



# Doing Business in ARGENTINA



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# About Andersen

## Andersen Global

**Andersen Global®** was established in 2013 as an association of legally separate, independent member firms, with a worldwide presence and comprised of professionals that share a common background and the same vision no matter the location where they are.

Our growth is a byproduct of the outstanding client service delivered by our people, the best professionals in the industry and our objective isn't to be the biggest firm, it is to provide best-in-class client services in seamless fashion across the globe.

Outstanding client service has and will continue to be our top priority.

Our professionals are selected based on quality, like-mindedness, and commitment to client service and each and every one of the professionals that are a part of Andersen Global share our core values.

Andersen Global was established to create an enduring place – ONE FIRM where clients across the globe are afforded the best, most comprehensive tax and legal services provided by skilled staff with the highest standards.

Outstanding client service has and will continue to be our top priority.

## About Andersen in Argentina

Andersen in Argentina is a firm specializing in tax, with a team made up of accountants, economists and lawyers with more than 20 years of experience in various industries, international tax planning and transfer pricing. We have been recognized for several consecutive years as the leading firm in Argentina for tax and transfer pricing services.

As a member firm of Andersen Global, we have a global presence, which allows us to provide our services with a global focus for both national and multinational companies.

We offer comprehensive solutions, complying with the excellence and values that the Andersen name represents, which makes us stand out as a benchmark for international investors. We seek the balance between the companies that are members of the multinational groups, maximizing global profits and, in turn, ensuring full compliance with the applicable tax regulations.





## 2.

# Country Highlights

Argentina is located in the extreme south of the American continent, being the eighth-largest country in the world and the second in Latin America in terms of territorial extension. It has a continental surface of 2.8 million km<sup>2</sup> and with 969 thousand km<sup>2</sup> on the Antarctic continent. The continental surface extends 3,694 kilometers from north to south (between parallel 21° and 55°) and 1,423 kilometers from east to west (between meridian 53° and 63°). Argentina has access to the South Atlantic Ocean and, through the Strait of Magellan, to the South Pacific. The country limits to the east with the Eastern Republic of Uruguay, the Federative Republic of Brazil and the Atlantic Ocean; to the west and south with the Republic of Chile; and to the north with

The Argentine Constitution adopts the republican, representative and federal forms of government.

the Republics of Bolivia and Paraguay. Its geographical position gives it direct access to a regional market of 240 million people, in addition to its more than 40 million inhabitants.

The Argentine Constitution adopts the republican, representative and federal forms of government. The federal form of government establishes the division of power between the federal government and the provincial governments, guaranteeing their autonomy. In this system coexist the national, sovereign government, whose jurisdiction covers the entire territory of the Nation, and the provincial governments, autonomous in the establishment of their institutions and their local constitutions, whose jurisdictions exclusively cover their respective territories. The political division of the Argentine territory includes 23 provinces and the Autonomous City of Buenos Aires, which has a special regime of autonomy. For their part, the provinces divide their territory into municipalities; some of them are also divided into departments.

The political organization of the country is based on the traditional republican division of powers: the Executive Power, the Legislative Power and the Judicial Power.



## Corporate Forms of Organization

Pursuant to the Argentine law, there are several forms of corporate organization entities may avail of in order to conduct business activities in Argentina, including by way of interests in local companies or otherwise in the form of an Argentine branch established by a foreign company.

Foreign investors should first become familiar with the diverging extent of liability attached to local companies and foreign companies' branches.

In this respect, foreign companies' branches are merely a decentralized administrative unit of the parent company, with no legal standing of their own. In other words, neither is the branch a separate legal entity from the foreign company nor is it a separate unit for attribution of rights and obligations. Accordingly, the foreign company will be financially liable for such obligations the branch may fail to fulfill. Yet, the branch will still have certain autonomy and functional organization and will be led by a legal representative to be appointed by the parent company.

Conversely, local companies are separate entities from their partners/shareholders, with their liability being limited to their equity interests in the company.

That said, below is a brief overview of the most common investment vehicles used to develop business activities in Argentina.

### **Establishment of an Argentine Branch by a Foreign Company**

A foreign company organized and existing under the laws of its country of



incorporation may establish a branch, place of business, or any other form of permanent representation in Argentina.

To such end, the foreign company shall: (i) register its by-laws with the Public Registry of the jurisdiction in which it will conduct its ordinary business, which shall be encompassed in its parent company's corporate purpose; (ii) provide a certificate of good standing in accordance with the applicable laws of its country of incorporation, and evidence that the entity's main business is developed outside Argentina.

The Public Registry in Buenos Aires City will not register companies incorporated abroad that are incorporated, registered or incorporated in countries, domains,

jurisdictions, territories, associated states and special tax regimes, considered non-cooperative for tax transparency purposes and/or categorized as non-cooperative in the fight against money laundering and financing of terrorism, or of low or nil taxation.

The branch does not need to meet any minimum capital requirement in order to be able to conduct the business activity encompassed in its parent company's corporate purpose in Argentina, unless otherwise so required by special laws. This is the case, for instance, of financial institutions, insurance companies, and savings and loan associations.

On the other hand, the parent company is required to appoint one or more legal representatives, who shall be the sole individuals lawfully entitled to exercise the rights, and fulfill the obligations, of the branch.

These legal representatives must be individuals and will be held liable for their actions. In all cases, their liabilities will be similar to those attached to the directors of a corporation (*sociedad anónima*). The appointment of at least one Argentine-resident legal representative is advisable to deal with the Argentine tax and administrative authorities.

Additionally, the branch will maintain separate accounting records from the parent company and will file its annual financial statements with the pertinent

Public Registry. The applicable laws will only govern the local branch set up in Argentina in connection with the business carried on therein.

Finally, it is important to remark that in the Public Registry in Buenos Aires City it is necessary to accomplish with an annual information regime of foreign companies to prove that the company continues to carry out its main activity abroad Argentina and to provide updated information regarding its shareholders and beneficial owner.

## **Incorporation and/or Equity in a Local Company**

In order to incorporate and/or acquire an equity interest in an Argentine local company, a foreign business must first register its by-laws with and file a certificate of good standing with the Public Registry of the pertinent jurisdiction.

Following registration, the foreign business may incorporate or acquire equity interests in a local company, under any of the forms permitted by applicable Argentine laws.

The Public Registry in Buenos Aires City will not register companies incorporated abroad that are incorporated, registered or incorporated in countries, domains, jurisdictions, territories, associated states and special tax regimes, considered non-cooperative for tax transparency purposes and/or categorized as non-cooperative in the fight against money laundering and financing of terrorism, or of low or nil taxation.





In Argentina, the most common forms of corporate organization used to conduct business activities are corporations (*sociedades anónimas* or SA) or single-shareholder corporations (*sociedades anónimas unipersonales* or SAU), limited liability companies (*sociedades de responsabilidad limitada* or SRL), and limited partnerships (*sociedades por acciones simplificadas* or SAS). These forms of corporate organization are governed by the Argentine Business Companies Act No. 19,550. In particular, SASs are governed by the Venture Capital Advocacy Act. There are other forms of corporate organizations under the Argentine Business Companies Act which, by reason of liability concerns or organization drawbacks, have virtually fallen into disuse.

In any case, there are some common features inherent to all forms of corporate organization, including:

- *Public Registry - company's domicile:* Under the Argentine laws, each provincial government is tasked with arranging and maintaining a Public Registry of Commerce, and with exerting oversight duties over certain businesses.
- *Number of partners/shareholders:* Pursuant to the Argentine laws, a local company may have one (**SAU** or **SAS**) or more partners/shareholders (**SA**, **SRL** or **SAS**).
- *Substantial interest owned by the minority shareholder:* The Buenos Aires City Corporate Record Office (Inspección General de Justicia or IGJ) has enacted regulations requiring that the minority shareholder hold a substantial interest in companies with two shareholders. This requirement will be deemed met if the minority shareholder acquires an equity interest of no less than 5% in the company.



In order to incorporate and/or acquire an equity interest in an Argentine local company, a foreign business must first register its by-laws with and file a certificate of good standing with the Public Registry of the pertinent jurisdiction.

- *Previous registration of foreign shareholders/partners:* To be eligible to become a partner/shareholder of a local company, the foreign company must have been previously registered. This requirement will not apply to non-Argentine-resident individuals; however, an identification code will have to be applied for with the Argentine tax administration (AFIP).
- *Capital stock:* In all cases, capital stock will have to be fully subscribed at the time of incorporating the local company and paid in by no less than 25%. Capital contributions may be either in cash or in kind.

- *Corporate authorities:* The local company's administrators will be elected upon the company's incorporation and then, at the respective shareholders'/partners' meetings. An absolute majority of administrators shall have their domicile of choice established in Argentina, with all of them being required to establish domicile for special purposes in Argentina and apply for a tax identification code.

For **SASs**, the law provides that at least one administrator shall have a domicile of choice established in Argentina, while foreigners will have to apply for an identification code and appoint a representative in Argentina.

Each administrator will have to provide a performance bond. The most common practice is purchasing a surety bond from an insurance company.



	SA	SRL	SAS
Incorporation	<p>By public deed</p> <p>Documents are filed for approval by the Public Registry.</p>	<p>By public deed or private instrument</p> <p>Documents are filed for approval by the Public Registry.</p>	<p>Electronic means</p> <p>Documents are filed for approval by the Public Registry.</p>
Administrative Body	<p>Board of Directors</p> <p>Two or more natural person, partners or not</p> <p>Term in office is limited (three fiscal years at most).</p>	<p>Management</p> <p>One or more natural person, partners or not</p> <p>Term in office may be for a definite or indefinite period of time.</p>	<p>Administrators</p> <p>One or more natural person, partners or not</p> <p>Term in office may be for a definite or indefinite period of time.</p>
Legal Representative	Board of Directors' Chairman	As stipulated in the by-laws	As stipulated in the by-laws
Shareholders/Partners	At least one (SAU) or two shareholders	The number of partners is limited (two to 50 partners).	One or more shareholders
Capital Stock (in ARS)	ARS 100,000	No minimum capital requirement is prescribed by law.	Subject to adjustable minimum living wage prevailing on incorporation date
Shares/Units	<p>Common or preferred, registered, non-endorsable shares</p> <p>Freely transferable (other than for the limitations set forth in the by-laws)</p> <p>Share transfers are not registered with the Public Registry and become effective since registration in the corporate books.</p>	<p>All units shall have the same face value, equal to ARS 10 or multiples thereof.</p> <p>Freely transferable (other than for the limitations set forth in the by-laws)</p> <p>An assignment or transfer of units will become effective since registration with the Public Registry.</p>	<p>The manner in which shares are allowed to be traded or transferred will be as governed by the by-laws.</p> <p>Share transfers are not registered with the Public Registry and become effective since registration in the corporate books.</p>

	SA	SRL	SAS
	Officially signed and sealed carbonless copy books	Officially signed and sealed carbonless copy books	Electronic means
	a) Book of Minutes b) Record of Attendance c) Shareholders' Ledger d) Journal d) Inventory and Financial Statements Book	a) Book of Minutes b) Journal c) Inventory and Financial Statements Book	a) Book of Minutes b) Share Ledger b) Journal d) Inventory and Financial Statements Book
Other Obligations	AFIP: Output and Input VAT journal	AFIP: Output and Input VAT journal	AFIP: Output and Input VAT journal
	Filing of annual financial statements with Public Registry	No filing of annual financial statements with Public Registry is required.	No filing of annual financial statements with Public Registry is required.
	Annual enforcement fee	No annual enforcement fee	No annual enforcement fee

## Registration Procedure for Local Companies

In order to incorporate and register a SA, SAU or SRL, registrants will first have to prepare certain documents required by applicable laws, arrange for signatures in the public deed of incorporation (SA and SAU) or have signatures certified in the (SRL), perfect other documents, publish notices in the Official Gazette, and then make their filings with the respective Public Registry. The length of the registration procedure will depend on the type of application: (i) five working days for expedited registration (standard by-laws) or (ii) approximately 20 working days for ordinary registration.

Concerning SASs, expedited registration (within 24 hours) is applied for by electronic means by populating the personal details

The length of the registration procedure will depend on the type of application

of partners, administrators, supervisory committee's members (if any), and/or administrators' or partners' representatives (if any). In addition, the registrant shall pay all applicable fees and forms, comply with capital payment requirements, secure the company's registration and tax identification number (CUIT), and establish a bank account. This procedure is possible to the extent the standard by-laws provided by the Corporate Record Office are used.

## Social Security and Labor Rights

### Labor Contract (Law No. 20.744)

For the purposes of this Act, any lawful activity in favor of a person who has the power to direct it, in exchange for remuneration is regarded as work.

There will be an employment contract (whatever its form or name) when a person is obliged to carry out acts, execute works or provide services in favor of another and under the latter's dependence, for a determined or indeterminate period through payment of remuneration. Regarding terms of the form and conditions of the provision, its clauses are subject to the provisions of public order, the statutes, collective agreements, or the binding awards of such, and uses and customs.



Teleworking: Law No. 27.555, which will enter into force when the Ministry of Labor, Employment and Social Security deems it appropriate in the framework of the Pandemic by COVID-19, establishes that the existence of teleworking or remote work will be understood when the performance of tasks is carried out in locations other than the employer's establishment remotely.

Indefinite Term: The contract of employment shall be understood to be concluded for an indefinite period unless its term is expressly fixed or by the type of task or activity.

Probationary Period: The employment contract for an indefinite period shall be deemed to have been concluded on trial during the first three months of validity. Any party may terminate the relationship during that period without expression of cause, and also without the right to compensation on the occasion of the termination, but with the obligation to pre-approve.

Fixed-Term: The fixed-term employment contract shall last until the expiry of the agreed term and may not be concluded for more than five years.

Obligation to Notice - Conversion of Contract: The period of notice varies depending on whether it is an indefinite or fixed-term contract.

The dismissal of the employee before the expiration of the term creates the obligation of payment of compensation under the conditions established by law. By application of the emergency regulations issued in the





framework of the Pandemic by COVID-19 -for employment contracts prior to December 13, 2019, and until December 31, 2021- unjustified dismissals are prohibited. In the event of this situation, the worker may choose to apply for judicial reinstatement or, alternatively, to consent to the termination of the bond the employee will receive twice the compensation that corresponds to a ceiling of ARS 500,000.

Remuneration: Means the consideration to be received by the worker because of the employment contract. Such remuneration shall not be less than the minimum living wage. The employer owes the worker the remuneration, even if he does not provide services, simply because he has put his labor force at his disposal. The value of the *minimum living and mobile wage* in Argentina is determined by the salary council, who have recently set the following values:

- August 2021: in the sum of ARS 28,080 for monthly workers and ARS 140.40 for wage earners; that is, respectively, USD \$277.33 and USD \$1.38
- September 2021: in the sum of ARS 29,160 for monthly workers and ARS 145.80 for wage earners; that is, respectively, USD \$288 and USD \$1.44

The conversion was made taking the official exchange rate, of the national bank of Argentina or Banco Nación of the Argentine Republic, for its selling exchange rate on July 16, 2021 (USD \$1 = ARS 101.25).

In addition, there is an obligation to pay the supplementary annual salary, which represents one-twelfth of the total remuneration received by the worker in the respective calendar year.

The supplementary annual salary shall be paid in two installments: the first installment

due on June 30 and the second installment due on December 18 of each year.

The law defines which are the labor benefits and times of these: holidays, special leave or maternity.

## **Social Security Act (Law No. 24.241)**

The Social Security System covers all persons who provide services under employment relations within the Argentine territory, on a permanent or temporary basis.

Every month, local employers are required to deposit employers' and employees' contributions to the National Social Security System and National System of Union Health Plans (Obras Sociales).

Employer's contributions, paid by the employer, are computed on all gross salaries paid less a non-taxable threshold, which for 2021 amounts to ARS 7003.68.

The law defines which are the labor benefits and times of these: holidays, special leave or maternity.

Employer's contributions rates are fixed at 26.40% on gross salaries for companies engaged in the services or trade sectors and who are not considered to be small and medium-sized companies (SMEs). For the rest of the companies, the percentage of employer contributions stands at 24%.

Companies are considered to be SMEs based on turnover and headcount (see tax incentives above).

## **Employee Contributions (withheld from salaries)**

The withholding rate to be applied by the employer on employees' remuneration is 17%, allocated as follows:

- 11% to Pension Fund
- 3% to the Health System
- 3% to Social Service

## **Insurance Payable by the Employer**

Employers are required by law to pay two types of binding insurance:

- **Mandatory life insurance:** It is a fixed amount per employee; the current value is at ARS 24.35. This insurance is collected by the employee's beneficiaries/assignees
- **Workers' comp insurance:** It covers all salaries and employers' contributions payable to an employee who has suffered an accident while performing its tasks. The payment is a percentage determined by the Superintendency of Occupational Risks (Superintendencia de Riesgos del Trabajo) according to the company's business activity.

## 5.

# Tax System in Argentina

The Argentine tax system integrates the fiscal powers of the three levels of the federal government established by the National Constitution (national, provincial and municipal).

The Magna Carta originally divided these powers, granting exclusivity for the collection of direct taxes to the provinces, while the national state was granted the power to demand and collect customs taxes and indirect taxes, in concurrence with those. Likewise, mediating exceptional situations and always temporarily, the national state was empowered to collect direct contributions.

Through the Federal Tax Coparticipation Law No. 23.548, the national state distributes among the different subnational entities a part of the collection of the taxes that are under its sphere, in order to favor the attention of the state functions that were delegated to them.

For its part, the municipal level collects certain contributions and remuneration rates for services, since they do not have the power to demand taxes, in terms of their municipal powers.





# 6.

## Income Tax: Personal and Corporate

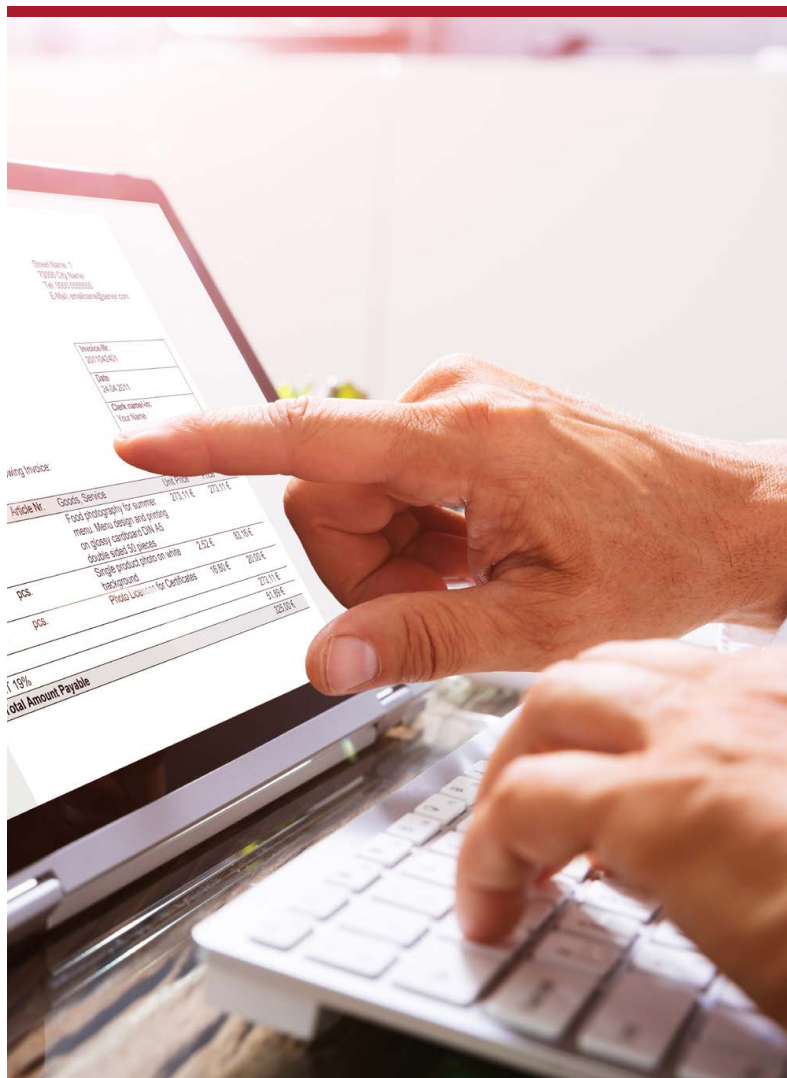
The Argentine income tax adopts the world income criterion since it covers Argentine and foreign source earnings obtained by individuals residing in the country. In the case of foreign source income and without prejudice to the application of current international agreements, the analogous tax actually paid abroad may be computed as a tax credit.

Subjects not resident in Argentina are taxed on their income considered to be of Argentine source, through the withholding that, as a single and definitive payment, made by the subjects who make the payment of their benefits.

### Companies

In the case of companies, any increase in equity is considered a taxable benefit, regardless of its habitual or eventuality or cause.

Effective for fiscal years beginning on January 1, 2021, companies will pay the following rates, depending on the amount of their *taxable net profit*:



More of \$ (*)	To \$ (*)	They will pay \$ (*)	Plus the percentage (*)	Over percentage surplus (*)
0	ARS 5 million	0	25%	0
ARS 5 million	ARS 20 million	ARS 1.25 million	30%	ARS 5 million
ARS 20 million	Onwards	ARS 5.750 million	35%	ARS 20 million

(\*) The amounts will be adjusted annually for inflation measured by the Consumer Price Index.



Dividends paid by the companies to human persons and non-resident subjects in Argentina will be subject to 7% withholding. However, the dividends that a company in the country distributes in favor of another company in the country are not reached by the aforementioned withholding, regardless of the year in which the results originated.

In the case of residents of the country, there is no differentiated treatment whether it is national or foreign capital. In general, companies incorporated there are considered residents of the country, regardless of the origin of their capital. Likewise, stable establishments or branches that carry out activities in the country and that belong to foreign companies or subjects are considered residents of the country.

Businesses can generally deduct all expenses necessary to obtain, maintain, and preserve taxed income. However, certain

limitations are established on the deduction of the following expenses:

- *Representation expenses*: up to 1.5% of the salaries paid in the year
- *Fees of administrators and trustees*: up to 25% of the income for the year or ARS 12,500 per beneficiary, whichever is greater
- *The fees and salaries of administrators acting abroad*: up to 12.5% of the result (reduced to 2.5% if dividends are not distributed)
- *Fees for technical advice provided from abroad*: up to 3% of sales or 5% of the investment, as appropriate
- *Automobile amortizations*: up to an acquisition value of ARS 20,000

- *Car maintenance expenses*: up to the annual amount of ARS 7,200 per car
- *Financial interests and exchange differences with related companies (from the country or abroad)*: up to 30% of the income for the year (before deducting the aforementioned financial charges, and income tax and considering amortizations at their tax value ), or the amount of ARS 1 million whichever is greater. If there is an excess of financial results that could not be deducted in a given fiscal year, the balance may be transferred for possible deduction within the following five fiscal years. This limitation does not apply to financial entities, to those whose object is leasing activities, and to companies of the same economic group when it is shown that the relationship between interest and profit is lower than the ratio manifested within the group economic. Nor will the limitation apply when it is proven that the beneficiary of the interest has paid the tax or it has been withheld.

It is contemplated to measure the results of inflation, only in those fiscal years in which it is verified that the inflation operated in the last three years (including the one analyzed) is higher than 100%. As a transition rule, it was established that the adjustment mechanism will be applied for fiscal years beginning on or after January 1, 2018 when its inflation exceeds 55%, for the following fiscal year when inflation is higher than 30%, and for the third year when its inflation exceeds 15%.

Regarding the adjustment for tax inflation, whether the result is positive or negative,

the amount to be imputed corresponding to the fiscal period that begins as of January 1, 2019 will be one-sixth of the amount in that fiscal period, and the remaining five-sixths in equal parts during the following five fiscal years.

## Human Persons

### Residents in the Country

In the case of human persons, the tax reaches, in addition to the income that is expressly mentioned in the law, the rest that is habitual and that imply the permanence of the producing source and its authorization. To determine the tax on human persons, in general, a progressive scale is applied on the taxable profit that goes from 5% to 35%.

By way of example, they include salaries and other remuneration, retirements and other liabilities, rentals, capital income, sole proprietorship earnings, etc.

The following gains are also achieved, with a scheduled tax (outside of the general settlement):

- Dividends and similar profits, taxed at a 7% rate for fiscal years beginning as of January 1, 2018. The tax will be withheld by the paying entity.
- Alienation of Property and rights thereon, which will be taxed at the 15% rate.
- In determining the earnings from foreign source securities that accrue interest and discounts or issue premiums, the following procedures should be considered:



- *Acquisitions at the nominal residual price*: the accrued interest will be charged in the fiscal year in which the payment is verified.
- *Acquisitions with accrued interest*: it is considered part of the cost or discriminating the interest accrued from the cost.
- *Acquisitions issued under par*: the discount will receive the treatment applicable to interest, being imputed for the accrued in each fiscal year.
- *Acquisitions issued above par*: to determine the taxable portion of interest, the difference may be deducted as accrued in each fiscal year.

For the purposes of determining taxable income, human persons may deduct—among others—the following items:

- Expenses necessary to obtain, maintain and conserve the taxed profit
- Interest on debts, updating and related expenses, related to assets that produce taxed profits
- Interest on loans obtained for the purchase or construction of the house; up to ARS 20,000 per year
- Insurance for death cases up to the annual amount of ARS 12,000 (2019), ARS 18,000 (2020), and ARS 24,000 as of the year 2021 (adjustable)
- Donations made to certain exempt entities up to the limit of 5% of the net profit for the year
- Contributions to retirement funds and social works
- Expenses for medical assistance coverage up to the limit of 5% of the net profit for the year
- Medical fees up to a limit of 40% thereof, or 5% of the net profit for the year, whichever is lower



- Personal from private homes for salaries and employer contributions up to the annual amount of ARS 85,848.99 (2019) and ARS 123,861.17 (2020)
- Rentals per house-room up to 40% of the amount paid, or the non-taxable minimum of ARS 85,848.99 (2019) and ARS 123,861.17 (2020), whichever is lower
- Burial expenses that occur in the country and due to the death of the employee or the persons reported as a family burden, up to the annual ceiling of ARS 996.23
- Contributions made by the protective partners to Reciprocal Guarantee Societies, will be deductible as long as said contributions are maintained in the society for at least two calendar years
- Travel expenses, per diem and other similar compensation paid, being able to deduct the amounts set by the collective bargaining agreement or the amount actually paid to the employee, up to a maximum of 40% of the non-taxable income of ARS 85,848.99 (2019) and ARS 123,861.17 (2020)
- Expenses incurred for the acquisition of clothing and/or equipment for exclusive use in the workplace, not provided by the employer and costs not reimbursed

In addition, they may compute the following personal deductions (annual amounts), up to the limit of the taxable profit for the year and according to the values established annually by the administration, taking into account the considerations of the law.

## **Exempt Financial Income for Foreign Beneficiaries**

There are certain financial incomes obtained by foreign beneficiaries that are exempt from the tax, to the extent that such beneficiaries do not reside in non-cooperating jurisdictions or the invested funds do not come from non-cooperating jurisdictions. A jurisdiction is considered to be non-cooperative when there is no agreement with Argentina to avoid double taxation or an agreement for the exchange of tax information, or in the event that it is not applied effectively.

For these foreign beneficiaries, the following income is exempt:

- i. Results from operations of sale, exchange, exchange or disposition of shares, securities representing shares and certificates of deposit of shares, insofar as they are operations arranged in authorized markets of our country.
- ii. Interest and results from the sale, exchange, exchange or disposal of:
  - Public titles: titles, bonds, bills and other obligations issued by the national and provincial states or the Autonomous City of Buenos Aires
  - Negotiable obligations (Article 36 of Law No. 23.576)
  - Debt securities of financial trusts constituted in the country placed in public offering
  - Share of income of open mutual funds established in the country (Article 1 of Law No. 24.083) placed by public offering

- Representative securities or certificates of deposit of shares issued abroad, when such shares were issued by entities domiciled, established or based in the Argentine Republic and have authorization for public offering by the National Securities Commission

### Withholding Tax from Foreign Beneficiaries

The tax corresponding to Argentine source earnings obtained by foreign resident beneficiaries, which are not expressly exempt, are covered by a source withholding regime. To calculate the amount of tax to withhold, the corresponding rate must be applied, on a percentage of presumed net profit established by law for each type of benefit.

Below we present (for the most common operations) the rates that must be applied for each type of profit, without prejudice to those

that should be applied due to the existence of a double taxation treaty. For this purpose, it is distinguished if the beneficiary is in a non-cooperating jurisdiction, since the tax rates may differ.

### Payment of Dividends

The distribution of dividends and remittances of profits made by the branches, originated in results generated in the first three fiscal years beginning as of January 1, 2018, will suffer a 7% withholding. The rate is increased to 13% in the case of earnings obtained in fiscal years beginning on or after January 1, 2021.

### Gain from Sale of Shares

Result obtained in operations for the sale of shares, representative securities, and certificates of deposit of shares and other securities, certificates of participation of financial trusts and any other right over trusts and similar contracts and share of condominium shares of closed mutual funds:

	Cooperative	
	YES	NO
% presumption gain	90%	90%
Tax Rate	15%	35%
Effective Rate	13.50%	31.50%



### Interest on Certain Securities

The interests or returns of the following securities not placed in public offering:

- Bonds
- Negotiable obligations
- Quotas for parts of FCI closed
- Debt securities of financial trusts
- Letters from BCRA (Central Bank Letters or LEBAC)

	Cooperative		No Cooperative
% presumption gain	100%	100%	100%
Tax Rate	5%	15%	35%
Effective Rate	5.00%	15.00%	35.00%

### Result from the Sale of Certain Securities

The result obtained from the sale of the following instruments:

- Debt securities of financial trusts not placed in the public offering
- Quotas for closed FCI shares not placed in the public offering
- Bonds and negotiable obligations not placed in the public offering

	Cooperative		No Cooperative
% presumption gain	100%	100%	100%
Tax Rate	5%	15%	35%
Effective Rate	5.00%	15.00%	35.00%

## Other Benefits

Notwithstanding the possible application of a double taxation agreement, to determine the tax (for withholding), the aliquots indicated below must be applied to the amount of the payments, which vary according to the concept that corresponds to the benefit.

CONCEPT	NET INCOME PRESUMED	TAXED ALIQUOT	RATE EFFECTIVE
Contracts Law T.T .:			
Technical assistance, engineering or consulting services that were not available in the country in the opinion of the competent authority in matters of technology transfer, provided that they were duly registered and had been effectively provided	60%	35%	21%
Assignment of rights or licenses for the exploitation of invention patents and other objects not contemplated in the previous point	80%	35%	28%
Copyright	35%	35%	12.25%
Interest when the policyholder is Entity Law No. 21,526 or a foreign bank creditor according to requirements	43%	35%	15.05%
Interest savings banks, special accounts and fixed terms financial entities	43%	35%	15.05%
Remaining interests	100%	35%	35%
Salaries, fees and other remuneration	70%	35%	24.5%
Location of furniture	40%	35%	14%
Real estate leases	60%	35%	21%
Transfer of goods	50%	35%	17.5%
Other concepts	90%	35%	31.5%

## Value-Added Tax

Value-added tax (VAT) is collected by the national state and taxes the sale of personal property and services. The general rate is 21%. Certain goods and services are benefited with a lower rate of 10.5% (some animals, ranches and services related to agriculture) and only some services are taxed at 27% (electricity, gas, electricity, water services and others, provided by the supplier or lending companies and that are destined to addresses other than home, room or recreation and responsible subjects registered in VAT or Simplified Regime for Small Taxpayers).

Imports of goods and services are also taxed at a rate of 21%, while exports of goods and services are taxed at a rate of 0%.

The location of services provided from outside the country, as digital services, whose use or effective exploitation is carried out in the country are taxed at 21%.

The VAT on purchases of goods and services affected by exported goods or services may be affected against the sales of products or services sold in the domestic market or, if a remainder is affected, the payment of other taxes or request their refund. For these last two options, it is required to comply with the procedure regulated by AFIP.

VAT on car purchases cannot be counted as a VAT credit. The same treatment operates with VAT on services such as garages, hotels and restaurants, except for conferences, etc.





## 7.

# Personal Asset Tax

Argentine companies are required to pay this tax on the value of shares or participating interests held by the resident or non-resident natural persons and by foreign companies. Branches of foreign companies are not required to pay this tax, which criterion has been confirmed by a Supreme Court ruling rendered on December 16, 2014 in the case The Bank of Tokyo. Argentine trusts are required to pay this tax.

The applicable rate is 0.5% on the value of shares or participating interests as it results from the financial statements as of December 31 each year.

This tax should be reimbursed by the holders of shares or participating units in the company.

This tax is also levied on natural persons and undivided estates residing in the country. It is levied on property located in the country and abroad, with certain exemptions mainly for assets located in the country: deposits with financial entities, term deposits, government securities, etc. The tax rate applicable for the fiscal year 2019 and subsequent years varies, depending on the total amount of taxable assets. For such fiscal year, the non-taxable threshold is ARS 2 million and the applicable rates are 0.5% to 1.25%, depending on whether the amount taxed exceeds the referred minimum. For fiscal periods 2019 and 2020, the quoted rates increased for foreign assets from 0.7% to 2.25%, unless the taxpayer repatriated foreign financial assets for at least 5% of the total assets outside our country, with

the condition of keeping them deposited until the end of the fiscal period. Natural persons residing abroad only pay the tax on the taxable assets located in the country (at 0.5%).

The tax rate applicable for the fiscal year 2019 and subsequent years varies, depending on the total amount of taxable assets.





## Other National Taxes

### Tax on Debits and Credits

Debits and credits in bank accounts are subject to this tax at 0.6%. This aliquot is reduced for some activities.

Deposits in banks and those operations that are carried out as an organized payment system, to avoid the use of bank accounts, are also taxed, although at the increased rate of 1.2%.

This tax operates as a payment on account of income tax or, where appropriate, of the special contribution for cooperatives. Currently, the percentage admitted for this calculation is the one mentioned below:

- Through Law No. 27.432, Article 7, the Executive Power was authorized to reduce the percentage not computable

as payment on account of income tax by 20% per year, from January 1, 2018, being able to establish that, in the year 2022, it is computed entirely against the payment of the aforementioned tax and contribution.

- For this reason, the computation of 34% of the credit tax that could be computed became 33% of 0.6%, not only on credits but also on debits. When the taxable events are reached at a lower rate than the general ones, the computation as a tax credit will be 20%.
- Companies covered by the regime for the promotion of micro, small and medium-sized companies can compute a higher percentage of payment on account: 100% for micro and small companies and 60% for medium-sized industrial companies, section 1.

# 8.

## Internal Taxes

Various products and some services are covered by this tax at different rates. Among them: cigarettes, tobacco, alcoholic beverages such as whiskey, cognac, beers, non-alcoholic beverages, champagne, motorcycles and boats that exceed a certain amount, aircraft, electronic products and insurance.

Various products and some services are covered by this tax at different rates.





## Turnover Tax

It is a jurisdictional tax. Each of the 23 Argentine provinces and Tierra del Fuego established their own local regulations to levy this tax on the sales and services performed in their territories. In general, exports of goods and services are not taxable with turnover tax.

## Stamp Tax

It is a jurisdictional tax such as the tax referred to above. This tax is levied on legal acts for valuable consideration executed with formal instruments and monetary transactions registered with financial entities representing delivery or receipt of money and accrue interest. Rates vary according to the provinces and taxable acts from 1%, 2% to 3.6%.

## Municipal Taxes

Municipalities finance a large part of their municipal budget through taxes, duties and contributions. Rates vary across municipalities. The most common include licensing tax, safety and hygiene, lightening, sweeping and cleaning, driver licenses, maintenance of public roads and streets, installation and verification of antennas, publicity and advertising taxes, etc. Over the past years, rates have been gradually phased out, in many cases, due to inefficient or absence of services, and due to the sizable and irrational amounts being applied. As a result, such rates have become actual taxes that are inconsistent with the prohibition to apply taxes as set forth by the federal and provincial tax sharing agreement.

Municipalities finance a large part of their municipal budget through taxes, duties and contributions.

## Investments and Exchange Control National Regulations for Foreign Investments

In the Argentine Republic, both investors and foreign investments enjoy broad legal protection, guaranteed by a range of national and international regulations that positions our country as a safe destination for investments and foreign investors. The National Constitution offers foreigners equal treatment from its Preamble and recognizes them the same rights as nationals in its article 20.

The Foreign Investment Law No. 21.382 defines the legal framework that governs foreign investment in the country. This law is intended for foreign investors who invest capital in Argentina, in any of the forms established therein, intended to carry out activities of an economic nature (industrial, mining, agricultural, commercial, financial, service or other related). with the production and exchange of goods and services) or the expansion or improvement of existing activities, without the need for any prior approval.

The law determines that said investors will have the same rights and obligations as the Constitution and the laws established for national investors.



In this sense, Law No. 21.382 establishes that foreign investors have the right to: transfer abroad the liquid and realized profits from their investments, as well as to repatriate their investment; use any of the legal forms of organization provided by national legislation; make use of internal credit with the same rights and under the same conditions as local companies with the national capital.

## Public Procurement

In order to become a State provider, the registration procedure must be completed in the Provider Information System (SIPro), a register where the providers of goods and services who wish to contract with the National Public Administration must register.

Through the web portal *compra.gob.ar*, it will be possible to observe and participate in public procurement processes.

## Exchange Control

Argentinean exchange regulations have established a Free Foreign Exchange Market, known as *Mercado Libre de Cambios* (MLC), through which agents conduct all foreign exchange transactions (inflow and outflow), at a freely agreed-upon exchange rate, in compliance with the requirements and regulations established by the Argentine Central Bank (BCRA).

Exchange current regulations are included on the Ordered Text of foreign and exchange transactions, passed by Communication “A” 6844 issued by the BCRA.

Exchange market general principles are the following:

- Creation of the MLC, through which all the foreign exchange transactions are made (Section 1, Decree 260/2002, amended by Section 132 of Law No. 27.444).

- Foreign and exchange transactions will be made at a freely agreed-upon exchange rate, in compliance with the requirements and regulations established by the BCRA (Section 2, Decree 260/2002).
- It is mandatory to bring in, settle and negotiate on the MLC the foreign currencies amount resulting from the export of products and services, under the terms and conditions established by the BCRA (Section 1, Decree 609/19).
- The BCRA will expressly determine the cases in which the access to the MULC for purchasing foreign currency and precious metals, as well as transferring currency abroad will need previous authorization. This determination will be based on objective standards, taking into account the exchange market circumstances and differentiating between a person's and legal person's situations (Section 2, Decree 609/19).
- The BCRA is empowered to issue regulations for avoiding operations and practices, which – through public securities – try to evade the exchange legal framework (Section 3, Decree 609/2019).
- All foreign exchange, swap and/ or arbitrage transactions conducted through the MULC require the intervention of financial or foreign exchange institutions authorized by the BCRA and shall abide by the rules applicable to each type of transaction.



## 10. Transfer Pricing

The Income Tax Law provides for the control of transfer prices of operations carried out with human or legal persons, patrimonies or related entities constituted, domiciled, based or located abroad or with subjects resident in jurisdictions with no or low taxation.

JBNT or not considered *cooperators for the purposes of fiscal transparency* (JNC), even when there is no economic link with them. The presentations related to transfer prices are related to the determination of the correct determination of the prices, amounts of the consideration or profit margins that result from the transactions carried out between related parties or with individuals domiciled, incorporated or located in countries of null or void, low taxation or non-cooperating for the purposes of fiscal transparency, as well as the prices set in export and import operations of goods between independent parties.

Argentine law does not refer to the norms contained in the Transfer Pricing Guides, for which reason they lack formal validity. However, both the AFIP and the Justice have recognized that the Guidelines constitute interpretative guidelines to be considered as long as they do not conflict with the provisions of the legal regulations.

In order to determine the prices of the transactions, the methods of comparable prices between independent parties, resale prices established between independent parties, cost plus profit, profit division and a net margin of the transaction will be applied.

Annual affidavits must be submitted, which will contain the necessary information to analyze, select and proceed to verify the agreed prices, as well as information of an international nature. Subjects must submit to the Federal Administration of Public Revenues a Transfer Pricing Study (according to the parameters according to the subject), and the sworn statement form F. 2668 or, if applicable, the sworn statement form F. 2672 (Simplified Regime for International Operations) and the *Master Report* in case they belong to an economic group. As appropriate, the presentation of F. 2672, F. 2668 and the Transfer Pricing

Argentine law does not refer to the norms contained in the Transfer Pricing Guides, for which reason they lack formal validity.





Study must be presented between the 23rd and 27th of the sixth month after its closing, according to the last digit of CUIT and for the presentation of the Report Teacher or the note that is presented in his replacement in the 12th month after the closing. The Tax Authority has a filing period of F. 2672, F. 2668 and the Transfer Pricing Study of an extraordinary nature for fiscal years ending from December 31, 2020 to December 31, 2021 (inclusive), according to the last digit of CUIT, from the 23rd to the 27th of the ninth month after the closing.

The regulations require verifying that the remuneration of the international intermediary is related to its functions, assets and risks, if it is verified that there is a relationship between the Argentine taxpayer and the intermediary or with the exporter at origin or importer at the destination.

In the case of exports of listed goods (commodities), there is an obligation, even if they were exporters exempt from the tax and whether or not an intermediary intervenes, to register the contracts in a Special Registry. In the event of failure to register the contract in the Registry, the listing price of the good on the date of shipment (end of loading) must be considered.

For companies that are part of a multinational group, there are two annual reporting regimes. The first of them known as *country-by-country report* (CbCR) or the *country-by-country* (CbC) reporting for groups of multinational entities (whose consolidated income exceeds EUR 750 million) and the second is the information regime for entities resident in the country that they are part of a multinational group, where the registration of the last controlling entity of the group is carried out.

# 11. Promotional Tax Regimes

There is a wide range of tax incentives intended to promote certain activities: mining, forestry, renewable energy, biofuel production, among others, and also sectors. They contemplate benefits under certain national taxes. Some provinces have certain incentives in place to promote regional activities. Below is a list of the main national regimes in force.

## **Knowledge Economy**

It promotes economic activities that apply the use of knowledge and digitalization of information based on advances in science and technologies. Some of these activities are software and digital services, audiovisual production, biotechnology, airspace engineering, production automation solutions, professional services for exports. Companies have tax stability of promoted activity, tax credit bonus on employer contributions to social security, tax credit bond, reduction of income tax of 60%, 40% or 20%, depending on the case of a micro and small, medium or large company, respectively, will not be subject to VAT withholdings and similar taxes withheld abroad are considered deductible for income tax purposes, from the registration in the Registry set up by law.

## **Investment in Power Generation Through Renewable Energy Sources**

It promotes investment for the generation of renewable energy sources. Benefits consist, among others, tax credit certificate to be applied to the payment of national taxes: income, VAT and exercise.

## **Manufacturing of Capital Goods, Information and Telecommunication Assets**

This benefit applies to the sale of new assets used for national production (as identified by the ruling) to be used in economic activities in the Argentine territory. The benefit consists of a tax credit bond received to be applied to discharge national tax liabilities. This benefit was extended until December 31, 2021 (Decree 1051/2021).

Some provinces have certain incentives in place to promote regional activities.

## **Construction of Social Housing**

Construction works for social housing, including complementary infrastructure works for surrounding neighborhoods are exempted from VAT. This covers dwelling houses intended for medium and low-income segments.

The benefit includes VAT exemption on the sale of dwelling houses and on construction works, providing furthermore the computation of input VAT paid on the sale of import of goods as well as the provision of services applied to the construction of dwelling houses; in addition, in the event of excess input VAT, the taxpayer may reclaim it, request a refund or offsetting option, so as to ensure the tax may be fully recovered.

### **Promotion Scheme Applicable to Tierra del Fuego Island, Antarctica and South Atlantic Islands**

It establishes tax and customs benefits for economic activities developed in the southern province of the country and for persons residing there. A special customs area and a tax-free zone are created to define the scope of exemptions and the procedures for the application of benefits in relation to goods produced in the special customs area destined to the continental territory. The benefits include income tax, VAT, exercise tax, export duties, personal asset tax (set up by personal asset law).

### **Mining Activity - Forestry Activity**

The *tax stability* benefit is granted for both industries. Under this benefit, companies shall not see an increase in their total tax burden per jurisdiction and by undertaking over a term of 30 years or 50 years in the case of forestry. It covers national taxes, rates, tax contributions, as well as import and export duties.

### **VAT - Balance in Favor of VAT for Investments in Fixed Assets - Except Automobiles**

Law No. 27.430 (BO 29.12.2017) introduced a permanent VAT refund mechanism originated in the purchase, construction, manufacture, elaboration or import of fixed assets, to favor investments made as of January 1, 2018, regulated with General Resolution (AFIP) 4581.

The refund will be applicable provided that the VAT of such investments has formed part of the balance in favor of the taxpayer's

affidavit after six consecutive fiscal periods (six months) from the month in which that VAT was computed. That is, after six months have elapsed since the incorporation of the asset, without it having been possible to absorb the tax credit generated by its purchase after computing the tax debits and other tax credits corresponding to that period.

The amounts received as a result of the refund will be final and should not be returned provided that after 60 fiscal periods, such amounts coincide with the amounts actually paid in resulting from the differences between VAT debits and tax credits, with respect to operations taxed in the domestic market. They established their own internal rules to levy this tax on the sales and services that occurred in them. Exports of goods and services, in general, are not taxed.





## 12. International Deals

Argentina signed Agreements to Avoid International Double Taxation with the following countries: Germany, Australia, Belgium, Bolivia, Brazil, Canada, Chile, China, Denmark, United Arab Emirates, Spain, Finland, France, Italy, Japan, Mexico, Norway, Netherlands, Qatar, United Kingdom, Turkey, Russia, Sucia and Switzerland.

It has customs agreements and international and social security instruments signed with several countries.

The Federal Administration of Public Revenues (AFIP) to access information for operations or situations in another jurisdiction is based on three regulatory frameworks:

- The bilateral Information Exchange Agreements that it has signed with a series of countries with low or no taxation (e.g., San Marino, Bermuda, Bahamas, among others)
- The Multilateral Convention on Mutual Administrative Assistance in Tax Matters within the framework of the OECD that allows the exchange of information with other signatory countries
- The agreements to avoid double taxation

In all cases, the provision of information upon request and spontaneously is contemplated.





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