

The income tax of the Antamina mining company and its incidence on the mining canon for the social development from the San Marcos district, years 2014 - 2017

[El impuesto a la renta de la compañía minera Antamina y su incidencia en el canon minero para el desarrollo social del distrito de San Marcos, años 2014 - 2017]

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Resumen

Esta investigación demostró el importante aporte de la minería al bienestar de las comunidades, destacando su desproporcionado aporte en términos de impuestos y otros pagos al estado. Teniendo en cuenta que el estado, a través del erario público, se encarga de administrar, disponer y distribuir. A su vez, la ejecución de los gastos se hace de manera ineficiente y desaprovechada por la capacidad de las instituciones del sector, por lo que se debe realizar una evaluación profunda, ya que tal aporte de las empresas mineras es importante para el bienestar social de las comunidades, pues están en pobreza total. Hay descontento en las comunidades que se ven envueltas en los conflictos de distribución del ingreso producto de las empresas extractivas y hay desigualdad en la distribución del ingreso en las provincias y distritos.

En el Perú, las empresas mineras han sido fuentes de riqueza y enriquecimiento racional donde la población está involucrada, por lo que las empresas mineras se han involucrado en la contaminación ambiental en los diferentes departamentos. El Perú es rico en minerales, debido al desarrollo de las actividades mineras en varias regiones, por lo que solo se estudiarán las provincias de Ancash. Uno de los distritos es San Maquino que se ubica al este del río Mosna, provincia de Huari. Al norte está el río Carash. El pueblo de San Marcos está justo donde el río Carash desemboca en el río Mosna. En la cuenca del Carash hay varias comunidades entre ellas Ango Raju Carhuayoc, está por lo tanto directamente ligada a las actividades mineras de Antamina asociadas con la llegada del canon minero fracción del impuesto a la renta pagado por Antamina que repentinamente y dramáticamente incrementó las arcas municipales para que el Municipio de San Marcos y provincias y otros distritos sin mejoras en caminos, educación y saneamiento.

Palabras clave: Recursos, Canon minero, Desarrollo económico, impuestos.

Abstract

This research demonstrated the important contribution of mining to the welfare of communities, emphasizing its disproportionate contribution in terms of taxes and other payments to the state. Taking into account that the state, through the public treasury, is in charge of administering, disposing and distributing. At the same time, the execution of expenses is done inefficiently and wasted by the capacity of the sector's institutions, so a deep evaluation should be made, since such contribution of the mining companies is important for the social welfare of the communities, because they are in total poverty. There is discontent in the communities that are involved in the conflicts of income distribution resulting from the extractive companies and there is inequality in the distribution of income in the provinces and districts.

In Peru, mining companies have been sources of wealth and rational enrichment where the population is involved, so mining companies have become involved in the environment contamination in the different departments. Peru is rich in minerals, due to the development of mining activities in various regions, so it will only study the provinces of Ancash. Some of the districts are San Maquino is located to the east of the Mosna river, province of Huari. To the north is the Carash River. The town of San Marcos is right where the Carash flows into the Mosna. The Carash basin, where there are several communities including Ango Raju and Carhuayoc, is therefore directly linked to the mining activities of Antamina associated with the arrival of the mining canon fraction of income tax paid by Antamina that suddenly and dramatically increased the municipal coffers so that the Municipality of San Marcos and provinces and other districts there are no improvements in roads, education and sanitation.

Keywords: Resources, mining canon, economic development, tax.

1. Introduction

This research work on mining and the economy shows an important contribution to national development, emphasizing its proportionate contribution in terms of taxes and other payments to the state. It has been studying the peoples from the Ancash department its problems and possible decentralizations, taking into account that it seeks a fair and distribution of determining on the mining canon should focus extensively on the various interrelationships between the State and the regional government that come in constant disagreement, over a disproportionate of the income received by the mining canon. In addition, the period studied was between 2014 to 2017, a period where the rate of collection of canon was increasing for the economy of Peru, so it should have obtained a very favorable result for the community, unfortunately the reality is totally different.

It can be observed growth of export of minerals, which has originated in parallel a growth in the transfers of the mining canon, unfortunately the provinces, districts, is considered as a poorer region of Peru, so it has been possible to observe in the results the sector of education, sanitation, roads at the national level. This is due to the fact that since January 1, 2007, the governors of the Ancash Region, during their term of office, that is, due to their lack of capacity, have been ventilated for corruption, collusion, that is, trying to achieve a certain profit at the expense of a third party, using fraudulent means. In addition, for defrauding the regional government, causing economic and financial damages to the institution. Therefore, we present a table where we can detail the irregularities of the regional governors who are currently detained such as:

Table 1. The regional governors who are currently detained

N°	Regional Leaders	Terms of office	End of his Terms of office
1	Freddy Ghilardi Álvarez	January 1, 2003 - November 28, 2003	End of government
2	Eloy Ricardo Narváez Soto	November 29, 2003 - December 31, 2006	End of government
3	César Álvarez Aguilar	January 1, 2007 - December 31, 2010	was removed from the position of regional president of Ancash after being convicted of corruption.
4	César Álvarez Aguilar	January 1, 2011 - May 19, 2014	Resignation due to corruption accusations, for 14 years and 3 months.
5	Florencio Román Reyna	May 20, 2014 - June 12, 2014	Vacated due to his house arrest in the office of the presidency, because he was investigated for the corruption case called "La Centralita".
6	Zenón Ayala López	June 13, 2014 December 31, 2014	provisionally the regional presidency until the end of the period ending on December 31 of that year.
7	Enrique Vargas Barrenechea	January 1, 2015 May 23, 2015	Criminal charges: Generic falsehood, i.e. arrest and imprisonment for false information in his curriculum vitae. Sentence: 5 years imprisonment
8	Waldo Ríos Salcedo	May 24, 2015 - October 5, 2016	Arrest and imprisonment for corruption is guilty of the crime of collusion. Therefore, on September 29, 2016, he was sanctioned with the penalty of 5 years of effective imprisonment, having been confined, that same afternoon, in the Huaraz prison.
9	Enrique Vargas Barrenechea	October 6, 2016 - April 10, 2017	Sentenced to 5 years in prison for the crime of generic falsehood for having lied in his resume submitted to the National Jury of Elections when he presented himself as a candidate for regional vice-governor.
10	Luis Gamarra Alor	April 19, 2017 - December 31, 2018	End of government.
11	Juan Carlos Morillo Ulloa	January 01, 2019 - May 15, 2020	Arrest for alleged acts of corruption for alleged irregularities during the remodeling of a new COVID-19 environment and the acquisition of medical equipment.
12	Henry Borja Cruzado	June 01, 2020 - To Date	Appointment by the regional council as lieutenant governor

Theoretical basis

According to Viale and Cruzado (2012), Keen and McPherson, (2010) in Latin America, there are the following channels through which the State can obtain revenues from the extractive industry.

Direct Taxes. These are constituted by the income tax, which is applied to companies engaged in the extraction of both natural resources and oil and gas. Companies engaged in extractive activities, both private and public.

Indirect Taxes. Consists of the tax levied when a person consumes a good or service and must pay them based on the consumption of goods and services, which are applied to all companies that operate in a country.

Profit tax. Those taxes applied to the profits of the extractive sectors, product of the extractive sectors, resulting from the sale of resources at a price above a base price.

Above a base price. This base price should be determined on the basis of the historical series of the prices of that resource in the international market.

Non-tax revenues. Royalties from private and state-owned companies. Taxes on dividends or contributions that the State collects from private companies.

Mining Royalties. According to paragraph 2.1 of article 2 of the Mining Royalty Law, this is the economic consideration paid to the State by the parties involved in the mining activity for the exploitation of metallic and non-metallic mineral resources. Article 11 of the Mining Royalty Law states that the amount effectively paid as mining royalty will be considered as income tax expense in the corresponding fiscal year. Article 10 of the Regulations of the Mining Royalty Law provides that the amounts paid for mining royalties will be considered as an expense to be applied to income tax. This expense will be deductible in the year in which the royalty is paid.

The Mining Canon is subject to income tax that are applied to the representatives of the mining activities, so they are a central problem, so it minimizes the basis for developing the income tax calculations that are disbursed taking into account a series of deductions that in the 90's were granted to mining and are still in force, The benefits granted in the TUO of the Mining Law, Supreme Decree 014-92-EM, taking into account article 72 of the same law and the so-called tax stability regimes and other regulations, signed before August 2000.

Glave, M. and Kuramoto, J. (2012) in their economic theory, indicate that natural resources are patrimonial properties of the nation; therefore, their constant exploitation should be sold to the population without harming future generations. In addition, resources are non-renewable, mining activities should be subject to income tax scarcity, the amount of which will represent the costs for temporary inter-opportunities in its exploitation.

Barrantes et al. (2015), continuing with our conceptual approach, the mining canon is not a compensatory tool, i.e. it does not correspond to the aforementioned costs, but rather a tool for redistributing the income generated by the exploitation of all natural resources. According to our Political Constitution of Peru where it is applied in article 77 and in the Law of the Canon 27506, of July 2001. This law establishes that the resources of the canon must be used exclusively for the financing of the investments of the projects or infrastructure works that are going to have a focus in the regions and at local level. It must be taken into account that the canon is equivalent to 50% of the resources collected by the State taking into account the income tax (IT) that corresponds to the third category in mining companies; taking into account that they are applied on the profits that are generated during the fiscal year of the period. By knowledge, royalty collections begin after many companies have recovered their initial investments.

Ancash is politically divided into 20 provinces and 166 districts, with the city of Huaraz as the capital.

Table 2. Provinces and Districts from Ancash

Province	Capital	Area Km ²	Districts
Aija	Aija	696.72	5
Antonio Raimondi	Llamellin	561.61	6
Asuncion	Chacas	528.66	2
Bolognesi	Chiquian	3,154.80	15
Carhuaz	Carhuaz	803.95	11
Carlos Fermin Fitzcarrald	San Luis	624.25	3
Casma	Casma	2,262.86	4
Corongo	Corongo	988.01	7
Huaraz	Huaraz	2,493.31	12
Huari	Huari	2,771.90	16
Huarmey	Huarmey	3,903.82	5
Huaylas	Caraz	2,292.78	10
Mariscal Luzuriaga	Piscobamba	730.58	8
Ocros	Ocros	1,925.43	10
Pallasca	Cabana	2,101.21	11
Pomabamba	Pomabamba	914.05	4
Recuay	Recuay	2,304.19	10
Santa	Chimbote	4,014.33	9
Sihuas	Sihuas	1,455.97	10
Yungay	Yungay	1,361.48	8
Total		35,889.91	166

Source: National Institute of Statistics and Informatics [INEI].

The province of Santa has the highest population concentration rate, with 38.2 percent of the department's total population. Of the population, 50.8 percent is male and 49.2 percent is female. 61.1 percent of the population is urban and 38.9 percent is rural.

2. Materials and Methods

The focus of this research is quantitative, which, according to Bernal (2010), who expresses relationships between the variables studied in a deductive manner (p. 60).

It is of an explanatory level, in which there is a Dependent AND independent variable, the work of the research will be to determine the association between two identified variables.

As for the design, it is considered non-experimental, because it will not manipulate or stimulate any of the variables, but it will be observed as they develop in the selected environment, these variables are Income Tax and Mining Tax.

Del Cid, Méndez and Sandoval (2011), define population by the workers who work in the metal-mechanic sector in the Independence district, which amounts to 57 workers represented by 4 companies according to the mining companies.

Operationalization of variables:

Independent Variable

X1 = Income Tax

Table 3. Independent Variable - Indicators and Indices

	Dimensions	Indexes
X1	Revenues	Production volume Market
	Taxes	General Sales Tax Income Tax Special mining tax
	Scarcity income	Extraction cost Royalties technologies

Dependent Variable

Y1 = Mining Royalty

Table 4. Dependent Variable - Indicators and Indexes

	Index	Indicators
Y1	Investment project in the province	Construction of small dams Investment projects in adequate housing Road projects in the provinces
	Education	Create more schools implemented Training for teachers Reduce illiteracy
	Health	Project for the Implementation of Hospitals in the Province
	Employment	Sanitation project in the Province Agreements with Institutions
	and job opportunities	Artisan Workshops Reduce Unemployment

Table 5. Operationalization of Variables

Variables	Definition of variable	Dimension	Indicators
Income tax	It is a tax levied during the year on all income obtained from work or from the exploitation of capital, whether movable or immovable property. This tax must be compulsorily paid by the beneficiary of the income, i.e., the person who works or the owner of a business.	Revenue	Production volume Market
		Taxes	General sales tax Income tax Special mining tax
		Scarcity income	Cost of extraction Royalties Technologies
Mining royalties	Natural resources are the property of the nation's patrimony; therefore, their exploitation must benefit the population without harming future generations (Barrantes 2005).	Investment project in the provinces	Construction of small dams Investment project in adequate housing Road project in the provinces
		Education	Create more implemented schools Teacher training Reduce illiteracy
		Health	Project for the implementation of hospitals in the provinces Sanitation project in the provinces
		Employment and job opportunities	Agreement with institutions Handycraft workshops Reduce unemployment

3. Results

Analysis and interpretation

Survey: income tax

Table 6. The mining canon controls revenues in production volume.

		Frequency	Percentage	Percentage valid	Percentage accumulated
valid	In agreement	11	22,0	22,0	22,0
	Fully agreement	39	78,0	78,0	100,0
	Total	50	100,0	100,0	

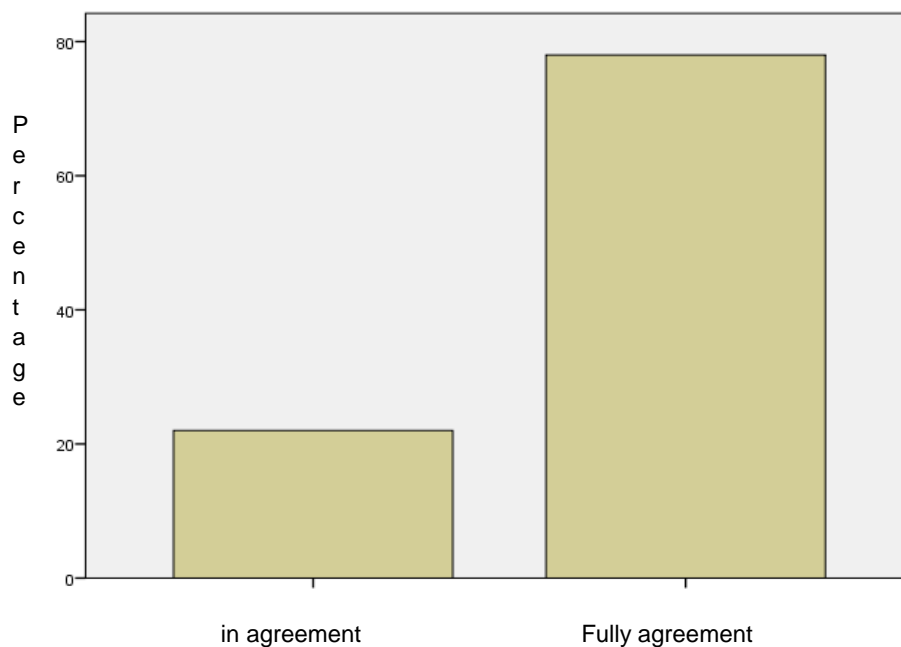


Figure 1. The mining royalty controls revenues in terms of volume of production

Source: Database

interpretation:

It can be established that the mining canon controls income in terms of the volume of production, 78% totally agree and 22% only agree.

Table 7. General sales tax is applied by the productive units of minerals in the international market

		Frequency	Percentage	Percentage valid	Percentage accumulated
valid	In agreement	8	16,0	16,0	16,0
	Fully agreement	42	84,0	84,0	100,0
	Total	50	100,0	100,0	

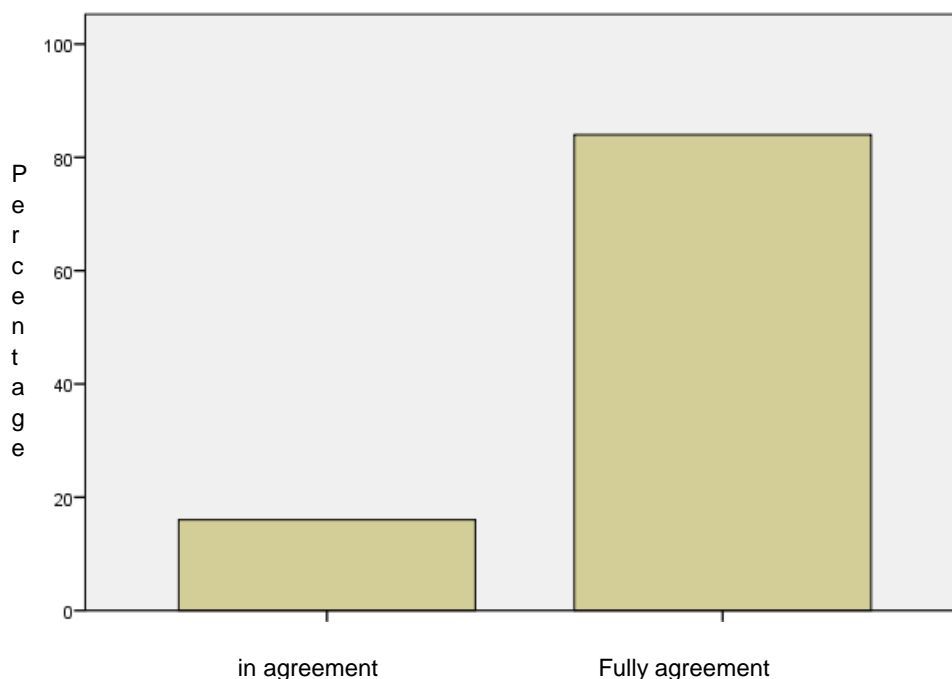


Figure 2. General sales tax leaved on mineral production units in the international market

Interpretation:

It can be established that the General Sales Tax is applied by the productive units of minerals in the international market, obtaining as a result 84% totally agree and 16% agree.

Table 8. Royalties provide benefits to local populations where minerals are extracted.

		Frequency	Percentage	Percentage valid	Frequency accumulated
valid	Neither agree nor disagree	9	18,0	18,0	18,0
	In agreement	7	14,0	14,0	32,0
	Fully agreement	34	68,0	68,0	100,0
total		50	100,0	100,0	

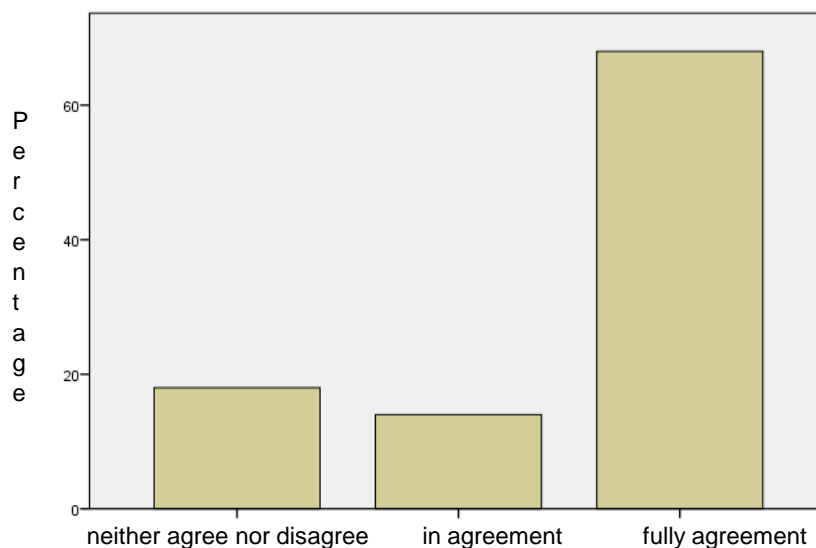


Figure 3. Royalties provide benefits to local populations where minerals are extracted

Interpretation:

Royalties provide benefits to the local populations where the minerals are extracted, with 68% strongly agreeing, 14% agreeing and 18% neither agreeing nor disagreeing.

Table 9. Investment projects in the provinces should be oriented to the construction of adequate housing to improve the quality of life of the population.

		Frequency	Percentage	Percentage valid	Frequency accumulated
valid	Neither agree nor disagree	9	18,0	18,0	18,0
	In agreement	7	14,0	14,0	32,0
	Fully agreement	34	68,0	68,0	100,0
	total	50	100,0	100,0	

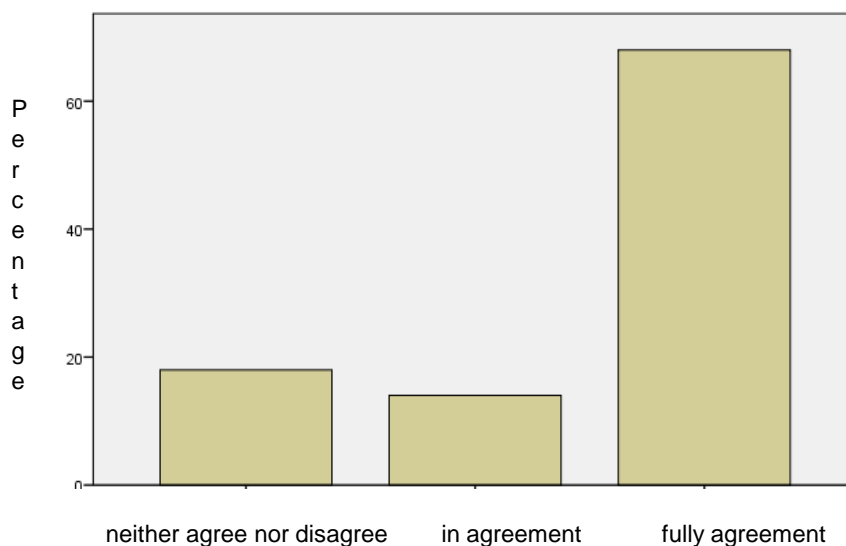


Figure 4 Investment projects in the provinces should be oriented towards the construction of adequate housing to improve the quality of life of the population

Interpretation:

Investment projects in the provinces should be oriented towards the construction of adequate housing to improve the quality of life of the population, with 68% totally agreeing, 14% agreeing and 18% neither agreeing nor disagreeing.

Table 10. Investment projects in the provinces should be oriented to the construction of adequate roads to improve the quality of life of the population

		Frequency	Percentage	Percentage valid	Frequency accumulated
valid	Disagree	3	6,0	6,0	6,0
	Neither agree nor disagree	6	12,0	12,0	18,0
	Agreed	9	18,0	18,0	36,0
	Totally agree	32	64,0	64,0	100,0
	total	50	100,0	100,0	

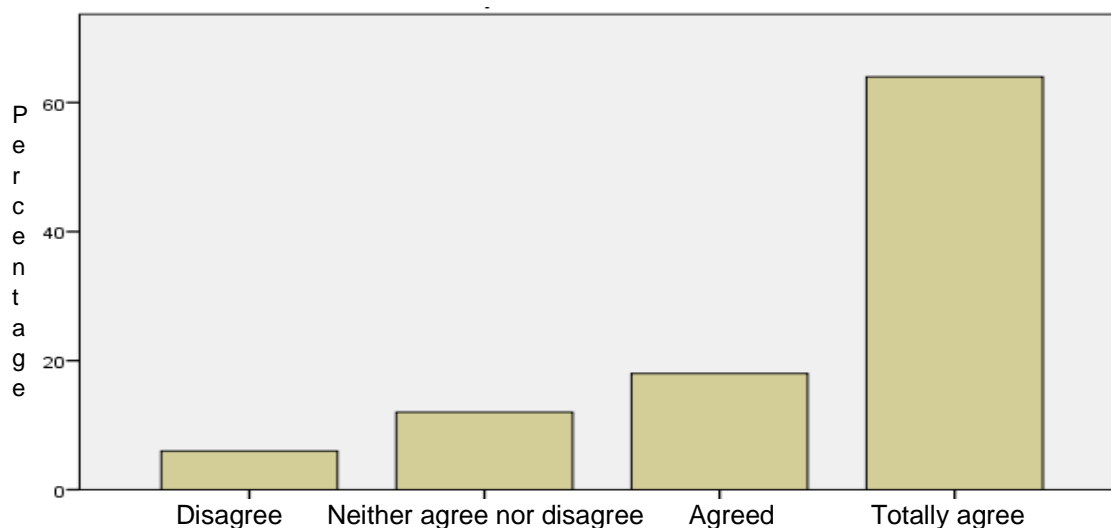


Figure 5. Investment projects in the provinces should be oriented to the construction of adequate roads to improve the quality of life of the population

Interpretation:

Investment projects in the provinces should be oriented to the construction of adequate roads to improve the quality of life of the population, with 64% totally agreeing, 18% agreeing, 12% neither agreeing nor disagreeing and 6% disagreeing.

Table 11. To promote social development, more schools should be built to improve education.
To promote social development, more schools should be built to improve education

	Frequency	Percentage	Percentage valid	Frequency accumulated
Disagree	1	2,0	2,0	2,0
Neither agree nor disagree	3	6,0	6,0	8,0
Agreed	13	26,0	26,0	34,0
Totally agree	33	66,0	66,0	100,0
total	50	100,0	100,0	

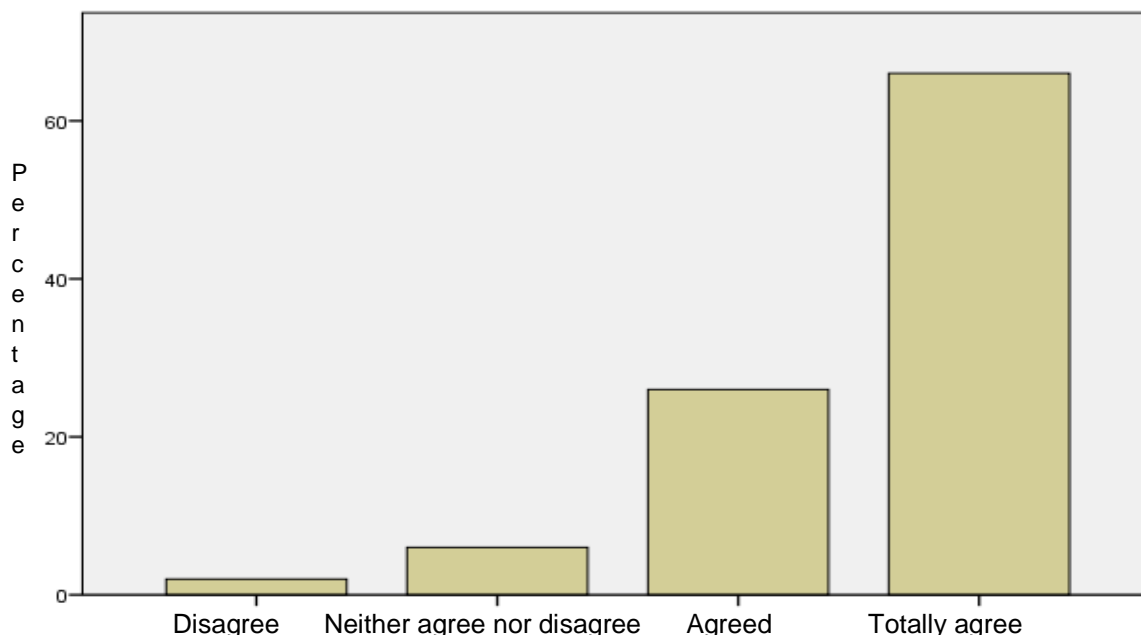


Figure 6. To promote social development, more schools should be built to improve education

interpretation

In order to promote social development, more schools should be built to improve education, with 66% totally agreeing, 26% agreeing, 6% neither agreeing nor disagreeing, and 2% disagreeing

Results of the second equation

In relation to the degree of association between the variables Poverty Incidence (dependent variable) and Mining Canon (independent variable) of the main Mining Regions of Peru, the closer the correlation level "r" is to one (1) the higher the degree of correlation between the variables but the closer it is to zero (0) the lower the degree of correlation between the variables.

xtgls ind_pobrz LogCMp, panel (het) rhotype (dw)

Cross-sectional time-series FGLS regression

Coefficients: generalized least squares

Panels: heteroskedastic

Correlación: no hay autocorrelación

Covarianzas estimadas = 7 Número de observaciones = 84

Autocorrelaciones estimadas = 0 Número de grupos = 7

Coefficientes estimados = 2 Períodos de tiempo = 12

Wald chi2(1) = 70,70

Prob > chi2 = 0.0000

ind_pobr	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
LogCmp	-8.031632	.9551774	-8.41	0.000	-9.903745	-6.159519
_cons	79.85668	5.7655	13.85	0.000	68.55641	91.15695

4. Conclusions

- According to the General Objective, the Ancash Region and its provinces have been studied, taking into account the transfers of the mining canon to the regional government and distributed to the provinces for transportation, health and school expenses, which have been significantly affected in the last four years, that is, 2014 - 2017. Public investments have only reached to execute in the budget 20% significantly in its partition in the development of the provinces, in the districts closest to the mines. This concentration of resources in one area is very limited and does not help to generate economic growth and, in the medium term, generating inequities and tensions between the provinces.
- The money resources from the mining canon have an impact on the district of San Marcos, province of Huari, because it does not have authorities capable of managing, that is to say, of elaborating projects taking into account the needs and requirements of the communities, so they comply with the approved budget.
- The delegitimization of authorities, both national and local, tends to exacerbate conflicts and, once they have erupted, reduces the government's capacity to manage them constructively.
- Regarding social development in the district of San Marcos, the mining canon on economic growth in the main regions unfortunately has not generated social impact, i.e. the provinces, the districts still have great needs of lack of transportation, i.e. no roads generating difficulty in the transfer, sanitation, i.e. hospitals do not have medical instruments and schools lack infrastructure and technology.

5. Acknowledgments

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