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RESEARCH ARTICLE

TAX BENEFITS AND THEIR EFFECT ON THE FINANCIAL PERFORMANCE OF AN EXPORTING MINING COMPANY, A CASE STUDY IN PERU

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Abstract

The objective of the article was to determine the effect of tax benefits on the financial performance of an exporting mining company in Peru. A quantitative approach, applied and non-experimental design was considered. Documentary analysis and the record card were applied, studying the financial statements of the company during the aforementioned years. The results identify that the tax benefit of the exporting mining company is the balance in favor of the exporter, this was calculated to have the amounts corresponding to each year, it was also found that the company has a good level of financial performance and that in the years studied has compensated the tax benefits, but it has not been done completely leaving balances for the following years and consequently leaving taxes to be paid. It can be concluded that tax benefits, if well applied, favor positively the financial performance of any organization and that they should be duly taken advantage of, as compensation or refund.

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Introduction:-

Due to tax reforms over time, tax collection has developed (Biehl et al., 2019). The same as the granting of tax benefits, which are important and are facilitated in order to promote investment and development in some economic sectors (Bolaños, 2019). Properly optimized, they help companies in their financial decisions in order to meet their commitments (Telles et al., 2021).

International trade in the Americas, for the year 2021 is favorable, this is due to exports of services and products to specific countries (Sociedad de Comercio Exterior del Perú [ComexPerú], 2021). However, despite of all the benefits granted to invigorate economies, many companies still do not know how to make use of them, they consider them costly and inefficient or harmful (Redonda et al., 2019). Argentina over the years has been having important transformations regarding mining, such as agreements and laws on mining investments, fiscal and tax benefits for exploration, extraction and development in such norms is the one of stability that the government gave for 30 years. (Gorenstein et al., 2018).

Gestión (2018) The subscription of the Free Trade Agreement (FTA) between Australia and Peru, is an advantage because Peruvian companies will obtain important benefits. This agreement was agreed in Australia, in the city of Canberra, in the seat of parliament and was in charge of Steven Ciobo (Minister of Trade, Investment and Tourism) and Eduardo Ferreyros, (Minister of Foreign Trade and Tourism - Mincetur). Due to the pandemic the economy was

affected worldwide, however, the mining sector was one of the export activities that closed with positive figures, making a comparison between January and February 2019 and 2020, the exporting mining companies increased their shipments from US\$ 3,987 million to US\$ 3,992 million respectively, this meant a 0.12% growth. (Institute for Research and Development of Foreign Trade [IDEXCAM], 2020).

The company under investigation is dedicated to the exploitation, processing and sale abroad of gold ore, due to a misapplication of the tax benefits granted by the state, is not obtaining the necessary benefit from the balance in favor of the exporter, due to irregularities in accounting procedures for the timely analysis of liquidity, This has caused the mining company, which is the reason for the study, not to take advantage of the tax benefits as it should, since in some years it has requested the refund in cash without first fully compensating the pending taxes, which has had an effect on the company's financial performance.

A diagnosis was made of the financial performance by applying the corresponding tax benefits. Based on the Sole Ordered Text (TUO) of the General Sales Tax and Selective Consumption Tax Law, approved by Supreme Decree N°055-99-EF. Therefore, the following problem arises: How do tax benefits affect the financial performance of an exporting mining company in Peru? Likewise, the objective is: To determine the effect of tax benefits on the financial performance of an exporting mining company in Peru; to achieve this, the following specific objectives were necessary: To identify the tax benefits of an exporting mining company in Peru and to analyze the financial performance of an exporting mining company in Peru.

Theoretical framework:

Osorio (2019), sought to determine the relationship of the limit of the balance in favor of the exporter and liquidity, for which he studied as a sample financial and tax information of the company Peruvian Flooring S.A.C. as a result he showed that the limit of the balance in favor of the exporter is positively related to liquidity, in addition, he highlights the importance that this represents to strengthen the liquid funds of the timber companies.

Sanchez (2019), sought to determine the influence of the Drawback and the balance in favor of the exporter in the financial and economic situation of the agro-exporting company Villaverde S.A.C. as a result of his research determined that the balance in favor of the exporter and the Drawback are very important and that favorably improves the economic and financial situation if it is performed, which is reflected in the increase of liquidity and accounting profit, comforting achievements for the perennial improvement of the company, the mechanisms promoting the export have an impact on the mercantile development.

Morelos et al; (2018), sought to project and analyze the behavior of companies in the extractive sector of that country, the study was conducted in 201 companies for the year 2014 and 191 companies for the year 2015, of the export sector, as a result it is evident that the extractive sector decreased its financial and productivity indicators which indicates a detriment of the sector. At the same time, the discriminant model shows the importance and capacity of discriminant analysis to classify, analyze and project in groups the behavior of business sectors in different periods.

Barbosa et al., (2018) focused their research on the export performance and financial constraints faced by micro-small and medium-sized enterprises in the city of Colombia, for which a specific group of companies were interviewed, applying statistical techniques, the objective of this research was to perform a qualitative diagnosis and the relationships between their commercial and financial aspects, inferred that companies lack good management practices, financial aspects reflect limitations and there is a low exporting experience.

As for the present research was of Quantitative approach, applied and descriptive scope, non-experimental design, the population was an exporting mining company in Peru, being analyzed the periods from 2016 to 2020, documentary analysis was used.

Results:-

Table 1:- Monthly balance in favor of the exporter for the period 2016.

Month	Balance in favor of the exporter S/.	Limit of 18% S/.	Limit of 18%	Benefit balance in favor of profit S/.	Benefit balance in favor of profit %
January	340,800	498,237	3.50%	336,917	5.02%

February	408,960	1,111,530	7.82%	401,140	5.98%
March	545,279	527,902	3.71%	541,402	8.06%
April	681,599	1,801,415	12.67%	668,683	9.96%
May	613,439	1,183,305	8.32%	604,731	9.01%
June	408,960	981,053	6.90%	401,945	5.99%
July	545,279	868,364	6.11%	538,423	8.02%
August	681,599	1,670,491	11.75%	670,417	9.99%
September	613,439	1,164,197	8.19%	604,803	9.01%
October	613,439	1,350,935	9.50%	603,803	8.99%
November	886,079	1,525,824	10.73%	875,673	13.04%
December	477,119	1,535,476	10.80%	465,214	6.93%
Total	6,815,993	14,218,728	100%	6,713,151	100%

Note: The table shows the amount in soles of the exporter's credit balance, the credit balance subject to benefit and the corresponding percentages based on the totals.

Table 2:- Balance in favor of the monthly exporter for the period 2017.

Month	Balance in favor of the exporter S/.	Límit of 18% S/.	Límit of 18%	Benefit balance in favor of profit S/.	Benefit balance in favor of profit %
January	524,828	1,856,496	9.13%	518,123	7.99%
February	393,621	867,454	4.27%	390,163	6.01%
March	262,414	1,158,948	5.70%	258,146	3.98%
April	656,035	2,540,553	12.50%	647,181	9.98%
May	590,431	1,001,692	4.93%	586,441	9.04%
June	459,224	1,714,922	8.44%	452,886	6.98%
July	590,431	1,386,914	6.82%	584,966	9.02%
August	459,224	1,745,764	8.59%	452,748	6.98%
September	787,242	2,119,185	10.43%	779,771	12.02%
October	656,035	2,313,107	11.38%	647,948	9.99%
November	393,621	987,982	4.86%	390,246	6.02%
December	787,242	2,633,956	12.96%	778,516	12.00%
Total	6,560,349	20,326,973	100%	6,487,136	100.00%

Note: The table shows amounts in soles and percentages of tax benefits and the applicable limit.

Table 3:- Balance in favor of the monthly exporter for the period 2018.

Month	Balance in favor of the exporter S/.	Límit of 18% S/.	Límit of 18%	Benefit balance in favor of profit S/.	Benefit balance in favor of profit %
January	586,111	1,185,813	5.78%	575,767	7.01%
February	418,650	1,355,523	6.61%	408,446	4.97%
March	753,571	1,698,885	8.28%	742,041	9.03%
April	837,301	2,392,312	11.66%	820,556	9.99%
May	1,004,761	1,951,183	9.51%	989,450	12.04%
June	418,650	1,331,888	6.49%	407,456	4.96%
July	669,841	1,369,270	6.68%	658,867	8.02%
August	753,571	2,238,386	10.91%	736,426	8.96%
September	586,111	1,152,574	5.62%	576,211	7.01%
October	837,301	1,719,070	8.38%	824,772	10.04%
November	669,841	1,818,561	8.87%	655,042	7.97%
December	837,301	2,296,874	11.20%	819,982	9.98%
Total	8,373,009	20,510,340	100%	8,215,015	100.00%

Note: The table shows amounts in soles and percentages.

Table 4:- Balance in favor of the monthly exporter for the period 2019.

Month	Balance in favor of the exporter S/.	Límit of 18% S/.	Límit of 18%	Benefit balance in favor of profit S/.	Benefit balance in favor of profit %
January	738,263	1,610,116	5.56%	731,406	7.01%
February	1,054,661	3,279,855	11.33%	1,043,951	10.01%
March	527,330	1,968,387	6.80%	518,151	4.97%
April	632,796	2,283,970	7.89%	625,409	6.00%
May	949,195	1,982,071	6.85%	940,109	9.01%
June	632,796	3,248,222	11.22%	622,706	5.97%
July	1,054,661	1,613,500	5.57%	1,045,826	10.03%
August	843,729	2,007,461	6.94%	835,104	8.01%
September	843,729	2,101,001	7.26%	833,809	7.99%
October	1,160,127	4,401,933	15.21%	1,147,296	11.00%
November	1,265,593	2,465,284	8.52%	1,254,047	12.02%
December	843,729	1,982,989	6.85%	833,827	7.99%
Total	10,546,607	28,944,790	100%	10,431,641	100.00%

Note: The table shows amounts in soles and percentages.

Table 5:- Balance in favor of the exporter monthly for the period 2020.

Month	Balance in favor of the exporter S/.	Límit of 18% S/.	Límit of 18%	Benefit balance in favor of profit S/.	Benefit balance in favor of profit %
January	574,692	2,156,102	9.33%	567,030	6.97%
February	738,890	2,604,493	11.27%	730,287	8.98%
March	985,187	2,763,042	11.96%	975,728	11.99%
April	574,692	2,730,625	11.81%	565,028	6.94%
May	410,495	-	0.00%	410,495	5.05%
June	656,791	1,633,931	7.07%	649,232	7.98%
July	492,593	-	0.00%	492,593	6.05%
August	820,989	579,401	2.51%	810,633	9.96%
September	492,593	-	0.00%	492,593	6.05%
October	738,890	4,655,693	20.14%	729,266	8.96%
November	820,989	3,253,859	14.08%	814,316	10.01%
December	903,088	2,734,424	11.83%	898,850	11.05%
Total	8,209,891	23,111,569	100%	8,136,052	100.00%

Note: The table shows amounts in soles and percentages.

Table 6:- Annual summary of tax benefits of an exporting mining company.

Year	Balance payable to in favor of the exporter S/.	Límit of 18% S/.	Límit of 18%	Balance in favor of profit matter S/.	Balance in favor of profit matter %
2016	6,815,993	14,218,728	13.27%	6,713,151	16.79%
2017	6,560,349	20,326,973	18.98%	6,487,136	16.22%
2018	8,373,009	20,510,340	19.15%	8,215,015	20.55%
2019	10,546,607	28,944,790	27.02%	10,431,641	26.09%
2020	8,209,891	23,111,569	21.58%	8,136,052	20.35%
Total	40,505,848	107,112,401	100%	39,982,994	100.00%

Note: The table shows amounts in soles and percentages.

Table 6 shows the summary of the previous tables, where the tax benefits that correspond to a mining company for its export activities are identified, such as the balance in favor of the exporter for the years 2016, 2017, 2018, 2019 and 2020, after having made the deduction corresponding to the tax debit, a balance in favor is observed, which according to the norm must be compensated with tax debt, in its totality for each year, since the amounts are lower

than the determined limit of 18% based on the exports shipped, in this way not disbursing cash for tax payments, cash that could be destined for operating expenses of the company.

Table 7:- Financial performance analysis of a mining exporting company.

Dimensions	Indicators	Formula of the ratio	Year				
			2016	2017	2018	2019	2020
Liquidity	General Liquidity =	Current asset	2.32	2.85	1.61	1.97	5.03
		Current liabilities					
	Superacidic liquidity =	Cash and equivalent Cash and cash equivalents	1.22	1.90	0.56	0.39	3.16
		Current liabilities					
Profitability	Net income net income=	Profit net income	22.87%	34.71%	29.51%	34.81%	34.90%
		Sales (net)					
Endeudamiento	Indebtedness of assets=	Liabilities total	0.28	0.30	0.46	0.32	0.24
		Assets total					

Note: The table shows the coefficients and percentages obtained for the years 2016, 2017, 2018, 2019 and 2020.

Table 7 shows the analysis of the financial performance of the company studied, where it is identified that the company had good liquidity, in the 5 years its indicators are greater than 1, it means that for every S/. 1.00 of commitment the company has to cover in the year 2016 S/.2.32, in the year 2017 S/. 2.85, in the year 2018 S/.1.61, in the year 2019 S/.1.97 and in the year 2020 S/.5. 03 also, according to the super acid liquidity analysis of the years 2016, 2017, 2018, 2019 and 2020 it is visualized that the company maintains resources capable of meeting its short-term liabilities without compromising its investments, in the year 2020 its indicators are higher than 3, which may mean that it has idle current assets, however it should be borne in mind that the company due to the pandemic requested a loan from reactiva Peru, which has been executed in subsequent years. Regarding profitability, the results indicate the company's ability to convert sales into profits, likewise in 2016 the company's profitability for each sol of sale was 22.87%, in 2017 it was 34.71%, in 2018 it was 29.51%, in 2019 it was 34.81% and in 2020 it was 34.90%, as the results are higher than 20% and increasing, it means that the company has a good profit margin and is managing to achieve the desired efficiency over the years. Likewise, the level of indebtedness indicates that the company has third party participation in 2016 of 28%, in 2017 of 30%, in 2018 of 46%, in 2019 of 32% and in 2020 with a lower percentage compared to the other years with 24%, in relation to the proportion of assets, it is also visualized that it has a high level of equity.

Effect of tax benefits on the financial performance of an exporting mining company in Peru.

Table 8:- Analysis of the overall liquidity ratio.

Year	Analysis of ratios	Ratio analysis applying tax benefits	Variation
2016	2.32	2.71	0.39
2017	2.85	3.19	0.34
2018	1.61	1.61	-
2019	1.97	2.22	0.25
2020	5.03	6.28	1.26

Note: The table shows the coefficients obtained and the variation for the years 2016, 2017, 2018, 2019 and 2020.

Table 9:- Super acid liquidity ratio analysis.

Year	Analysis of ratios	Ratio analysis applying tax benefits	Variation
2016	1.22	1.57	0.35

2017	1.90	2.24	0.35
2018	0.56	0.67	0.11
2019	0.39	0.49	0.10
2020	3.16	4.39	1.23

Note: The table shows the coefficients obtained and the variation for the years 2016, 2017, 2018, 2019 and 2020.

Table 10:- Analysis of the net profit margin ratio.

Year	Analysis of ratios	Ratio analysis applying tax benefits	Variation
2016	22.87%	22.87%	-
2017	34.71%	34.71%	-
2018	29.51%	29.51%	-
2019	34.81%	34.81%	-
2020	34.90%	35.09%	0.19%

Note: The table shows the percentages obtained and the variation for the years 2016, 2017, 2018, 2019 and 2020.

Table 11:- Analysis of the debt to asset ratio.

Year	Analysis of ratios	Ratio analysis applying tax benefits	Variation
2016	0.28	0.24	-0.05
2017	0.30	0.27	-0.03
2018	0.46	0.46	0.00
2019	0.32	0.30	-0.02
2020	0.24	0.22	-0.02

Note: The table shows the coefficients obtained and the variation for the years 2016, 2017, 2018, 2019 and 2020.

Tables 8, 9, 10 and 11 show the ratio analysis obtained from the financial statements for the years 2016 to 2020 and the ratio analysis applying the benefit of the balance in favor of the exporter, where it is determined that the effect of the tax benefits on the mining company is positive if they are applied correctly, which is demonstrated in the variations respectively.

Conclusions:-

- i. The company under study has the balance in favor of the exporter as a tax benefit due to its export activities, in addition, according to the norm this benefit must be in first instance deducted from the tax debit, then when the balance in favor of the benefit is configured it must be compensated with taxes pending payment, and if there is a surplus of this benefit it can be requested, However, if it exceeds the limit amount of 18% based on the value of exports shipped, it must be carried forward as a credit balance for the following month, as verified by the company due to offset such benefits with taxes pending payment in full, without the need to request a cash refund of the same, a refund that incurs unnecessary expenses.
- ii. Tax benefits are important, companies should be aware that when well applied they favor positively the financial performance of any organization, which is reflected in the increase of liquidity, profit and in the decrease of indebtedness, necessary indicators for the growth of any organization that wishes to remain in time and which should be evaluated periodically in order to avoid mismanagement.
- iii. The balance in favor of the exporter is important, it could be considered a right that every Peruvian company that carries out export activities has, it should be duly used, as compensation or refund if applicable, since it increases the competitiveness of the company and provides it with resources that allow it to combat inequalities, continue to generate decent work, economic growth and improve the industry and infrastructure, improving the sector, which is in line with the SDGs. (sustainable development goals).
- iiii. The financial performance of the company under study was positive during the years 2016 to 2020, the sales generated by its export activities are good, it has good current assets, layers to support its obligations.

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