

**DOING
BUSINESS
IN**

ARGENTINA



*doing business
in Argentina*

foreword

This booklet has been prepared for the use of clients, partners and staff of HLB International member firms. It is designed to give some general information to those contemplating doing business in Argentina and is not intended to be a comprehensive document. You should consult us therefore before taking further action. Estudio Della Rocca – Piazza - Almarza and HLB International cannot be held liable for any action or business decision taken on the basis of information in this booklet.

Laws in Argentina that regulate businesses and taxes are numerous and complex. Therefore we would advise you to consult an HLB International member firm in Argentina before taking any specific action.

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GENERAL INFORMATION

Location and Climate

Argentina is the second largest country in Latin America. Its area is 2,800,000 square kilometers, located at the South of the American continent, with a length of 3,700 km from North to South, and 1,400 km from East to West.

The country borders in the North with Bolivia, to the Northeast with Paraguay, and to the East with Brazil, Uruguay and the Atlantic Ocean. To the South its border is formed by the junction of the Atlantic and Pacific Oceans, and to the West it borders with Chile.

Given the vast size of the country, Argentina has a variety of climates, from very warm and tropical in the North, to extremely cold and polar in the South. The weather in Buenos Aires and its surroundings is moderate and pleasant.

Population and religion

Towards the end of the 19th Century, Argentina had a great influx of immigrants, mainly from Europe. The number of inhabitants according to the 2010 census is 40.2 million, most of them being of European descent, over 32% living in the City of Buenos Aires and its surroundings.

The largest foreign communities are Spanish and Italian, but there are also French, German, Polish, Swiss, Japanese and other immigrant groups.

Some demographic information as at 2010:

Population growth: 1.12 % per annum.

Urban population: 89.3%

Life expectancy at birth: 75.3 years

The official religion is Roman Catholicism, but there is absolute religious freedom. Other churches and faiths co-exist harmoniously including Judaism, Islam and Buddhism.

Political Institutions

Argentina became independent from Spain in 1816.

The Argentine Nation adopted the representative (democracy), republican (3 independent powers) and federal (autonomous provinces) form of government.

The National Constitution, in force since 1853, was most recently amended in 1994. The National Executive Power is held by the President and Vice-President of the country, who are elected for a 4-year term, both with the possibility of being re-elected once.

The National Legislative Power is held by the Senate (representing the Provinces of the Nation) and by the House of Representatives (representing the citizens).

The Supreme Court of Justice, the Federal Courts and the Federal Judges compose the National Judicial Power. Similar systems are in place in the Provinces.

The country is divided into 23 autonomous provinces and the City of Buenos Aires. (Federal Capital City).

Currency and Language

The local currency is the Peso whose exchange rate against other countries has floated freely since January 2002 when the 1991 Convertibility Act was repealed. This Act had obliged the Central Bank to sell without restrictions all the US Dollars that it was asked to at a rate of 1 Peso to 1 Dollar. The Act also obliged the government to hold gold and foreign currency reserves equal to the total amount of money issued by the Central Bank.

The Repeal of the Act led to a rapid devaluation of the Peso by over 70%

The official language of Argentina is Spanish.

Education

With the highest literacy rate in Latin America (98.1% in 2010), Argentina has a highly qualified labor force. The latest educational reform at national level emphasizes the importance given by the state to this issue, having as one of its main goals to supply

professionally qualified people according to the productive needs of the future and to make a full high-school education compulsory, something that has already begun to be implemented in some provinces.

The large number of tertiary level and higher education institutions allows Argentina to have a high percentage of university students. This percentage is increasing, due to the recent creation of institutions outside metropolitan and central areas.

Quality of life is comparable to that of industrialized countries, especially in large

The political and economical crisis which arose at the end of 2001 led to an inflation rate of 118% in 2002; this was reduced to 2% in 2003.

Since then, these are the figures from the annual inflation index:

2002 118 % 2005 10.7 % 2008 8.8 %
 2011 12.7 %
 2003 2 % 2006 7.1 % 2009 10.3 % 2012 10.8 %
 2004 7.9 % 2007 14.6 % 2010 14.6 %
 2013 10.9 %

Industry	2004	2006	2008	2010	2012
GNP Millions of pesos	412,306	600,256	939,506	1,311,075	1,952,021
Natural resources	17.8%	16.1%	15.0%	14.8%	13.8%
manufacturing	24.1%	22.4%	21.3%	20.5%	19.6%
building	4.2%	5.7%	6.0%	5.6%	6.0%
commerce	11.7%	11.4%	12.0%	12.2%	13.4%
transport					
communication	9.1%	8.8%	8.4%	8.1%	8.0%
education, health	6.4%	7.7%	8.5%	8.7%	9.5%
service	21.5%	22.4%	22.7%	23.1%	22.0%
government	5.2%	5.5%	6.1%	7.0%	7.7%
	100.0%	100.0%	100.0%	100.0%	100.0%

urban centers in which almost 90% of the population lives, where a vast and intense cultural activity takes place.

ABOUT THE ECONOMY

Prices

From 1975 to 1989 Argentina had 3 digit figures in its annual inflation index. In 1989 and 1990, annual hyperinflation reached the four digits. The changes made in 1991 started to reduce inflation significantly as shown below:

1991 84.0% 1994 3.9% 1997 0.3%
 2000 2.4%
 1992 17.9% 1995 1.6% 1998 (6.3%)
 2001 (5.3%)
 1993 7.4% 1996 0.1% 1999 1.2%

State Reform and Legislation

In 1989, the Argentine Congress enacted the State Reform Law implemented through an ambitious long term plan that lead to numerous privatizations (more than 180 in 3 years), including gas and electricity utilities and their respective distribution companies, telecommunications, railroad, aviation and hydrocarbon companies.

The Law of Economic Emergency passed in September 1989 started a wide-ranging deregulation program that includes foreign investment, capital markets, domestic markets for goods and services and regulatory agencies. Existing regulations were eliminated on interest rates, currency exchange, price and salary controls as well as

a set of local requirements (subsidies and tax agreements of preferential nature) that were damaging the development of the free market.

The Convertibility Law passed by Congress in April 1991 completes the set of three fundamental laws of profound structural reforms made by Argentina, establishing a strict mechanism that has been effective in achieving stability and reducing inflation. According to this law, the Argentine Peso must be fully backed by reserves of foreign currency and gold, at a fixed exchange rate of one Peso to one US Dollar.

These economic policies were followed until 2001 but from 2002 the growing level of state borrowing, the defaulting on government debts and the political crisis which was affecting the country led to a change in policy with and end to parity between the Peso and the Dollar. The consequences of this for the country as a state were basically an increase in uncertainty as to the legal position and an absence of credit facilities (from foreign lenders).

in million of US\$	2004	2006	2008	2010
exports	34,576	46,546	70,019	68,134
imports	22,445	34,154	57,463	56,502
balance	12,131	12,392	12,556	11,632

Growth of the Economy

Argentina has a diversified productive base founded on its natural resources and a long industrial territory, 8th in the world, with 80% of productive fertile land) abundant in all types of resources: agricultural soil, pastures, water resources, forests, mineral resources and hydrocarbons fields.

Many of them are in the initial stages of their productive exploitation, as in the case of mining and forestry, governed by specific and suitable legislation, and due to their high productivity and profitability, they provide very good business opportunities.

Share of each industry in GDP:

Distribution of expenses incurred by households in 2012/2013:

- Food and drink: 33.2 %
- Housing, equipment and maintenance: 7.3 %
- Transportation and communications: 18.6 %
- Health: 5.6 %
- Entertainment and culture: 8.4 %
- Clothing and shoes: 8.7 %
- Education: 2.9 %
- Miscellaneous goods and services: 5.2 %
- Real estate, fuel, water and electricity: 10.2 %

Finally, there is still a wide range of business opportunities in services and infrastructure, including pending privatizations. Industries such as transportation, electricity, water,

environment, tourism, telecommunications, to name only a few, are showing good opportunities for growth and profitability.

Financial Systems

The Argentine financial system is made up of:

- capital market
- foreign currency market
- financial market

By means of the capital market both companies and the government obtain financing from investors by means of shares and public and private securities.

In this market, the Stock Exchange, the Securities Market, Stock Brokers, mutual

funds, among others, interact under the supervision of the National Securities Commission and the Argentine Central Bank.

From May 2004 the Central Bank of Argentina ("B C R A") has in place some controls over the foreign exchange markets. Foreign currency derived from exports must be sold in Argentina and liabilities incurred abroad must be settled from Argentina.

In the financial market, the Argentine Central Bank is the controlling authority, and there are several types of entities including:

- Commercial banks
- Investment banks
- Mortgage banks
- Development banks
- Financial institutions
- Representative offices

In October 2011, the Government started to apply a restrictive measure to limit access to the foreign currency exchange market. This regulation applied to persons who were interested in obtaining foreign currency for saving purposes.

In 2012, this measure extended to companies which had to transfer funds abroad, whether to pay for imports or to pay dividends. They had to request the Central Bank for authorization.

Then, this situation affected the purchase of currency to travel abroad. At the same time, purchasing foreign currency for saving was forbidden.

Finally, in January 2014, the Government became more flexible with these regulations and allowed persons to purchase foreign currency for saving purposes.

Foreign Sector

Argentina trade with other countries in recent years is summarised in the following table:

Since 2010, the Government have been increased the number of regulations over trading goods.

In 2002 Argentina defaulted on its state debts and a renegotiation with its creditors started.

Argentina offered state debt holders two national debt swaps in 2005 and 2010, which were accepted by 93% of the title holders and which implied a debt remission on the 65% of the capital and interest savings. The holders who did not accept the swap conditions (holdouts) decided to sue Argentina at International Courts (New York) and claimed the payment of the 100% of their credits – around U\$ 1,300 million.

Judge Thomas Griesa as well as the Court of Appeal pronounced against Argentina. The appeal to the United States Supreme Court was still in progress on March 2014.

FOREIGN INVESTMENT

Legal framework applicable to foreign investment

The Argentine Constitution was drawn up in 1853, and recently amended in August 1994. It establishes the type of government and individual rights and guarantees for all inhabitants of the country. It has a broad and generous approach, as it guarantees to foreigners – in the same way as to Argentine citizens – the right to work, do business, purchase, sell and own property, etc., and it provides private property is legally protected and no inhabitant of Argentina can be deprived of it, except under a final court decision. Therefore, private entities, both national and foreign, enjoy full rights to establish and own corporations and to participate in all sorts of productive activities.

Individuals and private entities can freely establish, purchase and dispose of these productive and commercial business activities.

The Argentine Constitution guarantees equal treatment for local and foreign investors (Section 20).

Therefore, Act 21.382 of Foreign Investment, with its amendments of 1993, places national and foreign investors in an equal status, and provides explicitly that both equity and profits can be transferred abroad at any time. Equal treatment means that foreign investors are treated in the same way as local investors for tax purposes. Furthermore, they are entitled to make use of local credit lines, and to make equity and profit transfers in and outside of the country without requiring an approval. The waiting period for capital repatriation as well as the need to register foreign investments have been eliminated.

This law provides that foreign companies may invest in Argentina without the need to obtain a prior approval of any kind and in a totally equal status with national companies, regardless of the amount involved or the industry; the principle being that foreign investors receive the same treatment as Argentine nationals.

Also simple and virtually free of proceedings and approvals is the repatriation of capital invested and the transferring of profits overseas, which may be done any time, regardless of the time elapsed since the establishment of the investment in the country. There is open access to the free foreign currency market. There are no taxes applicable to the transferring of profits and dividends originated from foreign capital. There is no obligation to inform or register investments planned or made, nor any requirement as to return on investments to be complied with by foreign investors.

In certain areas such as banking and insurance, there are special by-laws that require all operators to apply for permits. Foreign and national investors have guarantee of access to them on an equal status.

Foreign investors are entitled to use any corporate structure recognized by the Argentine law (Law of Corporations 19.550),

and thus, to participate in the market through the most convenient available means, such as merger, takeover, cooperatives or joint-ventures. As a result of the nondiscrimination principle, national and foreign companies receive the same treatment by law, including access to financing in local or foreign currency in the short, medium or long term in the local market, and a full capacity to take advantage of economic development incentive programs.

The legal treatment of foreign investment is set out in international law in over 40 international treaties.

Judicial power and dispute settlement

The Judicial Power is independent and responsible for the respect and due safeguarding of all rights and guarantees provided for in our National Constitution, as well as compliance with laws and treaties entered into with foreign countries.

There are procedural laws which control the carrying out of court judgements and the performance of arbitration decisions made by foreign courts, and which give the contracting parties the power to decide on the jurisdiction of the Courts hearing the case in dispute. Finally, Argentina is a member of the International Centre for Investment Dispute Settlement (CIADI) and has agreed clauses referring to the application of international rules and procedures for settling disputes in various bilateral and/or regional treaties on investment.

Technology transfer

Act 22.426 passed in March 1981 refers to all those contracts having as main or for accessory purpose the transfer, assignment or granting of licenses for technology or brands of foreign origin registered by individuals or corporations not resident in Argentina when the contracts have to be complied with in the country and are for a valid consideration.

Contracts to which the Armed or Security Forces are a party and which the National

Executive Power has classified as military secrets are exempted from the provisions of this law.

According to the regulations, technology includes industrial patents, models and designs and all technical forms of know-how to manufacture a product or provide a service.

Contracts that include technology transfer according to the aforementioned definition must be registered with the National Institute of Industrial Property (INPI) only for information purposes.

There are no penalties for not registering, but they are simply excluded from the possibility of deducting the amount paid for tax purposes, and the foreign beneficiary will be required to pay taxes on the total amount received, with no right to deducting expenses. Contracts must be submitted in Spanish or have the corresponding translation attached to them.

Free foreign currency market

In December 1989, the Argentine Government eliminated all exchange controls and adopted a free foreign exchange market, where fluctuations are based on the law of supply and demand.

Previously, there were different rates and exchange control with frequent amendments to the rules.

In April 1991, the national government passed a law declaring the convertibility of local currency in relation to the US dollar (1 Peso = 1 US Dollar in terms of the "Peso" adopted as local currency, in force since January 1, 1992). In this respect, the Argentine Central Bank has agreed to back the currency with gold and in free availability.

Both individuals and corporations can have foreign currency in a totally free way, they can have current accounts in foreign currency with local Banks, collect interest amounts in foreign currency or sell property and collect payment for it in foreign currency.

However from 2002 following the heavy depreciation of the peso the B C R A has introduced some exchange controls.

In October 2011, the Government started to apply a restrictive measure to limit access to the foreign currency exchange market. This regulation applied to persons who were interested in obtaining foreign currency for saving purposes.

In 2012, this measure extended to companies which had to transfer funds abroad, whether to pay for imports or to pay dividends. They had to request the Central Bank for authorization.

Then, this situation affected the purchase of currency to travel abroad. At the same time, purchasing foreign currency for saving was forbidden.

Finally, in January 2014, the Government became more flexible with these regulations and allowed persons to purchase foreign currency for saving purposes.

Bilateral treaties on investment

The legal treatment of foreign investment in Argentina has been set out in international law in over 40 international treaties.

Argentina is an active member in the Multilateral Investment Guarantee Agency and the Overseas Private Investment Corporation. Both insurance companies cover foreign investments for political risks such as exchange controls, seizures, wars and mutiny, as well as other risks, provided that the investment project has the written approval of the Argentine Government.

Argentine laws provide that written approval will not be refused unless the investment project breaches some existing law, which does not take place in practice given the vast freedom of the legislation applicable to foreign investment.

Economic agreements in the region

As from January 1, 1995, Argentina established, together with Brazil, Paraguay and Uruguay, a customs union called Mercosur, with a vast territory of 12 million square kilometers, populated by 225 million inhabitants with a total GDP of 1.2 trillion US dollars including the states associated to Mercosur – Chile and Bolivia – which is today one of the most dynamic regional economic organisations in the world on a world scale.

The customs agreement consists in the elimination of intrazone duties and non-tariff restrictions (among member countries), establishing a common external tariff and the coordination of commercial, industrial and macroeconomic policies.

In addition, a free trade zone was established with Chile and Bolivia, similar to NAFTA, as these economies are also in expansion and about to join Mercosur, along with Venezuela.

LABOR LEGISLATION

Labor rights

The rights of workers in Argentina are included in Section 14 and 14 bis of the National Constitution and by the Labor Act No. 20.744 and its amendments. Some of the most relevant sections are shown below:

Salary/Wage: There is a minimum salary/wage established under a collective bargaining agreement for each industry.

Annual Supplementary Bonus: The law provides the right to receive annually an additional bonus, equal to one twelfth of the salary received during the year.

Working Hours: The maximum number of hours established by law is 8 hours per day, and it should not exceed 48 hours per week. If the working hours are between 9pm and 6am, they shall not exceed 7 hours per day. If the work is classified as possibly dangerous to the employees' health, the working day shall not exceed 6 hours per day and 36 hours per week.

Hours worked in excess of the basic working day are paid as overtime equal to an additional payment of 50% of the normal working hourly rate. Hours worked on Saturdays after 1pm, Sundays and holidays are paid at 100% of the value of normal working hours.

Vacation: The paid vacation period provided for by law depends on the number of years worked for the employer.

Up to 5 years: 14 calendar days
From 5 to 10 years: 21 calendar days
From 10 to 20 years: 28 calendar days
Over 20 years: 35 calendar days

There are special holidays for marriage, childbirth, and the death of close relatives or for university exams.

Dismissal: If an employee is dismissed for no justified reason, the employer is forced to pay severance, and additionally he must give notice in advance before terminating the employment relationship.

Social security contributions

Both employees and employers are obliged to make contributions towards the cost of the health system and to fund future retirement pensions for employees.

Employees' contributions amount to 17% of their gross wages, are deducted at source by employers and are paid over in the following month. The employer's contribution amounts to 23% of gross wages and is an additional cost to the employer.

Additionally, there are reductions of contributions on some labor contracts.

Labor risks system

The Labor Risk Law 24.557 provides a system by which employers must have compulsory insurance covering contingencies that may occur to workers such as working accidents (salaries and medical assistance).

Unemployment rates

As at June of each year, the unemployment rates were:

2004 14.8 %	2008 8 %	2012 7.2 %
2005 12.1 %	2009 8.8 %	
2006 10.4 %	2010 7.9 %	
2007 8.5 %	2011 7.3 %	

INCORPORATION OF COMPANIES

Main forms of incorporation

Corporation
Limited Liability Company
Company with a Majority Interest Held by the Government
Collective Partnership
Simple "Comandite" Company (Sociedad en Comandita Simple)
Joint Stock Company (Sociedad en Comandita por Acciones)
Capital and Industry Partnership
Branch Office or Representation of Foreign Company
Reciprocal Guarantees Company
Cooperation Associations
Joint Ventures

Corporation

Incorporated association with its capital represented by shares. It is mandatory to have at least two shareholders. The liability of shareholders is limited to the number of shares subscribed.

Corporations are required to submit financial statements and keep minutes (in book form) of the proceedings of the board and of shareholders meetings which have to approve financial statements, distribute profits and appoint directors and statutory auditors. Shares must be registered, ordinary or preferred, the latter usually have priority at the time of payment of dividends, which are usually at a fixed percentage and cumulative, and preferred shares usually have no voting rights.

Financial and insurance companies, as well as corporations whose authorized capital stock exceeds \$10,000,000 must comply with additional requirements.

Branch Office or Representation of Foreign Company

The formation process is the simplest one: it is only required to establish a legal domicile in Argentina, appoint a representative and the company must be recognized in its country of origin. No minimum or maximum capital is required. Financial statements of the Argentine branch office must be submitted annually to the General Superintendency of Corporations (Inspección General de Justicia). The head office and the Argentine branch office must have separate accounting records.

Joint Ventures

- Cooperation Groups
- Joint Ventures

The Corporations Act 19.550 includes a section devoted to the "contracts of business cooperation" having the following characteristics:

Even though Argentine legislation includes provisions about the administration and operation of these partnerships, they are not regarded as corporations per se.

The purpose of these partnerships is to develop certain stages of a business activity or to perform a construction job or provide a service or good, or one or more specific transactions on a temporary basis in Argentina.

Their transactions are fulfilled by means of contributions made by the member partners of these partnerships.

Companies incorporated overseas shall be able to take part in these joint ventures once they have fulfilled the following requirements: provide evidence of their existence under the laws of the country where they have been created, establish a domicile in Argentina and

become registered with the Public Registry of Commerce.

This type of joint venture or temporary partnership has been used in the past mainly as a way for different companies to have joint interests for presenting their bids in bidding processes held by government entities or large private business projects.

Legal requirements

All business domiciled in Argentina must maintain accounting records of their transactions. The accounting records that are obligatory are the Daily Transactions book and the Inventory Book, as well as the auxiliary books that supplement them.

Furthermore, stock companies are obliged to maintain books of Minutes of Shareholders' Meetings and Board Meetings, as well as a General Shareholders Meetings Attendance Book and a Stock Record Book.

These books must be bound, with numbered pages stamped by the Public Registry of Commerce.

The Corporations Act 19.550 contains provisions about incorporation, operation and liquidation as well as the information that must be included in financial statements.

In addition regulatory bodies have issued regulations which supplement the law.

Professional accounting rules

Argentina is a confederation of provincial states composed of 23 provinces and the City of Buenos Aires (Capital City). In each one of them, there is a Professional Council of Economics in charge of issuing professional accounting rules within their jurisdictions. Except for the Buenos Aires Council all the professional councils of Argentina are members of an association called Argentine Federation of Professional Councils of Economists (Federación de Consejos Profesionales en Ciencias Económicas – F.A.C.P.C.E.) that is in charge of coordinating efforts to issue generally accepted accounting principles.

Accounting Standards throughout Argentina are similar to International Accounting Standards Committee (IASC).

TAXATION

General Structure

The tax system in Argentina is complex and is subject to frequent changes.

The National Constitution provides for three levels of government having power to apply, collect and control taxes: the National or Federal Government, the Provincial or State Governments, and Municipal Governments.

Basically, the National Government applies and collects Income Tax, Minimum Assumed Income Tax, Personal Property Tax, Value Added Tax Tax on bank transactions, Internal taxes on specific Goods and Services, Tax on Interest and Business Indebtedness, Customs Duties and taxes for social security purposes.

Provincial Governments are in charge of Turnover Tax, stamp duties and real property tax, whilst Municipalities collect Rates and/or other Taxes.

Recently, some provincial Governments have created a tax on the free transfer of assets.

The Argentine Tax system comprises taxes on income and consumption and taxes on specific assets.

Income Tax

General comments:

Residence:

For the purposes of this tax, there are two major types of taxpayers: residents and non-residents.

Residents pay their income tax on both Argentine sources and overseas sources of income.

Non-residents pay only on their Argentine source of income by means of tax deducted at source (a withholding tax).

Residents are individuals of Argentine nationality as well as those of foreign nationality who have obtained permanent residence in the country.

Corporations or companies incorporated in Argentina are also residents.

The legislation defines the cases in which tax residence is lost, as well as the how cases of double residence are decided.

Fiscal period and submission of returns:

The fiscal year of corporations and companies corresponds to the closing of the financial statements, which can be fixed at any month of the year in Argentina.

For individuals, the fiscal year is December 31.

Tax returns must be submitted during the fifth month following the end of the fiscal year.

Advance payments of taxes during the fiscal year are required up to the month prior to submissions.

Definition of income

In general, income is defined as the difference between revenues and every cost or expense incurred in order to obtain, keep and maintain these revenues. Depreciation and certain provisions can also be deducted as expenses.

Losses can be carried forward for five fiscal periods. It should be taken into account that there are certain losses that can only be applied to the income of the same type as the transactions that generated the loss.

Dividends

Historically, the dividends of Argentine Corporations are not subject to this tax on their shareholders, whether they are individuals or corporations.

If the income distributed as dividend has not been subject to income tax, then the dividend is subject to a 35% withholding tax.

The dividends paid by the Argentine companies to their shareholders have been included as subject to tax by the recent tax reform (2013). Dividends are subject to a 10% tax rate.

If the recipient of the dividend is another Argentine company, the dividend would not be subject to tax.

Transfer Pricing

Tax legislation requires the use of the arm's length principle for transactions between Argentine resident individuals or companies and their related affiliated companies.

The difference between the prices charged and prices charged between independent parties are taxable on Argentine resident companies or individuals.

Transactions with countries having low or no taxation are assumed not to have been made between independent parties.

The list of countries having low or no taxation was changed in 2013. It was replaced by a list of countries which cooperate in the exchange of tax information.

Income Tax of Corporations or Companies

The rate for this tax is 35 %.

There are certain mechanisms that allow the deferral of profits, such as reinvesting profits obtained from selling capital goods and research and development expenses.

Income Tax of Individuals

Individuals are entitled to deduct from their profits certain types of payments per fiscal year, with some limitations.

Individuals pay taxes according to the following table:

ACCUMULATED NET TAX PAYABLE TAXABLE INCOME

Over \$	Up to \$	Plus%	On the Surplus of \$
0	10000	0	9
10000	20000	900	14
20000	30000	2300	19
30000	60000	4200	23
60000	90000	11100	27
90000	120000	19200	31
120000	Over 120000	28500	35

Due to the recent amendments made to the Argentine Income Tax Law by Law 26,893, income derived by Argentine resident individuals from the sale of shares and other securities are subject to income tax at a 15% rate on net income, unless such securities were traded in stock markets and/or have public offering authorization, in which case an exemption applies

Withholdings taxes on Non-Residents

Non-residents pay tax only on their Argentine income source.

Nominal rates must be applied to each payment made, as follows:

TYPE OF PAYMENT	Nominal Rate
Transfer of technology that cannot be obtained in Argentina: technical assistance – engineering or consulting complying with the law of technology.	21.00%

Technology transfer: assignment of rights or licenses for exploiting invention rights and other objects not contemplated in the previous section. 28.00%

Technology transfer not complying with the relevant law. 31.50%
Copyrights (works duly registered). Artists hired by exempted institutions or government institutions and for up to 2 months of permanence.

12.25%

Interest on loans obtained overseas:

Interest on loans for purchasing real property. 15.05%

Interest paid by Argentine citizens (except for Financial Institutions) to financial institutions which are not located in tax havens. 15.05%

Interest on deposits by overseas investors with institutions subject to Act No. 21.526. 15.05%

Interest on loans taken by entities subject to Act No. 21.526. 15.05%

Interest on debt bonds submitted for their registration in countries with which there is a reciprocity agreement for investment protection provided they are registered in Argentina within two years after their issue. 15.05%

Other types of interest. 35.00%
Salaries, fees and other remuneration paid to individuals not resident in Argentina and not spending more than 6 months in Argentina. 24.50%

Lease of personal property. 14.00%

Lease of real property. 21.00%

Transfer of goods located, placed or used economically in Argentina, belonging to overseas companies 17.50%

International Transportation 3.50%

Containers 7.00%

International News Agencies 3.50%

Reinsurance and/or assignments to overseas insurance companies 3.50%

Production, distribution or intermediation of means of projection, reproduction, transmission, broadcasting of images or sounds from overseas.
17.50%

Other payments not covered by the above.
31.50%

Sale of shares and other securities
13.50%

Agreements to avoid double taxation

Argentina has signed tax treaties for the avoidance of double taxation with Australia, Belgium, Bolivia, Brazil, Canada, Denmark, Finland, France, Germany, Italy, the Netherlands, Norway, Russia, Spain, Sweden, Uruguay and the United Kingdom. A new treaty with Switzerland has been recently signed but it is still undergoing its ratification procedures.

Through the application of various agreements, the aforementioned withholding taxes on payments to overseas beneficiaries can be reduced and even eliminated.

Minimum Assumed Income Tax

This tax is a supplement to income tax, and thus this tax is only paid if the amount payable exceeds income tax payable.

Corporations and companies have to pay this tax, and individuals have to pay it as well in some cases.

Permanent businesses belonging to overseas subjects must also pay this tax.

The rate is 1% and is applied to the value of the assets belonging to taxpayers. The purchase of first use capital goods (except for automobiles) and buildings during the first 2 years after purchase are not liable to this tax.

Any tax paid can be offset against income tax due in any of the ten following years.

Personal property tax

This tax is applied to assets belonging to individuals and on net assets of local companies.

Individuals resident in Argentina pay on their assets in the country and overseas.

Non-resident individuals only pay on their assets in the country, and there are some assets that are exempted from the tax.

Foreign corporations with certain characteristics must also pay this tax if the assets which they own in Argentina are certain types of real property or financial assets.

The tax rate varies according to the value of the assets:

- Assets over \$ 305,000 up to \$750,000: 0.50%
- Assets over \$ 750,000 up to \$:2,000,000: 0.75%
- Assets over \$ 2,000,000 up to \$ 5,000,000: 1%
- Assets over \$ 5,000,000: 1.25%

The deduction of liabilities is not allowed, except for liabilities incurred for purchasing or improving the family home.

Value Added Tax (VAT)

This tax is paid on a monthly basis, although some activities (agricultural) may choose to pay on an annual basis.

This is a general tax, with a few exceptions, applied on the sale of goods, leases and work and services provided, and on the importation of goods and services.

Exports of goods and services are exempted from the tax. In the case of export of goods and of certain services, the reimbursement of the tax paid on the purchases included in the goods and services exported is provided for.

The general rate of the tax is 21%, but there are also other rates for some activities.

Tax on bank transactions

This tax is charged on entries in bank current accounts. Other transactions by financial entities are also taxed such as transfers, collections etc.

The general rate of the tax is 0.6%.

Internal taxes on specific goods and services

This tax is paid on a monthly basis.

It is a tax on consumption applied to specific goods such as tobacco, alcoholic beverages and low alcohol beverages, some electronic appliances, luxury items, diesel engines and automobiles, ships and aircraft on a certain value.

It is also applied to some services such as insurance and cellular telephone services.

This tax is collected at only one stage of the production and distribution of the goods or services in question.

The rates vary and range between 2.5 and 30%, except for cigarettes, which are taxed at 60%.

Customs and importation duties

Imports of goods and services are subject to the following taxes, at the time of making the customs declaration and the importer has to pay these taxes to the customs authorities.

- Duties and rates, the percentages vary according to the product or service to be imported.

- VAT from 10.5% to 21%.

- 6% Income Tax

- Internal Taxes, if the product is subject to these taxes.

VAT paid to Customs may be deducted as a credit in the same month in the case of the importation of goods, and in the following month in the case of the importation of services.

Taxes for social security purposes

This tax is paid monthly.

Employers must make contributions for Social Security purposes.

These contributions are calculated by applying a percentage rate to the payroll; currently it is 23% in most cases. This rate decreases if the employees work in the interior of the country

In the case of self-employed people or business people, the contributions to social security consist in fixed amounts ranging from \$431.55 to \$ 2,461.43 per month, depending on the activity performed.

Turnover tax

This tax is applied to sales in general, at all stages of the circulation of goods and services. It is paid on an annual basis, but monthly advance payments are made.

This is a provincial tax, and thus, each province may establish a different rate. However, in general, we may summarize them according to different activities:

- Extractive and productive activities: between 1% and 1.5%

- Wholesale and retail sales of goods and services: between 3% and 5%.

- Intermediation activities: 4.5% and 8%

For activities carried on in more than one province, there is a distribution system that is applied by all of the provinces called the Multilateral Agreement.

Exports are exempted from this tax in all provinces.

Stamp Duty

This is a provincial tax applied to legal documents arising from certain transactions and is payable immediately.

The rates vary according to the legal documents and the province where the transaction takes place.

Real Property Tax

The provinces, in some cases the Municipalities, establish taxes payable on real property belonging both to individuals and corporations.

Municipal Rates

These are municipal taxes arising from the deemed supply of services by the municipality in question.

Usually the taxes are based on a percentage of sales or of the payroll; the percentage varies according to the services and the municipality.

These taxes are usually payable every month or every two months.

Free transmission of assets tax

In the provinces of Buenos Aires and Entre Ríos, there is a tax on the free transmission of assets, including inheritance, legacies, donations, etc. Since January 2011, the tax rates have been set between 4% and 21.925% according to the taxable base and the degree of kinship involved.

HLB in Argentina

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