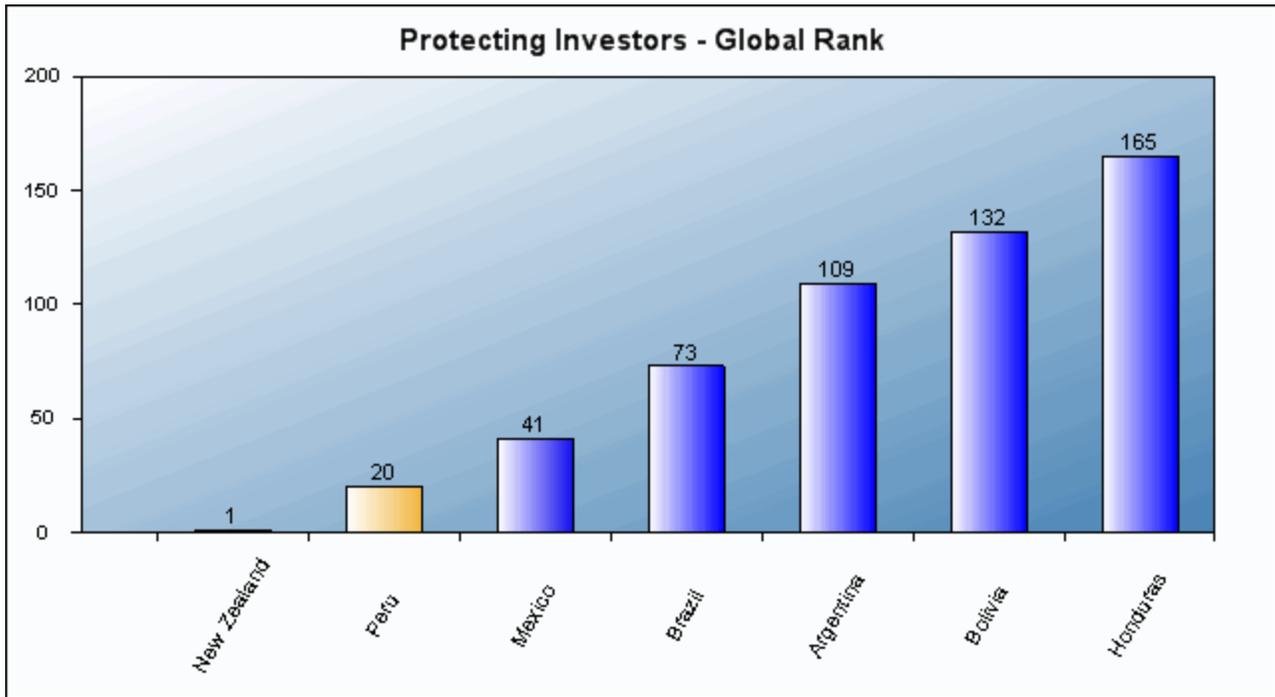


Note: The higher the score, the greater the investor protection.

### 3. Benchmarking Protecting Investors Regulations:

Peru is ranked 20 overall for Protecting Investors.

Ranking of Peru in Protecting Investors - Compared to good practice and selected economies:



The following table shows Protecting Investors data for Peru compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Strength of investor protection index (0-10)</b>
<b>New Zealand</b>	9.7

<i>Selected Economy</i>	
<b>Peru</b>	6.7

<i>Comparator Economies</i>	
<b>Argentina</b>	4.7
<b>Bolivia</b>	4.0
<b>Brazil</b>	5.3
<b>Honduras</b>	3.0
<b>Mexico</b>	6.0

# Paying Taxes

Taxes are essential. Without them there would be no money to provide public amenities, infrastructure and services which are crucial for a properly functioning economy. But particularly for small and medium size companies, they may opt out and choose to operate in the informal sector. One way to enhance tax compliance is to ease and simplify the process of paying taxes for such businesses.

## Methodology

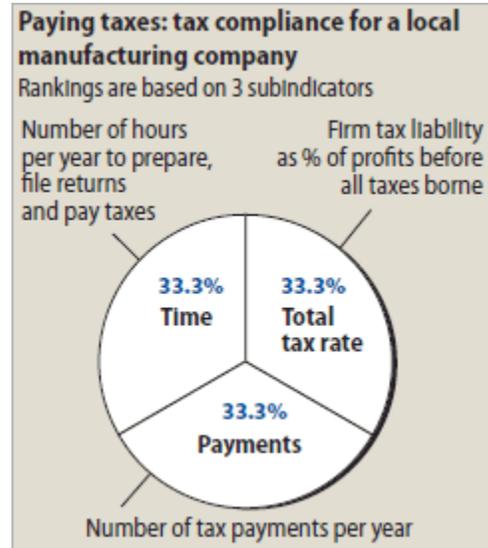
The Doing Business tax survey records the effective tax that a small and medium company must pay and the administrative costs of doing so.

Three indicators are constructed:

- number of tax payments, which takes in to account the method of payment, the frequency of payments and the number of agencies involved in our standardized case study.
- time, which measures the number of hours per year necessary to prepare and file tax returns and to pay the corporate income tax, value added tax, sales tax or goods and service tax and labor taxes and mandatory contributions.
- total tax rate, which measures the amount of taxes and mandatory contributions payable by the company during the second year of operation. This amount, expressed as a percentage of commercial profit, is the sum of all the different taxes payable after accounting for various deductions and exemptions.

## Survey case study

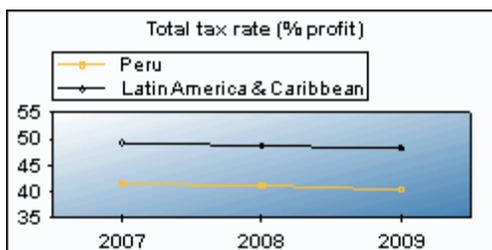
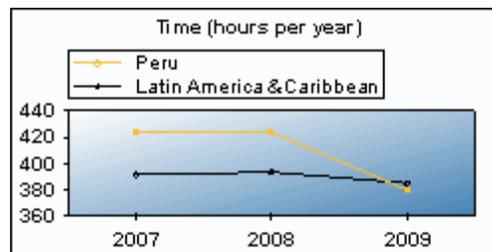
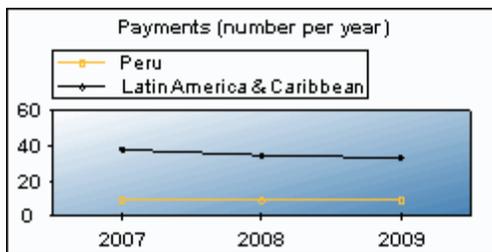
- TaxpayerCo is a medium-size business that started operations last year. Doing Business asks tax practitioners in 183 economies to review TaxpayerCo's financial statements and a standard list of transactions that the company completed during the year. Respondents are asked how much in taxes and mandatory contributions the business must pay and what the process is for doing so.
- The business starts from the same financial position in each economy. All the taxes and mandatory contributions paid during the second year of operation are recorded.
- Taxes and mandatory contributions are measured at all levels of government and include corporate income tax, turnover tax, all labor taxes and contributions paid by the company (including mandatory contributions paid to private pension or insurance funds), property tax, property transfer tax, dividend tax, capital gains tax, financial transactions tax, vehicle tax, sales tax and other small taxes (such as fuel tax, stamp duty and local taxes). A range of standard deductions and exemptions are also recorded.



## 1. Historical data: Paying Taxes in Peru

Paying Taxes data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	84	87
Total tax rate (% profit)	41.5	41.2	40.3
Payments (number per year)	9	9	9
Time (hours per year)	424	424	380

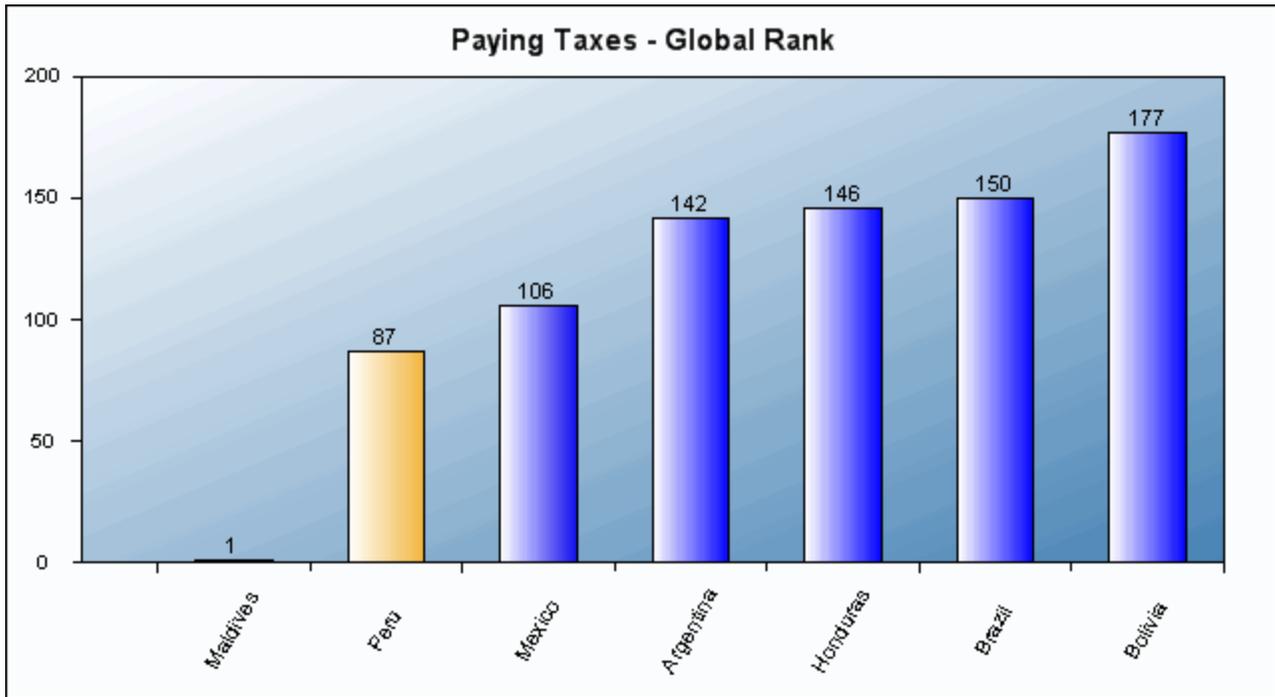
## 2. The following graphs illustrates the Paying Taxes indicators in Peru over the past 3 years:



### 3. Benchmarking Paying Taxes Regulations:

Peru is ranked 87 overall for Paying Taxes.

Ranking of Peru in Paying Taxes - Compared to good practice and selected economies:



The following table shows Paying Taxes data for Peru compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Payments (number per year)</b>	<b>Time (hours per year)</b>	<b>Total tax rate (% profit)</b>
<b>Maldives*</b>	1	0	
<b>Timor-Leste</b>			0.2

<i>Selected Economy</i>			
<b>Peru</b>	9	380	40.3

<i>Comparator Economies</i>			
<b>Argentina</b>	9	453	108.1
<b>Bolivia</b>	42	1080	80.0
<b>Brazil</b>	10	2600	69.2
<b>Honduras</b>	47	224	48.3
<b>Mexico</b>	6	517	51.0

\* The following economies are also good practice economies for :

**Payments (number per year): Qatar**

# Trading Across Borders

The benefits of trade are well documented; as are the obstacles to trade. Tariffs, quotas and distance from large markets greatly increase the cost of goods or prevent trading altogether. But with bigger ships and faster planes, the world is shrinking. Global and regional trade agreements have reduced trade barriers. Yet Africa's share of global trade is smaller today than it was 25 years ago. So is the Middle East's, excluding oil exports. Many entrepreneurs face numerous hurdles to exporting or importing goods, including delays at the border. They often give up. Others never try. In fact, the potential gains from trade facilitation may be greater than those arising from only tariff reductions.

## Methodology

Doing Business compiles procedural requirements for trading a standard shipment of goods by ocean transport. Every procedure and the associated documents, time and cost, for importing and exporting the goods is recorded, starting with the contractual agreement between the two parties and ending with delivery of the goods. For importing the goods, the procedures measured range from the vessel's arrival at the port of entry to the shipment's delivery at the importer's warehouse. For exporting the goods, the procedures measured range from the packing of the goods at the factory to their departure from the port of exit. Payment is by letter of credit and the time and cost for issuing or securing a letter of credit is taken into account.

Documents recorded include port filing documents, customs declaration and clearance documents, as well as official documents exchanged between the parties to the transaction. Time is recorded in calendar days, from the beginning to the end of each procedure. Cost includes the fees levied on a 20-foot container in U.S. dollars.

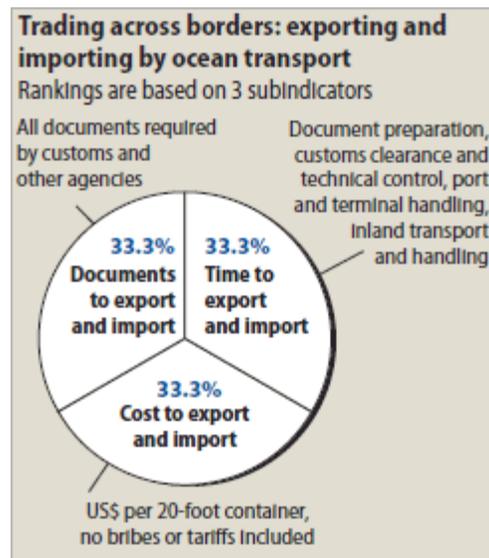
All the fees associated with completing the procedures to export or import the goods are included, such as costs for documents, administrative fees for customs clearance and technical control, terminal handling charges and inland transport. The cost measure does not include tariffs or duties.

Economies that have efficient customs, good transport networks and fewer document requirements, making compliance with export and import procedures faster and cheaper, are more competitive globally. That can lead to more exports; and exports are associated with faster growth and more jobs. Conversely, a need to file many documents is associated with more corruption in customs. Faced with long delays and frequent demands for bribes, many traders may avoid customs altogether. Instead, they smuggle goods across the border. This defeats the very purpose in having border control of trade to levy taxes and ensure high quality of goods.

## Survey case study

To make the data comparable across countries, several assumptions about the business and the traded goods are used:

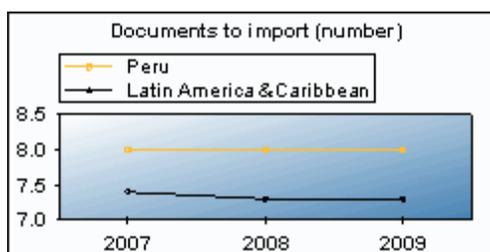
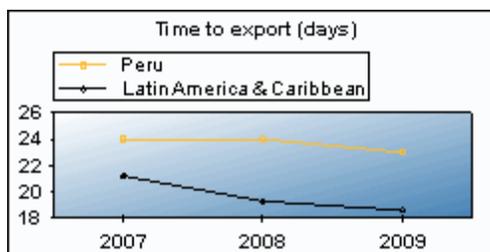
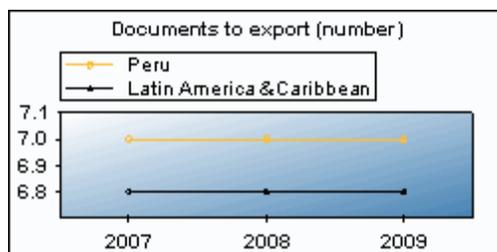
- The business is of medium size.
- The business employs 60 people.
- The business is located in the peri-urban area of the economy's largest business city.
- The business is a private, limited liability company, domestically owned, formally registered and operating under commercial laws and regulations of the economy.
- The traded goods are ordinary, legally manufactured products transported in a dry-cargo, 20-foot FCL (full container load) container.

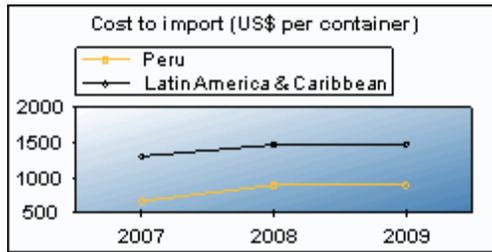
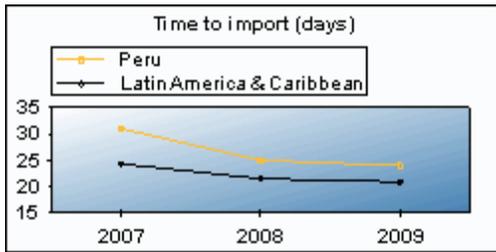


## 1. Historical data: Trading Across Borders in Peru

Trading Across Borders data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	98	91
Cost to export (US\$ per container)	590	875	875
Cost to import (US\$ per container)	670	895	895
Documents to export (number)	7	7	7
Documents to import (number)	8	8	8
Time to export (days)	24	24	23
Time to import (days)	31	25	24

2. The following graphs illustrates the Trading Across Borders indicators in Peru over the past 3 years:

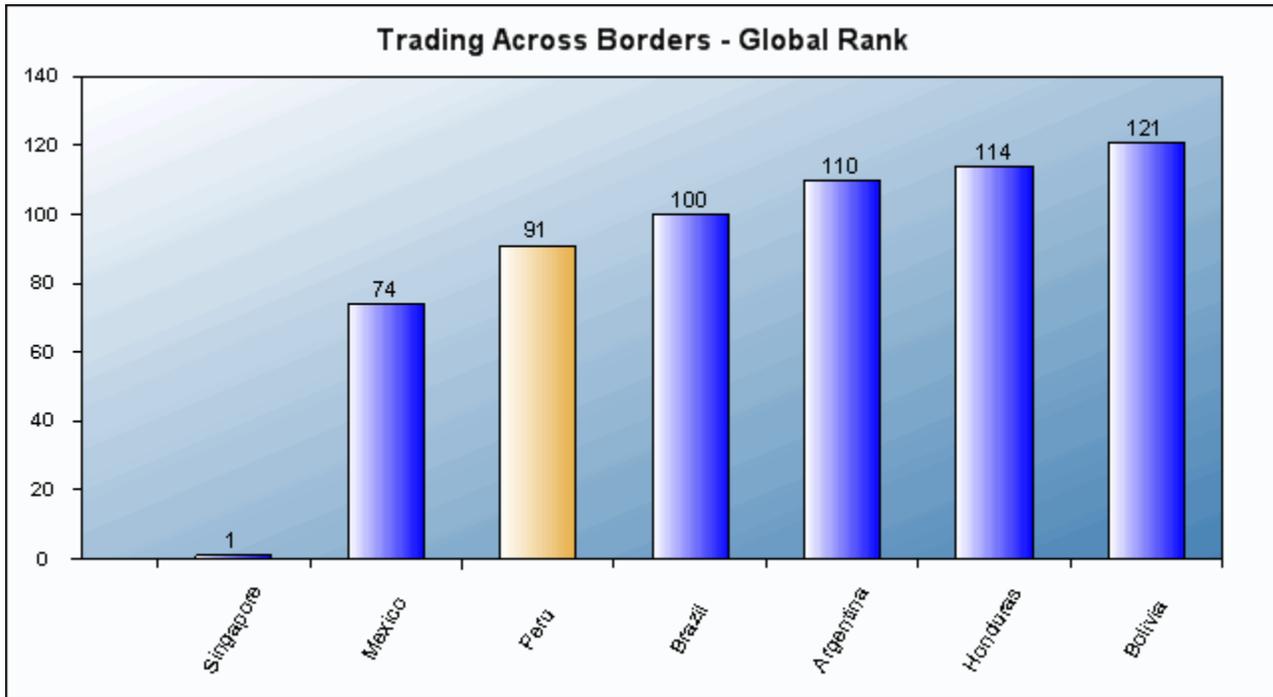




### 3. Benchmarking Trading Across Borders Regulations:

Peru is ranked 91 overall for Trading Across Borders.

Ranking of Peru in Trading Across Borders - Compared to good practice and selected economies:



The following table shows Trading Across Borders data for Peru compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Documents to export (number)</b>	<b>Time to export (days)</b>	<b>Cost to export (US\$ per container)</b>	<b>Documents to import (number)</b>	<b>Time to import (days)</b>	<b>Cost to import (US\$ per container)</b>
<b>Denmark*</b>		5				
<b>France</b>	2			2		
<b>Malaysia</b>			450			
<b>Singapore</b>					3	439

<i>Selected Economy</i>						
<b>Peru</b>	7	23	875	8	24	895

<i>Comparator Economies</i>						
<b>Argentina</b>	9	13	1480	7	16	1810
<b>Bolivia</b>	8	19	1425	7	23	1747
<b>Brazil</b>	8	12	1540	7	16	1440
<b>Honduras</b>	7	20	1163	10	23	1190
<b>Mexico</b>	5	14	1472	5	17	2050

\* The following economies are also good practice economies for :

**Time to export (days): Estonia**

# Enforcing Contracts

Where contract enforcement is efficient, businesses are more likely to engage with new borrowers or customers. Doing Business tracks the efficiency of the judicial system in resolving a commercial dispute, following the step-by-step evolution of a commercial sale dispute before local courts. The data is collected through study of the codes of civil procedure and other court regulations as well as through surveys completed by local litigation lawyers (and, in a quarter of the countries, by judges as well).

Justice delayed is often justice denied. And in many economies only the rich can afford to go to court. For the rest, justice is out of reach. In the absence of efficient courts, firms undertake fewer investments or business transactions. And they prefer to involve only a small group of people who know each other from previous dealings.

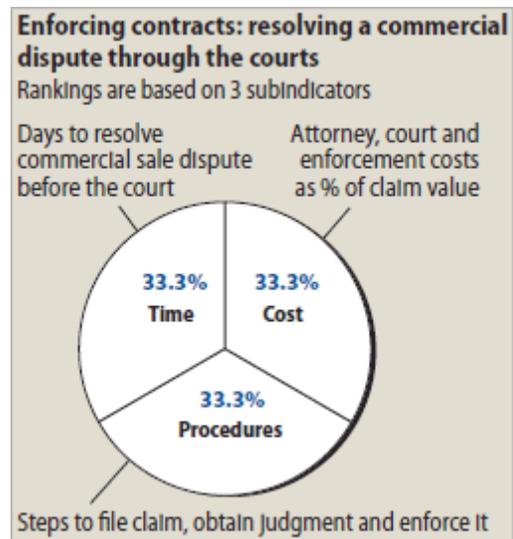
## Methodology

Rankings on enforcing contracts are based on 3 sub-indicators:

- number of procedures, which are defined as any interaction between the parties or between them and the judge or court officer. This includes steps to file the case, steps for trial and judgment and steps necessary to enforce the judgment.
- time, which counts the number of calendar days from the moment the Seller files the lawsuit in court until payment is received. This includes both the days on which actions take place and the waiting periods in between.
- cost, which is recorded as a percentage of the claim (assumed to be equivalent to 200% of income per capita). Three types of costs are recorded: court costs (including expert fees), enforcement costs (including costs for a public sale of Buyer's assets) and attorney fees.

## Survey case Study

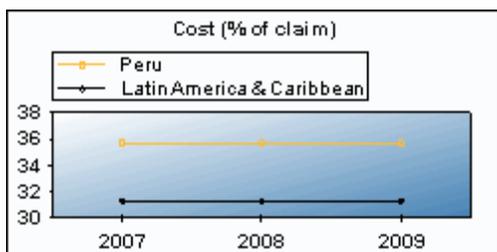
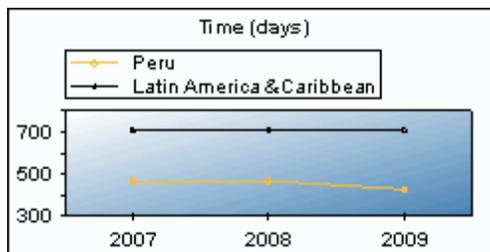
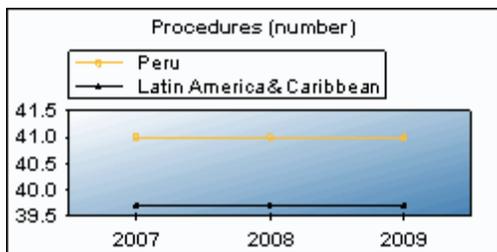
- The dispute concerns a contract for the sale of goods between two businesses (the Seller and the Buyer).
- Both are located in the economy's largest business city.
- The Seller sells and delivers goods, worth 200% of the economy's income per capita, to the Buyer. The Buyer refuses to pay on the grounds that they were not of adequate quality.
- The Seller sues the Buyer to recover the amount under the sales agreement (200% of the economy's income per capita).
- The claim is filed before a court in the economy's largest business city with jurisdiction over commercial cases worth 200% of the income per capita and is disputed on the merits.
- Judgment is 100% in favor of the Seller and is not appealed.
- The Seller enforces the judgment and the money is successfully collected through a public sale of Buyer's assets.



## 1. Historical data: Enforcing Contracts in Peru

Enforcing Contracts data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	119	114
Procedures (number)	41	41	41
Time (days)	468	468	428
Cost (% of claim)	35.7	35.7	35.7

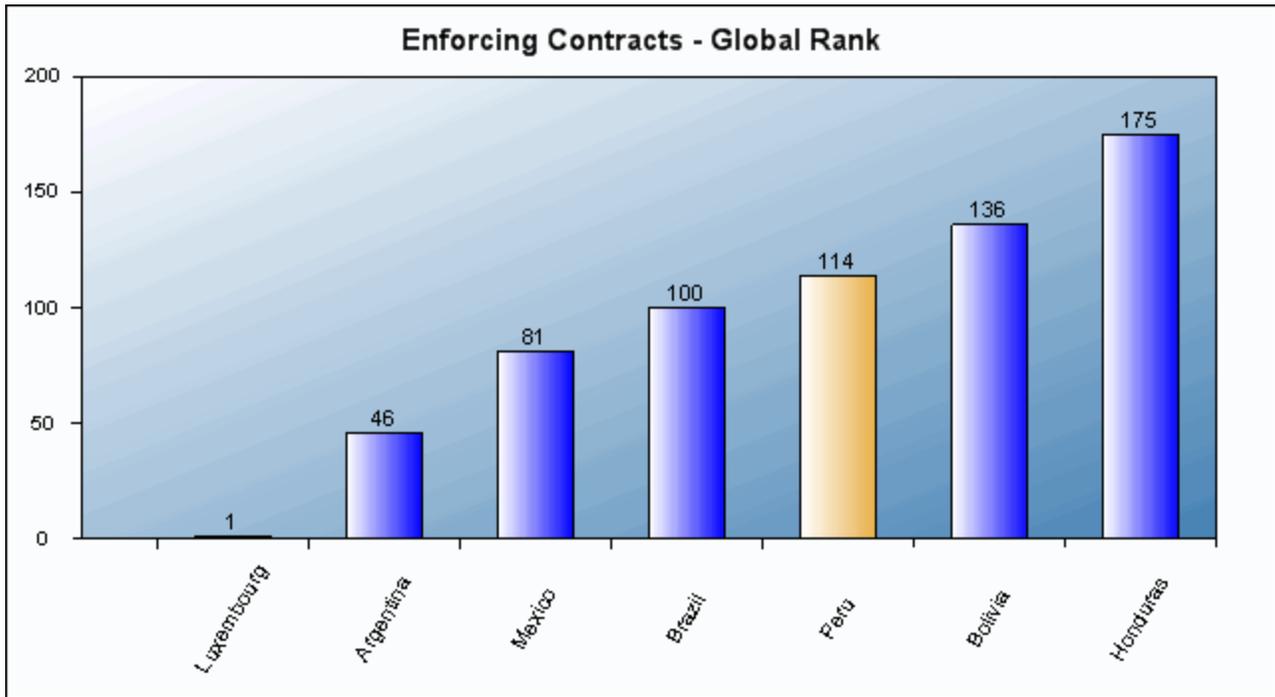
2. The following graphs illustrates the Enforcing Contracts indicators in Peru over the past 3 years:



### 3. Benchmarking Enforcing Contracts Regulations:

Peru is ranked 114 overall for Enforcing Contracts.

Ranking of Peru in Enforcing Contracts - Compared to good practice and selected economies:



The following table shows Enforcing Contracts data for Peru compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Procedures (number)</b>	<b>Time (days)</b>	<b>Cost (% of claim)</b>
<b>Bhutan</b>			0.1
<b>Ireland</b>	20		
<b>Singapore</b>		150	

<i>Selected Economy</i>			
<b>Peru</b>	41	428	35.7

<i>Comparator Economies</i>			
<b>Argentina</b>	36	590	16.5
<b>Bolivia</b>	40	591	33.2
<b>Brazil</b>	45	616	16.5
<b>Honduras</b>	45	900	35.2
<b>Mexico</b>	38	415	32.0

# Closing a Business

The economic crises of the 1990s in emerging markets, from East Asia to Latin America, from Russia to Mexico, raised concerns about the design of bankruptcy systems and the ability of such systems to help reorganize viable companies and close down unviable ones. In countries where bankruptcy is inefficient, unviable businesses linger for years, keeping assets and human capital from being reallocated to more productive uses.

Bottlenecks in bankruptcy cut into the amount claimants can recover. In countries where bankruptcy laws are inefficient, this is a strong deterrent to investment. Access to credit shrinks, and nonperforming loans and financial risk grow because creditors cannot recover overdue loans. Conversely, efficient bankruptcy laws can encourage entrepreneurs. The freedom to fail, and to do so through an efficient process, puts people and capital to their most effective use. The result is more productive businesses and more jobs.

The Doing Business indicators identify weaknesses in the bankruptcy law as well as the main procedural and administrative bottlenecks in the bankruptcy process. In many developing countries bankruptcy is so inefficient that creditors hardly ever use it. In countries such as these, reform would best focus on improving contract enforcement outside bankruptcy.

## Methodology

Three measures are constructed from the survey responses: the time to go through the insolvency process, the cost to go through the process and the recovery rate, how much of the insolvency estate is recovered by stakeholders, taking into account the time, cost, depreciation of assets and the outcome of the insolvency proceeding.

## Survey case study

The data on closing a business are developed using a standard set of case assumptions to track a company going through the step-by-step procedures of the bankruptcy process. It is assumed that:

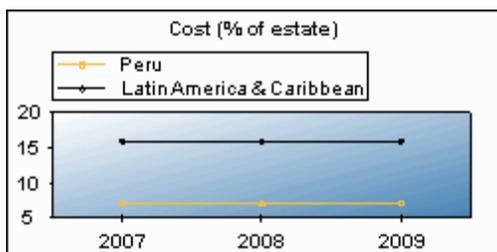
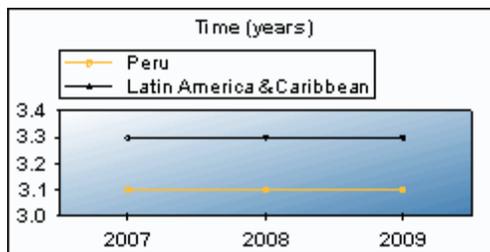
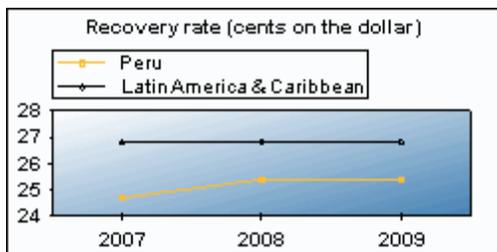
- the company is a domestically owned
- the company is a limited liability corporation operating a hotel in the country's largest business city
- the company has 201 employees, 1 main secured creditor and 50 unsecured creditors
- Assumptions are also made about the future cash flows.
- The case is designed so that the company has a higher value as a going concern, that is, the efficient outcome is either reorganization or sale as a going concern, not piecemeal liquidation.
- The data are derived from questionnaires answered by attorneys at private law firms.



**1. Historical data: Closing Business in Peru**

Closing a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	99	99
Time (years)	3.1	3.1	3.1
Cost (% of estate)	7	7	7
Recovery rate (cents on the dollar)	24.7	25.4	25.4

**2. The following graphs illustrates the Closing Business indicators in Peru over the past 3 years:**



### 3. Benchmarking Closing Business Regulations:

Peru is ranked 99 overall for Closing a Business.

Ranking of Peru in Closing Business - Compared to good practice and selected economies:



The following table shows Closing Business data for Peru compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Recovery rate (cents on the dollar)</b>	<b>Time (years)</b>	<b>Cost (% of estate)</b>
<b>Ireland</b>		0.4	
<b>Japan</b>	92.5		
<b>Singapore*</b>			1

<i>Selected Economy</i>			
<b>Peru</b>	25.4	3.1	7

<i>Comparator Economies</i>			
<b>Argentina</b>	29.8	2.8	12
<b>Bolivia</b>	37.3	1.8	15
<b>Brazil</b>	17.1	4.0	12
<b>Honduras</b>	20.8	3.8	15
<b>Mexico</b>	64.2	1.8	18

\* The following economies are also good practice economies for :

**Cost (% of estate): Colombia, Kuwait, Norway**

# Doing Business 2010 Reforms

## Number of reforms in Doing Business 2010

Rank	Economy	 Positive Reform  Negative Reform									Total number of reforms
		Starting a Business	Dealing with Construction Permits	Employing Workers	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	
1	Rwanda	✓		✓	✓	✓	✓		✓	✓	7
2	Kyrgyz Republic	✓	✓	✓	✓	✓		✓	✓		7
3	Macedonia, FYR	✓	✓	✓	✓	✓	✓	✓			7
4	Belarus	✓	✓	✓	✓			✓	✓		6
5	United Arab Emirates	✓	✓						✓		3
6	Moldova	✓			✓			✓			3
7	Colombia	✓	✓		✓	✓	✓	✓	✓	✓	8
8	Tajikistan	✓	✓		✗	✓	✓			✓	5
9	Egypt, Arab Rep.	✓	✓			✓			✓		4
10	Liberia	✓	✓					✓			3
	<b>Peru</b>	✓		✓	✓			✓	✓	✓	6
	<b>Bolivia</b>										
	<b>Argentina</b>	✓			✗						1
	<b>Brazil</b>	✓									1
	<b>Mexico</b>	✓						✓			2
	<b>Honduras</b>	✓	✓	✗		✓					3

Note: Economies are ranked on the number and impact of reforms, Doing Business selects the economies that reformed in 3 or more of the Doing Business topics. Second, it ranks these economies on the increase in rank in Ease of Doing Business from the previous year. The larger the improvement, the higher the ranking as a reformer.

<b>Argentina</b>	Argentina made it more difficult to register property by requiring declarations for all transactions over AR\$300,000. Business start-up was eased with an expedited publication process.
<b>Belarus</b>	Belarus eased the process for getting construction permits by simplifying approval processes. Restrictions relating to redundancy dismissals were eased by raising the threshold for prior notification requirements. Tax payments were made more convenient through increased use of electronic systems—reducing tax compliance times—while lower ecological and turnover tax rates and a reduction in the number of payments for property tax reduced the tax burden on businesses. Property registration continues to improve, with faster processing and elimination of the requirement for notarization. Business start-up was eased by simplifying registration formalities, abolishing the minimum capital requirement, limiting the role of notaries, and removing the need for a company seal approval. Implementation of a risk-based management system and improvement of border crossing operations reduced transit times for trade.
<b>Bolivia</b>	In Bolivia no major reform was recorded.
<b>Brazil</b>	Brazil eased the process of starting a business by removing the requirement to obtain a fire brigade license and inspection before obtaining an operational license from a municipality.
<b>Colombia</b>	Colombia passed several decrees continuing its efforts to regulate the profession of insolvency administrators. The government eased the construction permit process with a new construction decree that categorizes building projects based on risk and allows electronic verification for certain documents. Access to credit improved thanks to a new credit information law that guarantees the right of borrowers to inspect their own data and new rules that make it mandatory for credit providers to consult and share information with credit bureaus. The tax burden on businesses was eased with the introduction of electronic tax filing and payment, and some payments were reduced. An amendment to the Company Law strengthened investor protections by making it easier to sue directors in cases of prejudicial transactions between interested parties. Property registration was made easier by making it possible to obtain required certificates online and by making standard preliminary sale agreements available free of charge. Business start-up was made easier by creating a public-private health provider that enables faster affiliation of employees and through a tool that allows online pre-enrollment with the social security office. Implementation of an electronic declaration system has expedited customs clearance.
<b>Egypt, Arab Rep.</b>	The Arab Republic of Egypt, a former global leading reformer and a regional leading reformer in 2008/09, continued to make it easier to deal with construction permits by issuing executive articles for the 2008 construction law and eliminating most preapprovals for construction permits. Contract enforcement was expedited with the creation of commercial courts. Access to credit information has expanded with the addition of retailers to the database of the private credit bureau. Finally, company start-up was eased by the removal of the minimum capital requirement.
<b>Honduras</b>	Honduras eased the construction permit process through various administrative reforms that shortened the process by 19 days. The government increased severance pay, making dismissals more costly. It also passed a resolution that enhances the operations of the public credit bureau; it classifies debtors into several groups and is designed to help banks manage risk. Business start-up was eased by creating a one-stop shop to make registration more efficient, improving the process of registering for taxes, and eliminating the need for lawyer services to obtain a municipal license.
<b>Kyrgyz Republic</b>	The Kyrgyz Republic eased the process for getting construction permits by streamlining the fee structure, introducing a risk-based system of approval and building control, allowing low-risk projects to conduct an internal building control process, and simplifying the process for obtaining utility connections. Requirements relating to redundancy dismissals and worker reassignment were eased. Access to credit was enhanced by making secured lending more flexible and allowing general descriptions of encumbered assets and of debts and obligations. In addition, amendments to the Civil Code provide for automatic extension of security rights to proceeds of the original assets. The tax burden on businesses was eased by reducing the rates for several taxes and the number of payments for several. Surveying and notarization requirements were made optional for property registration, and business start-up was eased by eliminating the minimum capital requirement, reducing the registration time, and abolishing various post-registration fees and the need to open a bank account before registration. The elimination of six previously required documents and the simplification of inspection procedures has sped up trading across borders.

<b>Liberia</b>	Liberia eased the process for getting construction permits by lowering the permit fee and cost of obtaining a power generator, abolishing the requirement to obtain a tax waiver certificate before submitting documents to obtain a building permit, and making fixed telephone connections more readily available for public use with the reopening of the national phone company. Business start-up was eased by removing the need to obtain an environmental impact assessment when forming a general trading company. The trade process was expedited by creating a one-stop shop bringing together various ministries and agencies, and streamlining the inspection regime.
<b>Macedonia, FYR</b>	The Former Yugoslav Republic of Macedonia has been reforming the construction permit process, shortening waiting times but raising fees. Worker hiring was made more flexible by allowing greater use of fixed-term contracts, easing restrictions on working hours, and making redundancy dismissals more flexible. The public credit bureau increased its coverage by introducing a better database that includes more information and by lowering the minimum loan threshold. Social security payments were classified in five groups, and social security contribution rates reduced. Investor protections were increased by regulating the approval of transactions between interested parties, increasing disclosure requirements in annual reports, and making it easier to sue directors in cases of prejudicial transactions between interested parties. Property registration was eased with the introduction of new time limits at the real estate cadastre—reducing the average time to register a title deed by eight days—and a non-encumbrance certificate can now be obtained from the real estate registry instead of through the court. Business start-up was simplified by integrating procedures at a one-stop shop.
<b>Mexico</b>	Mexico eased taxpaying by introducing electronic payment systems for payroll, property, and social security taxes. Business start-up was eased by establishing an electronic platform for company registration, substantially reducing the number of days for registration, and eliminating the requirement to register with the statistical office.
<b>Moldova</b>	Moldova lowered the rates for social security contributions paid by employers. Property registration was simplified by eliminating the requirement for a cadastral sketch, reducing procedures from six to five and days from 48 to 5. Business start-up was eased by implementing an expedited company registration service.
<b>Peru</b>	Peru has made labor regulation more flexible through new rules for micro and small enterprises that reduce severance payments and mandatory paid annual leave. The government eased contract enforcement by introducing deadlines for filing evidence and contesting enforcement procedures. In addition, electronic judicial notices are permissible in lieu of publication in the official gazette. Taxpaying was made easier with the use of software, distributed free of charge, for value added taxes. Peru also eased the cash flow of businesses by reducing the check tax and accelerating depreciation. Registering property has become easier with faster electronic processing and with an online connection between the tax agency and notaries that facilitates payment of municipal taxes. Business start-up was simplified by allowing submission of electronic payroll books online at no cost and making company forms available online. Additional cranes have expedited port and terminal handling activities.
<b>Rwanda</b>	Rwanda improved the process for dealing with distressed companies with a new law aimed at streamlining reorganization. Employing workers was made easier by abolishing the maximum duration for fixed-term contracts and allowing unlimited renewals of such contracts, as well as by allowing redundancy procedures to be more flexible, with consultation and notification of third parties no longer required. Getting credit was made easier with a new secured transactions act and insolvency act to make secured lending more flexible, allowing a wider range of assets to be used as collateral and a general description of debts and obligations. In addition, out of court enforcement of collateral has become available to secured creditors, who also now have top priority within bankruptcy. A new company law has strengthened investor protections by requiring greater corporate disclosure, director liability, and shareholder access to information. Property registration was simplified by decreasing the number of days required to transfer a property. Business start-up was eased by eliminating a notarization requirement; introducing standardized memorandums of association; enabling online publication; consolidating name checking, registration fee payment, tax registration, and company registration procedures; and shortening the time required to process completed applications. By implementing administrative changes—such as increased operating hours and enhanced cooperation at the border, along with the removal of some documentation requirements for importers and exporters—Rwanda has improved trading times.

**Tajikistan**

Tajikistan amended its insolvency law, aiming to reduce statutory time limits and the costs of proceedings. Changes were introduced that simplified the construction permit process, reducing procedures and time. A new law on credit histories improves access to credit information by creating a private credit bureau. Investor protections were strengthened with amendments to the joint stock company law, increasing disclosure requirements for transactions involving conflicts of interest, allowing for greater director liability, and giving shareholders the chance to request that harmful related-party transactions be rescinded. The state duty for property transfer has quadrupled, raising the cost of registering property by 2.8 percent of a property's value. Business start-up was eased by reducing the minimum capital requirement and shortening the time to obtain a tax identification number.

**United Arab Emirates**

The United Arab Emirates shortened the time for delivering building permits by improving its online system for processing applications. Business start-up was eased by simplifying the documents needed for registration, abolishing the minimum capital requirement, and removing the requirement that proof of deposit of capital be shown for registration. Greater capacity at the container terminal, elimination of the terminal handling receipt as a required document, and an increase in trade finance products, have improved trade processes.

## APPENDICES

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### Starting a Business in Peru

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This table summarizes the procedures and costs associated with setting up a business in Peru.

#### STANDARDIZED COMPANY

Legal Form: Sociedad Anónima – simple corporation

Minimum Capital Requirement:

City: Lima

#### Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Check the uniqueness of the proposed company name	1	7.05
2	Notarize company documents by a notary	5	200
3	Deposit at least 25% of capital in a bank and obtain proof thereof	1	23.9195
4	Register the incorporation documents with the local legal entities public registry	1	174.597
5	The notary stamps the accounting book and the minute book	1	49
6	Obtain taxpayer identification number (Registro Unico del Contribuyente, RUC) at the National Superintendency of Tax Administration (Superintendencia Nacional de Administracion Tributaria, SUNAT)	1	0
7	Obtain a Certificate of Compatibility from the District Council	6	40
8	Obtain technical report of approval from the National Institute of Civil Defense (Instituto Nacional de Defensa Civil, INDECI)	10	100
9	Obtain municipal license from the City Council	15	90

**Procedure 1 Check the uniqueness of the proposed company name****Time to complete:** 1**Cost to complete:** 7.05

**Comment:** Before the company name is selected, a search must be conducted in the Public Registry to verify that the name is unique. This search takes no more than a day. The proposed name may be reserved or blocked for 30 days in the Public Registry so that no other company can register the same name during that time.

**Procedure 2 Notarize company documents by a notary****Time to complete:** 5**Cost to complete:** 200

**Comment:** The incorporation documents, duly authorized by an attorney and signed by the company's shareholders, must be presented to the notary public. In turn, the notary drafts the public deed and files it with the Mercantile Registry in 30 days. Notary fees are up to 1% of capital, depending on the company size, the length of the public deed, and the initial capital contribution.

The incorporation documents must include, at least, (a) the company name; (b) its purpose and duration; (c) the company domicile; (d) the initial capital contribution; (e) the shares nominal value and the total number of shares; (f) the classes of shares, if needed; (g) the name, nationality, marital status, occupation, and residence of any individual shareholder; (h) the names of the initial directors, managers, and agents; and the (i) the date of startup operations.

**Procedure 3 Deposit at least 25% of capital in a bank and obtain proof thereof****Time to complete:** 1**Cost to complete:** 23.9195

**Comment:** Each share must be fully subscribed and at least 25% of its nominal value must be paid in. Payment may be made in cash, goods or real estate. It is recommended that the initial contribution be made in cash, in this case this is done by depositing the funds in a bank account and obtaining proof (most banks require a marginal deposit to open an account, USD 400 for example). Initial contributions in goods and real estate must be appraised and the appraisal must be approved by the board after the registration of the company and before the shares may be issued.

**Procedure 4 Register the incorporation documents with the local legal entities public registry****Time to complete:** 1**Cost to complete:** 174.597

**Comment:** The notary public submits the notarized agreement, including the (a) the company's name; (b) capital stock and purpose; (c) the address of its head office and branches; (d) the name, nationality, marital status, occupation, and residence of any individual shareholder; (e) the names of directors; (f) capital structure and contributions; (g) proposed bylaws; (h) start date of company operations; and (i) proof of capital deposit in a bank account.

By law, every corporation (sociedad anónima) must have at least three directors and one

manager, except for the closed corporation (sociedad anónima cerrada), which may choose not to have a board of directors.

#### **Procedure 5 The notary stamps the accounting book and the minute book**

**Time to complete:** 1  
**Cost to complete:** 49  
**Comment:**

#### **Procedure 6 Obtain taxpayer identification number (Registro Unico del Contribuyente, RUC) at the National Superintendency of Tax Administration (Superintendencia Nacional de Administracion Tributaria, SUNAT)**

**Time to complete:** 1  
**Cost to complete:** 0  
**Comment:**

Companies are no longer required to register with the Peruvian Institute of Social Security. Now they register with EsSalud. EsSalud and the Oficina de Normalizacion Previsional (ONP) are the state entities providing health and pension coverage, respectively. However, employees may elect to get this coverage from private companies. Contributions to the state social security system (EsSalud and ONP) are collected by the National Superintendency of Tax Administration, (Superintendencia Nacional de Administración Tributaria, SUNAT). No further action on the matter is required.

This taxpayer identification card is used to identify companies for tax purposes with the Peruvian government, including income tax, value-added tax, municipal tax, and any other fiscal matters. To register for the card, only the Unified Taxpayer Registry form must be duly completed and submitted, upon showing: (a) company incorporation documents; (b) original identification card of legal representative; and (c) original voucher of water or electric services of the registered office for one of the past 2 months. The company must indicate in the form what taxes will apply to its activities.

In addition, making the submission of electronic payroll books online without having to notify the MInistry of Labor. electronic notification of Ministry of Labor is done through SUNAT's internal system of electronic notification. SUNAT became the front desk for all social and other contributions that private companies have to pay to comply with national tax regime in the country. None of payroll books need to be stamped physically, or Ministry of Labor needs to be visited for that matter. This procedure could be done in electronic format. Once the company is incorporated it will receive its taxpayer identification number (RUC) and a special login and password –“clave SOL”. This pass allows to undertake electronic payments and provide information through the web-based system; [www.sunat.gob.pe](http://www.sunat.gob.pe). Additionally, since January 2008, there is electronic payroll system “Programa de Declaracion Telematica- PDT -601”. Todate, 98% of incorporated companies, both small and medium size, use this electronic system.

#### **Procedure 7 Obtain a Certificate of Compatibility from the District Council**

**Time to complete:** 6  
**Cost to complete:** 40  
**Comment:**

Companies must obtain a certificate of compatibility before obtaining a municipal license from the District Council (Procedure 10). The certificate of compatibility indicates that the proposed business is compatible with the area where its offices will be located and that these offices meet certain prerequisites, such as parking lots.

**Procedure 8 Obtain technical report of approval from the National Institute of Civil Defense (Instituto Nacional de Defensa Civil, INDECI)**

**Time to complete:** 10

**Cost to complete:** 100

**Comment:** According to law, all companies that plan to operate an office or any other kind of establishment must obtain a Technical Report of Approval from the National Institute of Civil Defense (Instituto Nacional de Defensa Civil, INDECI). The certificate is valid for a year. The technical inspection consists of complying with the minimum security conditions and identifying the risks from the facility or construction. This process is required to determine the basic equipment necessary to adequately react in case of emergency.

Most district governments request that companies obtain this report as a prerequisite to granting the municipal license to operate. As a result of accidents during 2003, the reports are more difficult to obtain, adding more time to companies whose activities concentrate people in their facilities.

**Procedure 9 Obtain municipal license from the City Council**

**Time to complete:** 15

**Cost to complete:** 90

**Comment:** This procedure must be done after Procedures 6, 7, 8, and 9 are completed. A municipal license, required to operate commercially, is obtained from the municipality of the jurisdiction where the company is located. Some district councils require a provisional license while the permanent license is being processed. In most cases, the district council requires a copy of the incorporation documents, the public deed, the distribution plan, property title documents (if applicable) and the certificate of compatibility approved by the district council. Ordinance No. 857 simplified the license application process in the metropolitan municipality of Lima (Municipalidad Metropolitana de Lima). The certificate of compatibility, the technical approval report, and the definite business license can be obtained at the municipality in 7 days as part of a one-step process. In this municipality, the cost was also reduced and ranges from USD 30 to USD 150, depending on the company's activities. However, this system is not operational Lima's other 48 municipalities.

## Dealing with Construction Permits in Peru

The table below summarizes the procedures, time, and costs to build a warehouse in Peru.

### BUILDING A WAREHOUSE

Date as of: January 2009

Estimated Warehouse Value:

City: Lima

#### Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Obtain property ownership certificate	2 days	PEN 15
2	Obtain Land Development and Building Parameter Certificate (Certificado de Parámetros Urbanísticos y Edificatorios)	15 days	PEN 213
3 *	Obtain project authorization certificate (boleta de Habilitación del Proyecto) from the Professional Association of Engineers (Colegio de Ingenieros)	1 day	PEN 320
4	Submit Preliminary Design for Consultation to the Municipality (Revision de Anteproyecto)	10 days	PEN 1,466
5	Obtain Construction License from the Municipality (Licencia de Obra para Edificacion nueva)	45 days	PEN 3,909
6	Register the construction project with the Professional Association of Architects	1 day	no charge
7	Register the construction project with the Professional Association of Engineers	1 day	no charge
8	Receive first of a minimum of three inspections during construction	1 day	PEN 977
9	Receive second of a minimum of three inspections during the construction	1 day	no charge
10	Receive third of a minimum of three inspections during the construction	1 day	no charge
11	Request water supply service feasibility study from water utility SEDAPAL	30 days	PEN 220
12 *	Receive inspection from SEDAPAL	1 day	no charge
13	Request potable water service installation	50 days	PEN 60

14 *	Request electricity service feasibility study	20 days	no charge
15 *	Receive inspection from the electricity company	1 day	no charge
16 *	Request electricity connection	15 days	PEN 5,000
17 *	Request and obtain telephone line installation	7 days	PEN 407
18	Notify of project completion to and receive final inspection from the Municipality	3 days	no charge
19	Obtain construction work conformity certificate	3 days	no charge
20	Obtain Factory Statement (Declaratoria de Fábrica)	7 days	PEN 217
21	Register the Factory Statement (Declaratoria de Fábrica) with SUNARP	35 days	PEN 2,966

\* Takes place simultaneously with another procedure.

**Procedure 1 Obtain property ownership certificate**

**Time to complete:** 2 days

**Cost to complete:** PEN 15

**Comment:** A property ownership certificate is obtained from the Property Registry.

SUNARP in the last year and a half has implemented various measures to improve its efficiency. Additional staff was recruited, and training on quality services conducted. That and tighter internal deadline for officials have led to reduction of time.

**Procedure 2 Obtain Land Development and Building Parameter Certificate (Certificado de Parámetros Urbanísticos y Edificatorios)**

**Time to complete:** 15 days

**Cost to complete:** PEN 213

**Comment:** This document grants approval of land development and building conditions of a land plot or property in order to carry out works, projects, and compatible uses, and so forth. The document is granted according to the General Zoning Regulations for the city of Lima, National Building Regulations, Rule No. 201 of the Master Plan for the Historical Center and District of Lima, and the Use Index for the Location of Urban Activities, in keeping with the zoning and urban structuring area of each plot or property.

This certificate provides the following information:

- Land development regulations, which refer to urban land classification, urban policy areas, zoning, compatible use indexes, and densities.
- Building indexes, which refer to building ratios, heights, minimum free area percentages, minimum spacing, and parking indexes.

The cost includes the cost of forms that must be completed and submitted along with the location map of the plot (PEN 4.0 per form). The tax unit fee (Unidad impositiva tributaria, UIT) to PEN 3,550 in 2009. The UIT is the reference unit for the calculation of license costs.

The legal basis for this procedure is D.S. 008-2000-MTC, Law No. 23853, Article 10.

**Procedure 3 Obtain project authorization certificate (boleta de Habilitación del Proyecto) from the Professional Association of Engineers (Colegio de Ingenieros)**

**Time to complete:** 1 day

**Cost to complete:** PEN 320

**Comment:** The cost of the authorization form is PEN 300, and the cost of the certificate is PEN 20.

**Procedure 4 Submit Preliminary Design for Consultation to the Municipality (Revision de Anteproyecto)**

**Time to complete:** 10 days

**Cost to complete:** PEN 1,466

**Comment:** This procedure requires the following documents:  
- A special multiple-use form completed by the draftsman and a procedure form (hoja de trámite).

- Proof of payment of the municipal fee (derecho municipal).
  - Proof of payment of delegate services fee (servicios de delegado).
  - The current land development and building parameter certificate.
  - The architectural plans.
  - A report justifying the purpose of the construction (memoria justificativa), signed by the draftsman.
  - A construction work valuation based on the current official unit values (valores unitarios oficiales).
- At the discretion of the commission, other plans, land surveys, memorias justificativas, and other additional documents may be requested.

#### **Procedure 5 Obtain Construction License from the Municipality (Licencia de Obra para Edificacion nueva)**

**Time to complete:** 45 days

**Cost to complete:** PEN 3,909

**Comment:** The following documents are needed in order to obtain the building permit:

- Procedure form (two copies).
- Single official form.
- Specification of the construction work budget.
- Authenticated copy of property title.
- Land development and building parameter certificate.
- Project authorization certificate and proficiency certificate for the person in charge of the construction work.
- Memoria justificativa.
- Photocopies in color.
- Location and site maps.
- Architectural, structural, sanitary system, and electrical plans.
- Drawings and records to be reviewed by the ad-hoc delegates.
- Proof of payment.

Payment grants the right to a specialized review before the Technical Qualifying Commission (Comisión Técnica Calificadora).

If pertinent, a licensing and filing fee will be paid as follows:

- For the building permit: 0.4% of construction work value.
- For construction work control: 0.1% of construction work value (includes a minimum of three inspections).

Note: If necessary, the Technical Qualifying Commission requests the environmental impact assessment and land surveys.

#### **Procedure 6 Register the construction project with the Professional Association of Architects**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Comment:**

#### **Procedure 7 Register the construction project with the Professional Association of Engineers**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Comment:**

**Procedure 8 Receive first of a minimum of three inspections during construction**

**Time to complete:** 1 day

**Cost to complete:** PEN 977

**Comment:** There is a minimum of three inspections in connection with the building permit. The cost for all of them is 0.1% of the construction value.

**Procedure 9 Receive second of a minimum of three inspections during the construction**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Comment:** There is a minimum of three inspections in connection with the building permit. The cost for all of them is 0.1% of the construction value.

**Procedure 10 Receive third of a minimum of three inspections during the construction**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Comment:** There is a minimum of three inspections in connection with the building permit. The cost for all of them is 0.1% of the construction value.

**Procedure 11 Request water supply service feasibility study from water utility SEDAPAL**

**Time to complete:** 30 days

**Cost to complete:** PEN 220

**Comment:** The water utility (SEDAPAL) conducts a feasibility study for a residential potable water installation. The study does not include the meter installation.

**Procedure 12 Receive inspection from SEDAPAL**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Comment:** SEDAPAL conducts a feasibility inspection.

**Procedure 13 Request potable water service installation**

**Time to complete:** 50 days

**Cost to complete:** PEN 60

**Comment:**

**Procedure 14 Request electricity service feasibility study**

**Time to complete:** 20 days

**Cost to complete:** no charge

**Comment:**

**Procedure 15 Receive inspection from the electricity company**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Comment:** The electricity company conducts a feasibility inspection.

**Procedure 16 Request electricity connection**

**Time to complete:** 15 days

**Cost to complete:** PEN 5,000

**Comment:**

**Procedure 17 Request and obtain telephone line installation**

**Time to complete:** 7 days

**Cost to complete:** PEN 407

**Comment:** Increased coverage by fixed telephone providers in the past few years has yielded in higher density of coverage. Peru Telefonica, which has 77% of fixed telecom market in Peru, has reduced the average time for providing new telephone lines to 7 days.

**Procedure 18 Notify of project completion to and receive final inspection from the Municipality**

**Time to complete:** 3 days

**Cost to complete:** no charge

**Comment:** Once the construction work has been completed, the owner has 15 days to notify the municipality that the building has been constructed according to the approved plans (Law No. 27157, Article 31).

**Procedure 19 Obtain construction work conformity certificate**

**Time to complete:** 3 days

**Cost to complete:** no charge

**Comment:** The municipality has a maximum of 7 working days to grant the construction work a certificate of approval

#### **Procedure 20 Obtain Factory Statement (Declaratoria de Fábrica)**

**Time to complete:** 7 days

**Cost to complete:** PEN 217

**Comment:** The law stipulates that legal recognition of the existence of any type of building, regardless of its construction date, should be made through an owner's statement in accordance with the requirements and procedures stated by the law. This recognition is referred to as a "factory statement" (declaratoria de fábrica) (Article 27).

#### **Procedure 21 Register the Factory Statement (Declaratoria de Fábrica) with SUNARP**

**Time to complete:** 35 days

**Cost to complete:** PEN 2,966

**Comment:** The registration cost of the declaratoria de fábrica is 0.97% of the UIT on the account of a qualification fee, plus 3% of the construction work value. The time required to complete the registration is 35 days, unless a postponement has been made.

The required documents are the following:

- Registration application form, duly completed and signed.
- Copy of the legal representative's identity card, with a certificate stating that the representative voted in the last election or was exempted from this obligation.
- Single official form (parts 1 and 2), as provided for by Law 27157 and the corresponding documents according to the provisions valid as of statement date.
- Location and siting plans and story or level distribution drawing, signed by the inspector, if required.
- Technical report issued by the designed inspector, the plan development, and the building parameter certificate, in case of building regularization.
- Proof of payment of registration fees.
- Possibly other documents, according to the registration qualification and regulations at the time of registration.

## Employing Workers in Peru

Employing workers indices are based on responses to survey questions. The table below shows these responses in Peru.

Employing Workers Indicators (2009)	Answer	Score
<b>Difficulty of hiring index (0-100)</b>		<b>44.4</b>
Are fixed-term contracts prohibited for permanent tasks?	Yes	1
What is the maximum duration of fixed-term contracts (including renewals)? (in months)	60	0.0
What is the ratio of mandated minimum wage to the average value added per worker?	0.35	0.33
<b>Difficulty of redundancy index (0-10)</b>		<b>60.0</b>
Is the termination of workers due to redundancy legally authorized?	Yes	0
Must the employer notify a third party before terminating one redundant worker?	Yes	1
Does the employer need the approval of a third party to terminate one redundant worker?	Yes	2
Must the employer notify a third party before terminating a group of 9 redundant workers?	Yes	1
Does the employer need the approval of a third party to terminate a group of 9 redundant workers?	Yes	1
Is there a retraining or reassignment obligation before an employer can make a worker redundant?	No	0
Are there priority rules applying to redundancies?	No	0
Are there priority rules applying to re-employment?	Yes	1
<b>Redundancy costs (weeks of salary)</b>		<b>17.1</b>
What is the notice period for redundancy dismissal after 20 years of continuous employment? (weeks of salary)		0.0
What is the severance pay for redundancy dismissal after 20 years of employment? (weeks of salary)		17.1
What is the legally mandated penalty for redundancy dismissal? (weeks of salary)		0.0
<b>Rigidity of employment index (0-100)</b>		<b>39.3</b>
<b>Rigidity of hours index (0-100)</b>		<b>13.3</b>
Can the workweek extend to 50 hours (including overtime) for 2 months per year to respond to a seasonal increase in production?	Yes	0

What is the maximum number of working days per week?	6	0
Are there restrictions on night work and do these apply when continuous operations are economically necessary?	Yes	0.67
Are there restrictions on "weekly holiday" work and do these apply when continuous operations are economically necessary?	No	0.00
What is the paid annual vacation (in working days) for an employee with 20 years of service?	13	0

Note: The first three indices measure how difficult it is to hire a new worker, how rigid the regulations are on working hours, and how difficult it is to dismiss a redundant worker. Each index assigns values between 0 and 100, with higher values representing more rigid regulations. The overall Rigidity of Employment Index is an average of the three indices.

## Registering Property in Peru

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This topic examines the steps, time, and cost involved in registering property in Peru.

### *STANDARDIZED PROPERTY*

Property Value: 606,151.41

City: Lima

#### Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Obtain a Property Registry Certificate	2-5 days	PES 58
2	The notary public executes the sale-purchase agreement	1 day	0.1-0.25% of property value (Notary's fees)
3	Payment of Transfer tax ("Impuesto de Alcabala")	1 day	3% of the Municipal value of the property in excess PES 35,500 (10 Tax units UIT)
4	The public deed is filed for registration with the Property Registry	2½ - 5 weeks (18-35 days)	PES 30 (filling and presentation fees: 0.81% 1 UIT) + 0.3% of proper value (registration fee, w a limit of 1 UIT)

## Procedure 1 Obtain a Property Registry Certificate

**Time to complete:** 2-5 days

**Cost to complete:** PES 58

**Comment:** A Property Registry Certificate (CRI, Certificado Registral Inmobiliario) is obtained from the Property Registry to verify the existence and characteristics/description of the property (land and construction), the identity of the owner, and to check whether it is a clean title (free from attachments, mortgages, or any encumbrances of judicial or extra judicial nature). It is not required, but it is strongly recommended to make a verification of payment of municipal taxes (Property Tax (Impuesto Predial) and Municipal services (public gardening, public parks, municipal police, garbage collection, other services)), in order to check the tax payments history of the property. The information is obtained at the municipality by requesting a "cortado" at no cost and in 1 day.

The tax amounts to 1.61% of a Peruvian Tax Unit (T.U.). For Fiscal 2009 (calendar year) the TU is PES 3,550.

## Procedure 2 The notary public executes the sale-purchase agreement

**Time to complete:** 1 day

**Cost to complete:** 0.1-0.25% of property value (Notary's fees)

**Comment:** The notary public executes the sale-purchase agreement or "minuta" and delivers it for registration through the public deed that the minuta and its legal attachments generate. Since the process of generating the public deed can take some time, mostly for obtaining the different legal attachments, it is strongly recommended to file for a "pre-emptive reservation" on the property register. Known as the "blocking" of the property registry, this measure protects the purchaser from any third party filings before the public deed is officially filed for registration, and can be requested by the Notary only with a copy of the minute while the public deed does not exist yet. The blocking of the Registry expires after 60 working days as of registration. Fees are subject to market values and conditions, the complexity of the transaction, promptness and availability of parties to comply with formalities and signing of the public deed, etc. A reasonably valid estimate could be:  
0.4-0.5% for transaction values of up to US\$ 30,000.  
0.1-0.25% for transaction values above US\$ 30,000 on a declining basis as transaction values increase.

After paying the tax alcabala and verifying that the seller has made the last payment of municipal taxes, the Notary will prepare the official transcription of the SPA in the Notarial Registry.

The Notary verifies the identity of the parties, compliance with all mandatory formalities and as the case may be of corporate and civil Powers of Representation (powers of attorney) and proceeds to have the parties sign the Public Deed after which he himself signs thus authorizing the completion of the Public Deed as a public Notarial document.

The document is ready for registration. It may be the same notary who takes the Deed to the Registry

It is not required to execute a public deed with a Notary with the same Jurisdiction as that of the Property Register where the property is located. Consequently, a real estate transaction involving a property in Lima may be validly formalized before a Notary Public in any Notarial Jurisdiction in Peru.

**Procedure 3 Payment of Transfer tax (“Impuesto de Alcabala”)**

**Time to complete:** 1 day

**Cost to complete:** 3% of the Municipal value of the property in excess of PES 35,500 (10 Tax units UIT)

**Comment:** The Transfer tax (Alcabala) must be paid at the Tax Service Administration (Servicio de Administración Tributaria, SAT).

The tax agency SAT is connected with the notaries through the internet (<https://www.sat.gob.pe/TF/default.asp>) to facilitate the payment of municipal taxes (including the transfer tax called Alcabala). The payment can be made on behalf of a client by the notary instantaneously, and no physical visits or wait time is involved in this process. Options of payment with debit, and credit card, or bank transfers are possible since late 2008. The notaries have been lent payment machines by SAT, which allows them to connect to SAT system through satellite connection. As soon as the transaction clears, the notary prints the receipt and hands it to the client. The payment can be made at: <https://www.sat.gob.pe/TF/default.asp>. This reform started back in 2005 under the name “NotarioSAT” with an objective of enabling the electronic payment and processing of Alcabala. In mid 2009, there are 71 notaries of 104 in total in Lima, that participate in this programme. The programme is web-based and easy for access.

The tax amounts to 3% of the Municipal value of the property, on the excess of 10 Tax Units (T.U.). The amount of 10 Tax Units (35,500 TU) shall be discounted from the tax basis. This tax is payable by the purchaser. Since January 2009, the TU is PES 3,550.

Even if there is usually a difference between the Municipal and the real value of the property, such differences are not systematic.

Since January 1st 2004, (non-juridical person) vendors must pay a capital gains tax levied on the difference between the purchase price of the (non residence) property acquired as of January 1st, 2004 and the sales price of the same. The tax is 5% of the difference in prices and it is an advance payment on the Income Tax (this only takes places if the property sold was acquired after 1/1/2004).

**Procedure 4 The public deed is filed for registration with the Property Registry**

**Time to complete:** 2½ - 5 weeks (18-35 days)

**Cost to complete:** PES 30 (filling and presentation fees: 0.81% of 1 UIT) + 0.3% of property value (registration fee, with a limit of 1 UIT)

**Comment:** Filing for registration of the Public Deed with the Property Register. Normally, it is the Notary Public who carries out this act but it is not mandated by law. Filing is a free act and is not restricted to any Officer in particular. If the Notary is not in the same jurisdiction of the Property Register, he may engage a Notary with the same Notarial Jurisdiction as that of the Property Register. The registration fee is 0.15% if the value of the property is below PES 35,000, otherwise it is 0.3% of the purchase price, up to a maximum of PES 3,550 or 1 T.U., if the property value of the property is greater.

The Public Registry (SUNARP) allows all owners to know at any time and at no cost via email all transactions that the property has undergone (Alerta Registral) <http://www.sunarp.gob.pe/alertaregstral/>

## Getting Credit in Peru

The following table summarize legal rights of borrowers and lenders, and the availability and legal framework of credit registries in Peru.

Getting Credit Indicators (2009)			Indicator
			<u>score</u>
<b>Private bureau coverage (% of adults)</b>	<b>Private credit bureau</b>	<b>Public credit registry</b>	<b>6</b>
Are data on both firms and individuals distributed?	Yes	Yes	1
Are both positive and negative data distributed?	Yes	Yes	1
Does the registry distribute credit information from retailers, trade creditors or utility companies as well as financial institutions?	Yes	No	1
Are more than 2 years of historical credit information distributed?	Yes	Yes	1
Is data on all loans below 1% of income per capita distributed?	Yes	Yes	1
Is it guaranteed by law that borrowers can inspect their data in the largest credit registry?	Yes	Yes	1
<b>Coverage</b>		31.8	23.0
Number of individuals	6,085,500		4,500,000
Number of firms	283,394		100,000

Strength of legal rights index (0-10)		7
Can any business use movable assets as collateral while keeping possession of the assets; and any financial institution accept such assets as collateral ?		Yes
Does the law allow businesses to grant a non possessory security right in a single category of revolving movable assets, without requiring a specific description of the secured assets ?		Yes
Does the law allow businesses to grant a non possessory security right in substantially all of its assets, without requiring a specific description of the secured assets ?		Yes
May a security right extend to future or after-acquired assets, and may it extend automatically to the products, proceeds or replacements of the original assets ?		Yes
Is a general description of debts and obligations permitted in collateral agreements, so that all types of obligations and debts can be secured by stating a maximum amount rather than a specific amount between the parties ?		Yes
Is a collateral registry in operation, that is unified geographically and by asset type, as well as indexed by the grantor's name of a security right ?		Yes
Do secured creditors have absolute priority to their collateral outside bankruptcy procedures?		No
Do secured creditors have absolute priority to their collateral in bankruptcy procedures?		No

During reorganization, are secured creditors' claims exempt from an automatic stay on enforcement?

No

Does the law authorize parties to agree on out of court enforcement?

Yes

## Protecting Investors in Peru

The table below provides a full breakdown of how the disclosure, director liability, and shareholder suits indexes are calculated in Peru.

Protecting Investors Data (2009)	Indicator
<b>Extent of disclosure index (0-10)</b>	<b>8</b>
What corporate body provides legally sufficient approval for the transaction? (0-3; see notes)	2
Immediate disclosure to the public and/or shareholders (0-2; see notes)	2
Disclosures in published periodic filings (0-2; see notes)	2
Disclosures by Mr. James to board of directors (0-2; see notes)	2
Requirement that an external body review the transaction before it takes place (0=no, 1=yes)	0
<b>Extent of director liability index (0-10)</b>	<b>5</b>
Shareholder plaintiff's ability to hold Mr. James liable for damage the Buyer-Seller transaction causes to the company. (0-2; see notes)	2
Shareholder plaintiff's ability to hold the approving body (the CEO or board of directors) liable for damage to the company. (0-2; see notes)	0
Whether a court can void the transaction upon a successful claim by a shareholder plaintiff (0-2; see notes)	2
Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff (0=no, 1=yes)	1
Whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff (0=no, 1=yes)	0
Whether fines and imprisonment can be applied against Mr. James (0=no, 1=yes)	0
Shareholder plaintiff's ability to sue directly or derivatively for damage the transaction causes to the company (0-1; see notes)	0
<b>Ease of shareholder suits index (0-10)</b>	<b>7</b>
Documents available to the plaintiff from the defendant and witnesses during trial (0-4; see notes)	4
Ability of plaintiffs to directly question the defendant and witnesses during trial (0-2; see notes)	1
Plaintiff can request categories of documents from the defendant without identifying specific ones (0=no, 1=yes)	0
Shareholders owning 10% or less of Buyer's shares can request an inspector investigate the transaction (0=no, 1=yes)	1

Level of proof required for civil suits is lower than that for criminal cases (0=no, 1=yes)	1
Shareholders owning 10% or less of Buyer's shares can inspect transaction documents before filing suit (0=no, 1=yes)	0

### Strength of investor protection index (0-10)

6.7

#### Notes:

#### Extent of Disclosure Index

*What corporate body provides legally sufficient approval for the transaction?*

0=CEO or managing director alone; 1=shareholders or board of directors vote and Mr. James can vote; 2=board of directors votes and Mr. James cannot vote; 3 = shareholders vote and Mr. James cannot vote

*Immediate disclosure to the public and/or shareholders*

0=none; 1=disclosure on the transaction only; 2=disclosure on the transaction and Mr. James' conflict of interest

*Disclosures in published periodic filings*

0=none; 1=disclosure on the transaction only; 2=disclosure on the transaction and Mr. James' conflict of interest

*Disclosures by Mr. James to board of directors*

0=none; 1=existence of a conflict without any specifics; 2= full disclosure of all material facts

#### Director Liability Index

*Shareholder plaintiff's ability to hold Mr. James liable for damage the Buyer-Seller transaction causes to the company*

0= Mr. James is not liable or liable only if he acted fraudulently or in bad faith; 1= Mr. James is liable if he influenced the approval or was negligent; 2= Mr. James is liable if the transaction was unfair, oppressive or prejudicial to minority shareholders

*Shareholder plaintiff's ability to hold the approving body (the CEO or board of directors) liable for for damage to the company*

0=members of the approving body are either not liable or liable only if they acted fraudulently or in bad faith; 1=liable for negligence in the approval of the transaction; 2=liable if the transaction is unfair, oppressive, or prejudicial to minority shareholders

*Whether a court can void the transaction upon a successful claim by a shareholder plaintiff*

0=rescission is unavailable or available only in case of Seller's fraud or bad faith; 1=available when the transaction is oppressive or prejudicial to minority shareholders; 2=available when the transaction is unfair or entails a conflict of interest

*Shareholder plaintiffs' ability to sue directly or derivatively for damage the transaction causes to the company*

0=not available; 1=direct or derivative suit available for shareholders holding 10% of share capital or less

#### Shareholder Suits Index

*Documents available to the plaintiff from the defendant and witnesses during trial*

Score 1 each for (1) information that the defendant has indicated he intends to rely on for his defense; (2) information that directly proves specific facts in the plaintiff's claim; (3) any information that is relevant to the subject matter of the claim; and (4) any information that may lead to the discovery of relevant information.

*Ability of plaintiffs to directly question the defendant and witnesses during trial*

0=no; 1=yes, with prior approval by the court of the questions posed; 2=yes, without prior approval

## Paying Taxes in Peru

The table below addresses the taxes and mandatory contributions that a medium-size company must pay or withhold in a given year in Peru, as well as measures of administrative burden in paying taxes.

Tax or mandatory contribution	Payments (number)	Notes on Payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% profit)	Notes on TTR
Value added tax (VAT)	1	online filing	156	19%	value added		
Arbitrios	1			various rates			
Vehicles tax	1			1%	vehicle value	0.08	
Financial transactions tax	1			0.07%	transaction value	0.52	
Fuel tax	1			2.11 sol per liter	fuel consumption	0.55	
Industrial corporations contribution	1	online filing		1%	gross salaries	0.85	
Real estate tax	1			0.2%, 0.6% & 1%	real estate value	1.02	
Social security contributions	1	online filing	192	9%	gross salaries	10.15	
Corporate income tax	1	online filing	32	30%	taxable profits	12.10	
Net Assets Tax (ITAN)		paid jointly		5%	net assets	15.04	
<b>Totals</b>	<b>9</b>		<b>380</b>			<b>40.3</b>	

**Notes:**

- a) data not collected
- b) VAT is not included in the total tax rate because it is a tax levied on consumers
- c) very small amount
- d) included in other taxes
- e) Withheld tax
- f) electronic filing available
- g) paid jointly with another tax

Name of taxes have been standardized. For instance income tax, profit tax, tax on company's income are all named corporate income tax in this table.

When there is more than one statutory tax rate, the one applicable to TaxpayerCo is reported.

The hours for VAT include all the VAT and sales taxes applicable.

The hours for Social Security include all the hours for labor taxes and mandatory contributions in general.

## Trading Across Borders in Peru

These tables list the procedures necessary to import and exports a standardized cargo of goods in Peru. The documents required to export and import the goods are also shown.

Nature of Export Procedures (2009)	Duration (days)	US\$ Cost
Documents preparation	12	165
Customs clearance and technical control	5	100
Ports and terminal handling	3	330
Inland transportation and handling	3	280
Totals	23	875

Nature of Import Procedures (2009)	Duration (days)	US\$ Cost
Documents preparation	12	185
Customs clearance and technical control	5	100
Ports and terminal handling	5	330
Inland transportation and handling	2	280
Totals	24	895

### Export

Bill of lading

Certificate of origin

Commercial invoice

Customs export declaration

Packing list

Technical standard/health certificate

Terminal handling receipts

### Import

Bill of lading

Cargo release order

Certificate of origin

Collection order

Commercial invoice
Customs import declaration
Packing list
Terminal handling receipts

## Enforcing Contracts in Peru

This topic looks at the efficiency of contract enforcement in Peru.

Nature of Procedure (2009)	Indicator
Procedures (number)	41
Time (days)	428
Filing and service	82.0
Trial and judgment	171.0
Enforcement of judgment	175.0
Cost (% of claim)*	35.70
Attorney cost (% of claim)	30.0
Court cost (% of claim)	4.7
Enforcement Cost (% of claim)	1.0

**Court information:** Lima Magistrates' Court ("Juzgado de Paz Letrado")

\* Claim assumed to be equivalent to 200% of income per capita.





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