Doing Business in Argentina

2020 onwards

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Geographical and Demographical Background
Brief History of the Country

The history of Argentina began in 1776, with the creation of the Virreinato del Río de la Plata, the name given to the colonial territories of Spain. In 1810, Argentina initiated a process that led to independence in 1816, although for over sixty years, there were internal battles for control of income from Customs, monopolized by the Province of Buenos Aires. After this period of civil war, the country began a process of modernization in 1880, with the creation of new public institutions and efforts to build a foundation to incorporate the country into the international system of division of labor as an agricultural commodity producer. At the beginning of the twentieth century, Argentina followed an agro-export economic model which turned it into a leader in the world economy. This model was based on three pillars: a) high prices of commodities, b) the incorporation of extensive croplands to the production process, and c) the incorporation of hundreds of thousands of relatively highly-skilled immigrants to the labor market.

Between 1930 and 1983, there was a period of institutional instability, characterized by rotating civilian and military governments. In the thirties, the effects of the Great Depression severely affected the country, essentially due to a drop in trade and export volumes. From the beginning of the fifties into the seventies, Argentina changed its economic model to substitute imports, in an attempt to create an industrialized economy. In the seventies, under a new military regime, the country adopted an open economic model, eliminating mechanisms to protect industry.

Once democracy returned in the early eighties, the country faltered in finding a clear path to growth. GDP was stagnant, as in most Latin American countries, with episodes of hyperinflation toward the end of the decade. At the beginning of the nineties, Argentina adopted a convertibility plan with a pegged exchange rate. Many of the country’s public utility companies were privatized during this decade. After the 2001-2002 economic and social crisis, convertibility and the pegged exchange rate were abandoned and replaced with a controlled floating rate system. During the first decade of the twenty-first century, Argentina experienced rapid growth driven mainly by commodity exports.

During the period 2003-2011, the country’s GDP grew at an average rate of almost 8%. As from 2012, the economy recorded a strong deceleration, with a 2012-2016 compound annual growth rate (CAGR) of 0.08%, always at constant prices. The main cause for this drop was the growing imbalances in both the internal and external sectors. During Mauricio Macri’s presidency the country returned to the international stage, and in 2018 Argentina chaired the G20, which is a key international forum with other countries for discussing and decision-making on adopting concrete solutions for the chief challenges of the global agenda. However, in the last two years of his administration (2018-2019), the country went into a recession which lasted until today although a new national government took office in December 2019.

Location

The Republic of Argentina¹ is located in South America, between latitudes 23°S (Tropic of Capricorn) and 55°S (Cape Horn). The Andes separates the country from Chile to the west and Bolivia to the northwest; Paraguay lies directly to the north, with Brazil, Uruguay, and the South Atlantic Ocean to the east.

¹ Argentina has six major regions: Northwestern, Northeastern, Western (Cuyo), Central (Pampeana), Southern (Patagonia), and the Greater Buenos Aires metropolitan areas.
The Climate

The climate varies from subtropical in the north to sub-Antarctic in the south, featuring a wide temperate belt between these two extremes. The city of Buenos Aires and most of the other main cities and industrialized areas are situated in this temperate region, where maximum summer temperatures average between 27°C (81°F) and 32°C (90°F), with temperatures occasionally exceeding 38°C (100°F). Winters are relatively mild, with occasional frost. Snow and prolonged frost are rare, except in the western mountainous areas and in the south.

Mineral and Energy Resources

Energy resources: oil & gas, holding the world’s fourth and second largest non-conventional reserves, respectively, and electricity, now having a noticeable momentum with generation from renewable sources—wind, solar and biomass, mainly—; mineral resources: gold, copper, lead, zinc, lithium, natural borates, Bentonite, clays, and construction stone.

Education in Argentina

Education access in Argentina is free; however, to encourage high rates of school attendance, it is mandatory from the age of 4 to 18. Over twelve million students attend public and private schools and universities.

Prominent Industrial Sectors in the Major Cities

Petrochemicals, steel, foodstuffs, textiles, metalworking, cement, other construction materials, printing and publishing, glass, pharmaceuticals, industrial gases, agrichemicals, tires for vehicles, basic chemical products, and sugar. Agriculture is the productive sector with the main and most dynamic assets.

<table>
<thead>
<tr>
<th>Population, major races, legal language, common languages/dialects used:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Area²</strong></td>
</tr>
<tr>
<td><strong>Population</strong></td>
</tr>
<tr>
<td><strong>Population per km²</strong></td>
</tr>
<tr>
<td><strong>Population growth per year</strong></td>
</tr>
<tr>
<td><strong>Urban Population</strong></td>
</tr>
<tr>
<td><strong>Form of Government</strong></td>
</tr>
<tr>
<td><strong>Language</strong></td>
</tr>
<tr>
<td><strong>Currency</strong></td>
</tr>
<tr>
<td><strong>Political division</strong></td>
</tr>
<tr>
<td><strong>Capital City</strong></td>
</tr>
</tbody>
</table>

Source: INDEC. Estimates and projections made based on the results of the National Population, Households and Dwellings Census 2010.
Major government authorities since December 10, 2019:

- **President**: Alberto Fernández
- **Vice President**: Cristina Fernández de Kirchner
- **Cabinet**: Cabinet appointed by the President

Brief Description of the Legal Framework

Argentina is a federal republic. The federal government consists of an Executive Branch, headed by the President; a Legislative Branch in the form of a Congress, which is divided into two chambers: the Senate and the Chamber of Deputies; and a Judicial Branch. Provincial governments are generally organized along similar lines.

Legislative Branch

The Bicameral National Congress (Congreso Nacional) is made up of 72 seats in the Senate and 257 seats in the Chamber of Deputies. All members are elected by direct vote. Currently the governing party (Frente de Todos) has majority in the Senate.

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2 Argentina is 2nd in territorial size in Latin America and 8th in the world
3 The President is both the Chief of State and Head of Government
4 One-third of the members are elected every two years for a six-year term to the Senate, and one half of the members are elected every two years for a four-year term to the Chamber of Deputies.
The Economy

For the local economy, 2019 was a complex and volatile year, mainly due to the electoral uncertainty. The country was in recession the whole year, and economic activity contracted month after month, except for May and July, where there was a rise in activity, mainly triggered by the agribusiness sector.

During the first quarter, inflation accelerated as a consequence of adjustments to utility prices and a new devaluation resulting from the monetary policy rate cut, which led to an outflow of assets in pesos. In this scenario, the Argentine Central Bank (BCRA) relaxed its monetary policy, while the Executive Branch implemented a series of measures aimed at controlling price hikes and boosting consumption.

During the second quarter, a trend of appreciation of regional currencies, including that of Argentina, was evidenced, mainly due to a combination of domestic policies and the calm of global financial markets (the FED maintained its benchmark rate and reduced it in July). This led to a slowdown in inflation, which brought some calm.

However, this state of relative calm of financial variables came to an end in August, when the PASO (open and mandatory primary elections) were held. Although the opposing candidate was expected to obtain a favorable outcome, the large difference of votes between him and the official party’s candidate was shocking. And this virtually prognosticated who was going to be the next president since December.

This unexpected victory had an impact on Argentina’s fragile macroeconomic balances. In a single day, the peso devalued by 22.7%, the Merval index in pesos dropped by 37.93% and the country risk grew from 872 basis points to 1.467 basis points.

The post-PASO scenario gave way to political uncertainty and a continuous devaluation of the peso, with its subsequent impact on the inflation rate that had been experiencing a slowdown until then. In this adverse context, the government undertook short-term measures aiming at reducing exchange rate volatility, control price rises and, at the same time, improve the citizens’ available income to limit the drop in consumption.

Political uncertainty continued, forcing the government to impose foreign exchange restrictions to stop the outflow of reserves from the BCRA, which contracted by USD 11.636 billion between August 12 and 30 due to the acceleration of withdrawals of private sector deposits denominated in US dollars. These restrictions showed immediate results. The exchange rate appreciated by 3% and was stabilized at values around 56 pesos per US dollar in the wholesale market, and below 60 pesos per US dollar in the retail market.

The elections held in October 27 confirmed the outcome of the PASO, and resulted in a new president-elected, Alberto Fernández, for the 2019-2023 period. Against this backdrop, and in the wake of the high demand for dollars from the retail private sector, foreign exchange restrictions were heavily tightened immediately after.

Following the increase in the real exchange rate resulting from the peso devaluation, exports of goods amounted to USD 65.115 billion in 2019, accounting for an increase of 5.4% compared with 2018. Imports reached USD 49.125 billion, accounting for a drop of 25% compared with the previous year, mainly due to a slump in demand caused by the decline in economic activity. This resulted in a trade surplus of USD 15.990 billion, the highest since 2009. Meanwhile, the balance of services had a deficit of USD 5.183 billion.

With regard to the economic activity, official data show that GDP contracted by 2.2% in 2019 compared with 2018, while imports fell by 18.7% year-on-year. This decline affected all components of aggregated demand, except for exports that, in real terms, showed an increase of 9.4%. Investment fell by 15.9% year-on-year, while private and public consumption fell by 6.4% and 1.5%, respectively.

Likewise, when analyzing sectoral behavior, it may be seen that 9 out of the 16 economic sectors showed a decline in 2019 compared with the previous year. The steepest declines are recorded by the financial intermediation (-11.5%); fishing (-10.3%); wholesale, retail and repair (-7.8%); and manufacturing (-6.3%) sectors.

In 2019, the National Public Sector recorded a primary fiscal deficit of 0.44% of GDP. This was the result of total revenue growing 51.4% and primary expenses increasing by 37.2%.

Presidential transition took place in December, and the new government took office. Debt renegotiation is among the top priorities of the new administration. During the first quarter of 2020, the payment of principal and interest represents 4% of GDP, and rises to 6% in the second quarter. These amounts exceed the country’s payment capacity in a context of closure of voluntary credit markets.

There are still many challenges ahead in 2020. The pandemic caused by the COVID-19 outbreak amidst a context of economic weakness will have consequences which are difficult to estimate at the moment. It is important to note that Argentina started facing the COVID-19 crisis in an already existing environment of financial restrictions and macroeconomic imbalances, although the national government has announced control measures both to aid the worst affected sectors and to mitigate disruption to the payment chain and employment to encourage demand once the lockdown...

5 According to the information published by the Ministry of Economy at 9/30/2019, and GDP estimates from IMF (WEO, October 2019).
is eased and the supply-side shock has been restored. Little leeway is allowed to finance the required expansionary fiscal policies and implementing these policies in a non-coordinated manner could lead to rising inflation. However, this is not inexorable. There is also the possibility of economic planning to achieve a sustainable balance and restore confidence. Under this plausible scenario, an economic recovery could be expected within as short a time as possible, once the COVID-19 pandemic has been overcome.

**Gross domestic product at market prices - Gross added value at producer prices**

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP at market prices</th>
<th>GDP growth at market prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>528,056</td>
<td>8.9%</td>
</tr>
<tr>
<td>2006</td>
<td>570,549</td>
<td>8.0%</td>
</tr>
<tr>
<td>2007</td>
<td>621,943</td>
<td>9.0%</td>
</tr>
<tr>
<td>2008</td>
<td>647,176</td>
<td>4.1%</td>
</tr>
<tr>
<td>2009</td>
<td>608,873</td>
<td>-5.9%</td>
</tr>
<tr>
<td>2010</td>
<td>670,524</td>
<td>10.1%</td>
</tr>
<tr>
<td>2011</td>
<td>710,782</td>
<td>6.0%</td>
</tr>
<tr>
<td>2012</td>
<td>703,486</td>
<td>-1.0%</td>
</tr>
<tr>
<td>2013</td>
<td>720,407</td>
<td>2.4%</td>
</tr>
<tr>
<td>2014</td>
<td>702,306</td>
<td>-2.5%</td>
</tr>
<tr>
<td>2015</td>
<td>721,487</td>
<td>2.7%</td>
</tr>
<tr>
<td>2016</td>
<td>706,478</td>
<td>-2.1%</td>
</tr>
<tr>
<td>2017</td>
<td>725,331</td>
<td>2.7%</td>
</tr>
<tr>
<td>2018</td>
<td>707,330</td>
<td>-2.5%</td>
</tr>
<tr>
<td>2019</td>
<td>692,030</td>
<td>-2.2%</td>
</tr>
</tbody>
</table>

**Balance of Payments Estimates**

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Current Account</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Services</td>
<td>-5.329</td>
<td>-4.641</td>
<td>-5.815</td>
<td>-8.452</td>
<td>-10.149</td>
<td>-9.707</td>
<td>-5.183</td>
</tr>
<tr>
<td>Current transfers</td>
<td>734</td>
<td>1.535</td>
<td>1.083</td>
<td>1.123</td>
<td>401</td>
<td>1.295</td>
<td>822</td>
</tr>
</tbody>
</table>

| Financial Account    |        |        |        |        |        |        |        |
| Net Errors and Omissions | -3.074 | -198   | -928   | 775    | 186    | -468   | -755   |

Source: Based on data from the INDEC
Investment and Challenges in Argentina
Investment Climate

As described in the Economy section, Argentina faces many challenges during the year 2020.

The outbreak of the COVID-19 pandemic in an already fragile business environment due to the weak local demand and the lack of macroeconomic growth with very high inflation, create a level of uncertainty that makes it very difficult to estimate the impact that this will have on the investment climate in the country.

The government is implementing measures to alleviate this impact, focusing mainly on SMEs and on the most vulnerable households, the continuous extension of the lockdown –already for more than 45 days– is creating a big impact on the local economy.

A favorable outcome in the negotiation of the sovereign debt, together with a consistent economic program could be the way to build a path for sustainable economic growth in years to come.

Argentina has strong natural resource-based sectors, such as Agribusiness, Oil & Gas (especially non-conventional), Renewable Energies (wind and solar), Mining (largest lithium reserves), and strong talent based on a well-educated middle class, which creates opportunities in the Service Sector (software development, consulting, financial services, etc.) and fosters the entrepreneurial spirit found in the local business community.

In crisis times like the current one, there are several attractive investment opportunities for those willing to take the risk. Especially with a long-term view, several well established companies, with valuable assets, renowned local brands and consolidated businesses are desperate for financial support, which cannot be easily accessed from local banks and financial institutions.

Consumption

The year 2019 exhibited a drop of approximately 7% in consumption. High macroeconomic and political uncertainty, strong local currency devaluation, and the rising inflation were the main causes for this fall.

The new government implemented a series of measures during the first months in office to push for a recovery in consumption. Some of the key measures adopted included an injection of more than ARS 1.0 billion through increases in subsidies, pensions and AUH, the granting of food cards and a solidarity bonus to public and private workers, the restructuring of the “Precios Cuidados” (“Controlled Prices”) program, and the freezing of utilities rates and tariffs until June 2020 (extended to telecommunications and ISPs).

In addition, the government passed a law on productive support to SMEs, implemented a microcredit financing plan at low rates (3% per year) for more than 100,000 employees, and the Central Bank decided a drastic drop in interest rates from 63% to 38% annually in order to revitalize economic growth and employment.

Criminal Business Law

In an attempt to align with current regulations against bribery and corruption implemented by other countries, Law No. 27401, enacted on March 1, 2018, established the Criminal Business Liability System that will apply to private legal entities of national or foreign capital, with or without state ownership, that have committed crimes against the public administration, directly or indirectly, and for transnational bribery.

The following types of crimes are included under this term: i) national and transnational bribery and influence peddling; ii) negotiations that are incompatible with public office; iii) extortion (by a public official or judge); iv) illicit enrichment of officers and employees; and iv) aggravated false balance sheets and reports.

The law lists certain cases in which the legal entity will be exempted from punishment and administrative liability when all of the following conditions have been met: i) the legal entity spontaneously reported a crime under the law referred to as a consequence of its own internal investigation; ii) the legal entity implemented a suitable control and supervision system (Integrity or Compliance Program) to avoid the crimes envisaged under this law; and iii) the legal entity returned the unduly obtained benefit.

Legal entities may be subject to fines ranging from 2 to 5 times the undue benefit obtained. Total or partial closure may also apply.
Vaca Muerta and Mining

One of the main areas of interest of President Fernández was the development of Vaca Muerta shale oil & gas resources. However, the oil price crash, together with the abrupt fall in gas consumption, created a very challenging context for the industry. Despite this environment, the government continues to consider it a priority, and is evaluating measures to contain the level of activity in the sector that has enormous potential in the country. Before the COVID-19 pandemic, the government already had a new law projected to regulate hydrocarbon and mining activity, aimed at changing the matrix of extraction and exploration, supporting the development of the value chain and providing clear long-term rules to promote national and international investment in the sector. In addition to Vaca Muerta, there are great development and investment opportunities in the lithium mining sector. Argentina is currently the third largest producer of lithium in the world, behind Australia and Chile, and still has significant unexplored reserves in the northwestern region of the country. In the last 10 years, Argentine exports of lithium carbonate tripled its value. By 2022, Argentina is expected to have an installed capacity five times greater than the current one.

Agribusiness

Argentina is the biggest exporter of soybean oil and soy flour, and the world’s third largest corn exporter. The Buenos Aires Grain Exchange (Bolsa de Cereales de Buenos Aires) presented a pre-campaign report on wheat for the 2020/21 cycle, estimating an increase of 1.5% in the sown area, growing from 6.5M to 6.7M hectares. The increase is due to a reduction in the price of herbicides (5%), fertilizers (between 7% and 16%) and diesel (11%). Climate is also favorable and benefits the planting conditions. On March 4, 2020, the government announced the new agricultural withholding scheme through Decree No. 230/2020. The amendments introduced seek to improve the fiscal balance as well as the (current) situation of 42,000 small producers. According the new fiscal scheme, most agroindustry products, such as sunflower oil, corn flour, wheat flour and peanuts, were favored with a rate reduction, while soybean had a slight increase. The international context is uneven. So far this year, the S&P index of agricultural products fell by 16%, with wheat falling less than corn or soybean. At the same time, export restrictions from Russia and Kazakhstan generate incentives for wheat production. Argentina needs to closely follow China’s performance, because China is the destination of almost 90% of soybean exports and 70% of bovine meat, contributing USD 3.0 and USD 2.0 billions, respectively, in 2019.
Fintech and E-Commerce

Fintech and E-Commerce were clear sectors among those that faced increasing activity along the COVID-19 pandemic context as a consequence of the closure of banks and retail shops since March 20, 2020, the starting date of the lockdown in Argentina. The Fintech segment in Argentina is going through an expansion phase, growing rapidly and ranking third in quantity of Fintech companies in Latin America, behind Brazil and Mexico. In recent months, the Argentine companies in the sector shot up by 70%, amounting to 226 companies. Digital wallets have grown in popularity, reaching 6.5 million in the country. According to official figures, companies such as Ualá, Brubank and Mercadopago experienced a growth in operations ranging from 120% to 800% since the start of the pandemic. Projections for the rest of the year are favorable, and it is estimated that the amount could increase up to approximately 10-15 million by December 2020. E-commerce also achieved significant growth. According to the latest report from the Argentine Chamber of Electronic Commerce, this sector invoiced 78% of 2019 sales through credit cards, with a total turnover of ARS 403,238 M, 76% more than in 2018.

Real Estate

The real estate sector in Argentina is underdeveloped due to the lack of long-term capital investment. The limited number of institutional investors and small capital markets, combined with the uncertainty of Argentina macroeconomic cycles, did not support a sustainable development of the sector. Commercial real estate, offices, shopping malls and logistics/warehouses sectors show very low occupancy rates, even under the weak macroeconomic cycle, depicting a potential supply constraint in the case of an economic recovery and growth. The residential housing deficit is one of the highest in the region, mainly driven by a non-existing mortgage market (mortgage over GDP is less than 2%). Currently, construction activity dropped 58.3%. Although the cost of construction is at historical lows (around USD 680 per square meter), a delay in the start of new developments is expected until the end of the COVID-19 lockdown, and a clearer picture of its impact is projected. In the short term, there could be attractive investment opportunities to acquire corporate properties as a consequence of companies’ distress and desperate need for cash, or to acquire commercial real estate properties. If a new macroeconomic growth cycle starts by 2021-2022, as it is projected depending on how profound the COVID-19 pandemic impact is, the office and logistics sectors are clearly attractive investment opportunities for the long-term investor.

Tourism

Times are hard for the tourism sector. In Argentina, the sector contributes USD 5.4 billion annually to exports, and ARS 165 billion in domestic consumption. Before the current crisis, inbound tourism in Argentina represented the fourth item of foreign exchange earnings, a situation that will be difficult to sustain in 2020 due to the COVID-19 pandemic. Recently, IATA has estimated that global losses will reach USD 252 billion and will reach USD 2.43 billion in Argentina. Also, the sector expects a sharp drop in the first half, with a slow and segmented recovery. Argentina has positioned itself as one of the most attractive tourist destinations in Latin America, especially thanks to the large natural resources, ski resorts, lakes, fly fishing, beaches and deserts across country regions.
Form of Foreign Investment / Structuring the Deal
Foreign investors may make use of any of the legal types of business organization allowed by domestic legislation. Local companies with foreign capital can access domestic financing with the same rights and under the same conditions as local companies with domestic capital.

**Formation Procedure**

Foreign companies seeking to be shareholders or members of an Argentine subsidiary or to operate in Argentina through a branch must first be registered as foreign shareholders or members or as branches with the Legal Entities Regulator (“IGJ”). In all cases, foreign companies operating in Argentina must appoint individuals who will be legally responsible for them, and separate accounting records must be kept for the companies’ operations in Argentina. The main types of investment vehicles used by nonresident individuals and foreign corporations include a branch (Sucursal), a corporation (Sociedad Anónima) and a limited liability company (Sociedad de Responsabilidad Limitada).

Recently, Law No. 27349 was amended through IGJ Resolution No. 20/2020, establishing that SAS (Sociedades por Acciones Simplificadas – Simplified Stock Companies) cannot delegate administration powers to foreign shareholders. According to the new scheme, administration powers may only be granted in favor of Argentine residents.

IGJ General Resolution No. 9/2020 modified aspects relating to capital, which from now on, should be considered in accordance with Articles 67 and 68 of IGJ General Resolution No. 7/2015. Additionally, questions regarding legality control and requirements for digital financial statements presentation were modified.

Finally, IGJ Resolution No. 17/2020 granted a period of 90 days in order to correct the lack of digital signature, while the remote shareholders/members’ meeting modality was regulated through IGJ Resolution No. 11/2020.

**Restrictions on Foreign Investment**

- No restrictions on any industrial sectors.
- No restrictions on the percentage of foreign ownership interests in a local entity. This does not apply to ownership of rural lands and/or locations under the Border Zones Authority. In these cases, refer to Law No. 26737.

**Regulatory Environment**

General commercial laws and regulations

<table>
<thead>
<tr>
<th>Area</th>
<th>Regulations</th>
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<tbody>
<tr>
<td>Foreign investment</td>
<td><a href="#">Foreign Investment Law No. 21382/ 1993 and Regulatory Decree No. 1853/ 1993.</a></td>
</tr>
<tr>
<td>Commercial Companies</td>
<td>General Companies Law No. 19550, Insolvency Proceedings and Bankruptcy Law No. 24522</td>
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<td>Immigration Policy</td>
<td>Law No. 25871</td>
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<td>Trade</td>
<td>Code of Commerce, Law No. 26994</td>
</tr>
<tr>
<td>Capital Markets</td>
<td>Law No. 26831</td>
</tr>
</tbody>
</table>
Foreign Trade and Customs Regulations
Introduction

On September 1, 2019, the National Executive Branch issued Decree No. 609/2019 and, accordingly, the Argentine Central Bank (“BCRA”) issued Communication “A” 6770, both establishing the restoration of the Foreign Exchange Control System. Therefore, the BCRA resumed control over transactions carried out through the Foreign Exchange Market (“MLC”).

From a Customs point of view, import licenses are applicable to the import of all goods. Customs systems and programs, such as the system of import price adjustments agreed with related suppliers and the Authorized Economic Operator (OEA) are still in force. Duties are applicable to exports of goods and services.

Operation of the Foreign Exchange Market

Financial institutions or foreign exchange houses authorized to operate by the BCRA must participate in all the transactions for the inflow and outflow of foreign currency through the MLC.

Communication “A” 6770 also restores the obligation to complete a “foreign exchange form” to access the MLC, which must be submitted to the financial institutions through which foreign currency will be received or transferred abroad. The form will have the nature of a sworn statement and will contain the data of the foreign exchange transaction to be made, including the code of the transaction and the statement that the resident institution complies with the limits and requirements established in the current foreign exchange regulations.

Financial institutions may give access to the MLC to individuals or legal entities, hereinafter “clients”, when they verify compliance with the general and specific provisions established for the type of transaction to be performed. In all cases, the financial institution must have all the necessary elements that allow it to verify that the transaction to be carried out is genuine and that it has been reported under the correct transaction code.

Obligation to Report Foreign Assets and Liabilities

To allow access to the MLC for the settlement of all commercial or financial debts, financial institutions shall verify that the transaction at issue is declared, if applicable, in the latest information return on foreign assets and liabilities filed in compliance with the “Obligation to Report of Foreign Assets and Liabilities” imposed by the BCRA.

The main characteristics of the new Obligation to Report Foreign Assets and Liabilities were disclosed through Communication “B” 11712, as amended by Communication “B” 11729, and Communication “A” 6795, issued on September 27, 2019. For the year 2020, the related information return must be filed on a quarterly basis within 45 calendar days from the end of each calendar quarter. It must be completed by all individuals and legal entities who have foreign liabilities at the end of any calendar quarter, or who have settled those liabilities during that quarter.

Those filers whose foreign assets and liabilities balance at the end of each year reaches or exceeds an amount equivalent to USD 50 million must submit, in addition to the quarterly information returns, an annual information return (which will complement, ratify and/or rectify the quarterly returns filed). This annual information return may be optionally submitted by any individual or legal entity below the aforementioned threshold. The annual return must be submitted within 180 calendar days from the end of the calendar year.

Anyone who wants to pay a commercial or financial debt must have a certificate stating that the obligation to report foreign financial assets and liabilities is up to date. This certificate is mandatory for all legal entities with foreign liabilities regardless of whether they intend to access the MLC.
Financial Debts

Foreign currency derived from financial loans granted by nonresidents does not have to be brought into the country and settled through the MLC, unless the Argentine resident intends to access the MLC in the future to repay principal and/or interest.

Direct Investment System

There is no obligation for direct investment funds to be brought into the country and settled through the MLC; however, certain conditions apply in order to access the MLC for the payment of profits and dividends to nonresident shareholders/members.

Furthermore, the repatriation of capital contributions through the MLC by nonresident clients need the prior formal approval of the BCRA.

Payment of Dividends

Financial institutions may allow access to the MLC for the payment of profits and dividends to nonresident shareholders/members to the extent that the conditions set out in exchange regulations are met. Some of those conditions include the following:

a) There must be an inflow and settlement of foreign currency derived from a capital contribution.

b) The total amount transferred through the MLC for the payment of profits and dividends since January 17, 2020 does not exceed thirty percent (30%) of the amount of such new capital contributions brought into the country and settled through the MLC as of the aforementioned date.

c) The client must submit documentation that guarantees the final capitalization of the contribution.

d) Profits and dividends arise from closed and audited financial statements.

Cases that do not comply with all the conditions mentioned in the foreign exchange regulations will require the formal prior approval of the BCRA to access the MLC for payments of profits and dividends.

Imports of Goods

Current foreign exchange regulations set out the guidelines and requirements that must be met to access the MLC and be able to make payments for import of goods. In principle, current foreign exchange regulations set forth that debts for the import of goods can only be paid upon expiration, and in the event advance payment is required, prior formal approval from the BCRA must be requested.

Before giving the importer access to the MLC to pay debts for the import of goods, the financial institution must verify that the importer has the Customs certificate for the goods to be paid, and that this information is consistent with the commercial invoice and the Shipping Document, among other requirements.

In order to access the MLC for the advance payment of imports, it is necessary to provide the financial institution with documentation including a detail of the goods to be imported, the agreed-upon purchase conditions, and the delivery and payment terms and conditions. If the foreign supplier is a related company, then, prior formal approval from the BCRA will be required to access the MLC to make the advanced payment of imports.

Whenever an advance payment is made, the Customs certificate validating the entry of Capital Goods must be submitted to the financial institution within 270 (two hundred and seventy) calendar days from the date of access to the MLC. For the rest of the goods, the term will be 90 (ninety) calendar days from the date of access to the MLC.

From a Customs point of view, as a rule applicable to all transactions involving final imports of goods, importers must register the information relating to the goods to be imported through the Integrated Import Monitoring System (“SIMI”) for every import for consumption (or final import). The SIMI must also be used for processing import licenses: Automatic Import Licenses (“AL”) must
be obtained for all goods included under the tariff positions of the Mercosur Common Nomenclature ("MCN") for final imports, with the exception of the tariff codes specifically listed, for which a Non-Automatic Import License ("NAL") must be obtained. It is important to highlight that the list of NAL is dynamic and may be modified based on the needs of each sector involved.

**Import of Services**

Debts originated in the import of services can only be paid at maturity. Payment in advance will be subject to prior formal approval from the BCRA. Payments to foreign related companies originated in the import of services will also be subject to prior formal approval from the BCRA with some exceptions (credit card issuers for wire transfers for the payment of tourism and travel-related expenses, local agents for funds collected in the country for services provided by nonresidents in their ordinary business, reinsurance premium payments abroad, transfers made by travel assistance companies for health coverage payments).

**Exports of Goods**

Amounts in foreign currency relating to exports performed from September 2, 2019 onwards must be brought into the country and settled through the MLC within the term of 15, 30, 60 or 180 (fifteen, thirty, sixty, or one hundred and eighty) working days from the date stated in the Shipping Permit, depending on the tariff code of the exported good.

Foreign currency from exports to related companies must be brought into the country and settled through the MLC within 60 (sixty) working days from the date of issue of the Shipping Permit. In addition, a 365-day period from said Shipping Permit date is set for transactions by Courier under the “Simplified Export” system.

Notwithstanding the foregoing, amounts in foreign currency relating to the export of goods should be brought into the country and settled through the MLC within 5 (five) business days from the date of collection.

In recent months, the Executive Branch has modified the export duties applicable to the export of goods. Thus, there are different duties depending on the tariff position of the goods to be exported and on the rule applicable to each of them:

**a)** Positions included in Annex I of Decree No. 37/2019: a 12% export duty applies, with a cap of ARS 3 per US dollar.

**b)** Positions included in Annex II of Decree No. 37/2019: a 9% export duty applies.

**c)** Positions included in Annex XIII of Decree No. 1126/2017, as amended (see Decrees Nos. 486/18, 487/18, 793/18, 541/19, and 847/19), whose export was already taxed prior to Decree No. 793/2018: (i) the aforementioned duty applies, and the 12% duty (imposed by Decree No. 793/2018) is added; or (ii) the aforementioned duty applies, and the 12% duty with a cap of ARS 3 per US dollar is added.

**d)** Positions not included in paragraphs a), b) and c): a 12% rate applies.

**e)** Positions included in Annex I of Decree No. 230/2020: the duty applied in each case is stated in said Annex.

**Exports of Services**

Amounts in foreign currency relating to exports of services must be brought into the country and settled through the MLC within 5 (five) business days from the date of collection abroad or in the country, or from the date of crediting to foreign bank accounts.

In addition, through Decree No. 99/2019, the Executive Branch imposed a 5% (five percent) duty on the export
of services rendered in the country, whose effective use or exploitation is carried out abroad.

**Holding of Foreign Assets**

Legal entities, local governments, mutual funds, and trusts established in the country must obtain prior formal approval from the BCRA to access the MLC to acquire foreign assets, as well as to provide all types of guarantees relating to the coordination of derivative transactions.

Resident individuals may access the MLC to acquire foreign assets, send remittances abroad for family assistance and provide guarantees relating to the coordination of derivative transactions for an amount of up to USD 200 (two hundred US dollars) per month through all financial institutions authorized to operate in the foreign exchange market. To access the MLC for higher amounts, prior formal approval from the BCRA is required. Additionally, a 30% (thirty percent) tax for Solidarity and Inclusion in Argentina (PAIS Tax), described below, was established by the Federal Administration of Public Revenue (AFIP), which will be applied to this type of transactions.

**Import of Goods under Contracts with a Price Adjustment Clause between Related Companies, with Participation of Third-Party Operators**

AFIP Resolution No. 4419 set forth the conditions and procedures to register this type of transaction. Those interested in declaring final imports subject to a price adjustment clause between related companies with participation of third party operators, prior to registration in the Malvina Information System (SIM), must file a copy of the contract where the price adjustment methodology is defined with the Customs Service.

Once the transaction is authorized, the final import can be prepared; the request for destination must be accompanied by a provisional sworn statement, subject to review by the Customs service. The importer may modify this sworn statement, based on the contractual provisions previously informed.

Within 180 (one hundred and eighty) calendar days after the end of the tax period, the importer must submit to the customs service the documentation supporting the final value of the goods, according to the contract filed and objective and quantifiable criteria, as well as data and documentation on the economic group and the third party operator.

Should there be an increase in price after the goods were dispatched, the pertinent tax system will be applied, and interest will accrue from the registration date of the FINAL import to the effective payment date.

Importers that do not comply in due time and manner with the filing of the documentation referred to above will be automatically excluded from operating under this modality, and the Customs Service will be entitled to apply penalties pursuant to customs regulations.

**Authorized Economic Operator (AEO)**

The tax authorities (AFIP), following the guidelines of the World Customs Organization, implemented the AEO program, which consists in dutiful compliance with customs, tax and social security obligations, as well as those related to the safety of goods and the integrity of the logistics chain. This program implies a mutual commitment between Customs and Foreign Trade Operators, with the main purpose of ensuring the safety and fluency of customs operations, allowing the operator to be more competitive and improving the allocation of resources by the Customs Service.
At the date of filing of their application to join the program, the interested parties must meet certain requirements established in the regulations in force, such as: not having incurred in non-compliance with the filing and payment of tax, customs or social security liabilities; not having been prosecuted or subject to criminal complaints in relation to tax, customs or social security offences with a prosecution order issued; having financial standing (assets and resources) to meet their obligations and financial commitments in the development of their business activity; and keeping an updated record of their import/export transactions (stock management). Further, they must have systems in place for the control of inventories existing at each site, furnished with a security system to avoid data loss and with audit information. In addition, they must present a risk matrix relating to the supply chain. There are also some additional special requirements, which are applicable according to the level of the operator.

Certification as an AEO implies, among other benefits, easier, simpler and more direct access to the Customs administration; priority action against contingencies; acceleration of procedures before the control authorities; fewer physical and documentary controls (mainly operations registered by green channel of selectivity); easier adherence to simplified customs procedures; and the possibility of benefiting from mutual recognition agreements established between the customs authorities of different countries, thus resulting in time and cost savings, also in the countries of destination of the goods.
Taxes on Corporate Income

Corporate Income Tax
The Corporate Income Tax rate applicable to net taxable business profits is 30% for fiscal years starting on or after January 1, 2018. As a result of the recent tax reform, the rate would be further reduced to 25% for fiscal years beginning on or after January 1, 2021. Legal entities residing in Argentina are subject to tax on Argentine and foreign-source income and are able to claim any similar taxes actually paid abroad on foreign-source income as a tax credit. The same rate applies to net taxable Argentine-source business profits and to profits from business activities performed abroad by branches of foreign entities. See additional comments below.

Tax on Minimum Notional Income
This tax has been abolished as from fiscal years beginning on or after January 1, 2019.

Corporate Residence
Corporate residence is determined on the basis of centers of activity and not by the place of incorporation or management. Centers of activity in Argentina of non-Argentine corporations are treated as permanent establishments (PE).
As part of the 2017 tax reform, a PE definition has been introduced into the Income Tax Law. Such a definition is generally aligned with the one included in the OECD Model Tax Convention for the Elimination of Double Taxation, although it is broader, as it includes the performance of services by a nonresident provider, including services rendered by consultants within the National Territory for a total period greater than six (months) within any 12-month period.

Other Taxes

Value Added Tax (VAT)
The current general rate of 21% is applied to the sales value of products and services (including professional services), with a few specific exceptions. This tax is applicable to imports of goods and services. Certain goods are taxed at a reduced rate of 10.5%, while some services, at 27%. Exports of goods and services are taxed at 0%. Nevertheless, input VAT relating to exports may either be used as a credit against output VAT or refunded pursuant to a special procedure. VAT paid on purchases, final imports and rental of automobiles, not considered inventory, may not be computed by the purchaser as a credit. The same tax treatment applies to other services, such as those provided by restaurants, hotels and garages. The above-mentioned restrictions do not apply when these services are hired for a conference, congress, convention or any other similar event directly associated with the specific activity of the contracting party. As a result of the 2017 tax reform, VAT legislation currently includes as a taxable event 'digital transactions' (e.g. digital services, hosting, on-line technical support, software services, Internet services) provided from abroad. Hence, these types of services are now subject to VAT at a 21% rate if they are provided by a nonresident entity to an Argentine customer, on condition that they are actually used in Argentina.

Turnover Tax
Each of the 24 jurisdictions into which Argentina is divided imposes a tax on gross revenues from the sale of goods and services. Exports of goods are exempt from this tax. Rates, rules and assessment procedures are determined locally. On average, rates for trade and services range from 3% to 5%. In case of industry, rates are generally lower (ranging from 0% to 2%).
Wealth Tax

Wealth Tax is payable by Argentine companies on all shares/units issued by them and owned either by individuals, regardless of residence, or by companies residing abroad.

It shall be assessed and paid directly by the local company as a full and final payment on behalf of the shareholders/members (the issuing company has the right to recover from the shareholder/member the tax paid).

By virtue of a recent tax reform, the applicable tax rate has been increased to 0.5% (formerly 0.25%) and is applicable to the value of the ownership interest, which is generally calculated on the difference between assets and liabilities arising from the financial statements at December 31 of each year, or during the fiscal year at issue.

According to case law issued by the Argentine Supreme Court of Justice, branches of foreign entities may claim an exemption from this tax.

Excise Taxes

A wide variety of items, such as automotive and diesel motors, tobacco, alcoholic beverages (including wine, champagne and beer), insurance, cellular and satellite telephone services, recreational or sport boats, aircraft, luxury goods, and non-alcoholic beverages with caffeine and taurine, among others, are taxed at varying rates.

Tax on Financial Transactions

This tax is levied at a rate of 0.6% on the amounts credited to or debited from the taxpayer's bank accounts.

Transactions made in banks without using a bank account and any disposition of one's own funds or the funds of a third party are subject to a tax rate of 1.2%.

One third (33%) of the tax on financial transactions effectively paid on bank account transactions (0.6%) and movements of funds (1.2%) is creditable against income tax and/or the related tax prepayments.

Stamp Duty

This local tax is levied on documents or agreements that evidence acts or transactions for valuable consideration (usually referred to as taxable documents). The average tax rate is 1% and is applicable to the economic value of the agreement.

Import & Export Duties

Import duties currently range from 0% to 35%, except in cases where a specific minimum duty is applied, or which involve goods subject to a specific treatment. In general, goods originating in LAIA and MERCOSUR countries are entitled to a preferential duty treatment.

As from September 4, 2018, an export duty of 12% was established for the export of all goods included in the tariff positions of the Mercosur Common Nomenclature. However, through Decree No. 37/2019, in force since December 14, 2019, and Decree No. 230/2020, in force since March 5, 2020, the applicable rates were modified (please refer to the “Foreign Trade and Customs Regulations” section for information on the export duty on goods).

Besides, under Decree No. 99/2019, a 5% (five percent) duty was established for the export of services rendered in the country, whose effective use or exploitation is carried out abroad.

Social Security Taxes

Law No. 24241 (Argentine Integrated Pension Fund System Law) establishes the territoriality principle, under which Argentina’s Social Security System covers all persons providing services under a permanent or temporary employment contract within the national territory.

Each month, local employers must pay employer contributions jointly with employee withholdings to the National Social Security System and the National Health Care System.

The employer social security tax is payable on the employee’s total monthly compensation and is not subject to any cap amount. The total employer contribution is 26.4% for companies mainly engaged in the provision of services or trade, provided their annual sales exceed AR 48,000,000, and 24% for all other companies. Argentine employers are exempt from paying social security contributions for the first ARS 7,003.68 per month per employee—for some activities, the non-taxable amount is increased to AR 17,509.20.

The employee social security withholdings, which include pension fund, health care and social services, are payable on the monthly salary, up to a monthly cap of ARS 159,028.80 (as from March 2020), except for June and December, where the cap is increased by 50% due to the
13th month salary. This salary cap is index-adjusted in March, June, September and December of each year. The total employee social security tax rate is 17%, which consists of contributions of 11% to the pension fund, 3% to health care and 3% to social services.

Should any employee serve as Director of the same company, the social security liability shall be limited to the contributions made as a self-employed individual for the management duties performed. The employee’s enrollment in the Social Security System will be voluntary regarding his/her salary as an employee. Thus, if the Director opts not to pay these contributions, the company is under no obligation to pay any employer contributions.

Significant Developments

Shortly after the new president took office, the Argentine Government submitted a package of measures (most of them tax-related) for Congress approval. Such measures were mainly aimed at regularizing public accounts, reducing the inflation rate, controlling the foreign exchange market, and redressing social inequalities.

After a series of discussions, Congress finally passed Social Solidarity and Productive Reactivation Law (the “Law”) on December 23, 2019. A week later, the Executive Branch issued Decree No. 99/2019 to provide some clarifications and regulations on the new measures.

The most relevant changes introduced by the Law include the following:

Corporate Income Tax

The Law established the suspension of the Corporate Income Tax rate reduction set forth under the 2018 tax reform (the application of the 25% rate was suspended until fiscal years beginning on or after January 1, 2021). As a result, the 30% rate would still apply to fiscal years starting on or after January 1, 2020. Likewise, the increase in the withholding tax rate for dividend payments (from 7% to 13%) was also suspended for the same term.

As regards the tax inflation adjustment, the amount pertaining to the first and the second fiscal years beginning on or after January 1, 2019 must be allocated as follows: 1/6 of the amount in said fiscal year, and the remaining 5/6 in equal parts over the following 5 fiscal years. Under the prior rule, the tax adjustment for inflation had to be allocated 1/3 in the first fiscal year, and the remaining 2/3 in the following two fiscal years.

Exemption for Financial Income

The Law repealed Sections 95 and 96 of the Income Tax Law, which imposed a schedular tax on certain financial income. Therefore, as from fiscal year 2020, interest on fixed term deposits, government securities, corporate bonds and open mutual funds from Argentina would no longer be subject to tax, nor will the capital gains deriving from their trade in case of foreign beneficiaries (except for parties residing in non-cooperative jurisdictions) and Argentine individuals.

The Law also reinstated the exemption for interest on deposits in local financial institutions as from fiscal year 2019. The exemption does not cover income derived from deposits in foreign currency or carrying index adjustment clauses.

Wealth Tax

Effective from taxable year 2019, Wealth Tax rates for resident taxpayers increase as follows:

- the tax rate applicable to resident taxpayers now ranges from 0.5% to 1.25% on local assets and from 0.7% to 2.25% on foreign assets;
- the tax rate for nonresident taxpayers with assets in Argentina increases from 0.25% to 0.50%;
- the tax rate applicable to shares and ownership interests in Argentine entities – substitute taxpayer– is also increased from 0.25% to 50%.

Finally, the amendment included a migration from the “Tax Domicile” criterion as of December 31st of each year to the “Tax Residence” criterion, as established under the Income Tax Law, where a length of presence in a 12-month period plays a role.
Tax for Solidarity and Inclusion in Argentina (PAIS Tax)
The Law introduced a temporary 30% tax (the so-called PAIS Tax for its Spanish acronym), which would apply over a period of 5 fiscal years to the following transactions:

• the purchase of foreign currency for treasury or accumulation with no specific purpose;
• purchases made abroad, including cash withdrawals, using credit and debit cards or any other payment method;
• purchases made online and invoiced in foreign currency;
• purchases of services rendered by nonresidents in the country through credit or debit cards or any other payment methods;
• purchases of touristic services rendered abroad through travel agencies; and
• purchases of transportation tickets to destinations outside Argentina, with some exceptions.

Medical services, purchases of medicines, purchases of books, educational platforms, certain research projects, and purchase of materials and equipment for firefighting and civil protection of the population are tax exempted.

Tax would be payable by Argentine residents, both individuals and legal entities, conducting the above transactions. However, the payment of specific-purpose obligations would not be subject to PAIS Tax, which means that most of the commercial transactions carried out by an Argentine legal entity would not be taxable.

It is to note that the acquisition of digital services, as defined in the VAT Law, would be subject to a reduced rate of 8%.

Employment Taxes
The Law also suspended the schedule to set a standard employers’ contributions rate of 19.5%. As a result, employer contributions would be determined according to the following rates:

• 4% for private sector employers mainly engaged in services or trade, provided that their total annual sales exceed certain thresholds;
• 18% for all other private sector employers falling within the scope of Laws Nos. 23551, 23660 and 23661, and those of the public sector falling within the provisions of Section 1 of Law No. 22016.

Further, the monthly deduction to determine employers’ contributions was eliminated (i.e. ARS 17,509.20, subject to annual indexation) and replaced by a fixed amount of ARS 7,003.68.

Notwithstanding the foregoing, certain specific activities would be entitled to a deduction of ARS 17,509.20.

In addition, employers having a payroll of up to 25 employees will enjoy an additional monthly deduction of ARS 10,000.

Other Relevant Measures
Along with the listed measures, the Law provided for the following:

• A tax amnesty program and instalments plan for SMEs to regularize tax obligations due at November 30, 2019.
• The imposition of a Tax on Financial Transactions at a rate of 1.2% on cash withdrawal transactions carried out by Argentine legal entities, other than SMEs.
• The introduction of an Excise Tax of 20% on the acquisition of vehicles whose value exceeds ARS 1.3 million up to ARS 2.4 million, and of 35% when the purchase value exceeds ARS 2.4 million.

Income Determination

Inventory Valuation
Inventory valuation is based on the latest purchase. Thus, LIFO may not be chosen for tax purposes.

Conformity between book and tax reporting is not required.

Capital Gains
Capital gains and losses attract normal profit tax treatment, except for those losses from the sale of shares, units, bonds and other securities that may be offset only against the same type of income.
**Intercompany Dividends**

These dividends are not included in the tax base of an Argentine entity (the recipient) if distributed by another Argentine company. However, tax is levied if the dividends are distributed by a foreign company.

**Foreign Income**

Foreign income received by resident entities is subject to tax.

Note that an Argentine taxpayer is immediately taxed on passive income generated by a ‘Controlled Foreign Corporation’ (CFC) that is directly or indirectly held by the Argentine taxpayer, to the extent that more than 50% of that CFC’s income is passive and is effectively subject to a tax that is lower than 75% of the applicable Argentine income tax rate.

Tax losses from a foreign source may only be offset against income from a foreign source.

**Transfer Pricing Rules**

The transfer pricing regulations governing intercompany transactions, which were introduced to the Income Tax Law by Law No. 25063, as amended by Laws Nos. 25239 and No. 25784, adopt principles similar to those of the Organization for Economic Cooperation and Development (OECD), pursuant to which companies must comply with the arm’s length principle to determine the value of goods and services in their transactions with foreign-related companies.

**Deductions**

**Depreciation and Depletion**

Depreciation is generally computed on a straight-line basis over the technically estimated useful life of the assets or, alternatively, over their standard useful lives (e.g., machinery and equipment, ten years; furniture, ten years). Depreciation of buildings and other construction on real estate is 2% per annum on cost (on a straight-line basis), unless it can be proven that useful life is less than 50 years.

Depreciation of automobiles with an original cost in excess of ARS 20,000 is not deductible. Related expenses (gasoline vouchers, insurance, rentals, repairs and maintenance, etc.) are deductible for up to an amount of ARS 7,200 per car per year. Conformity between book and tax depreciation is not required.

Percentage depletion is available for natural resources (mines, quarries, forests).

**Net Operating Losses**

The term for the deduction of income tax losses is five years.

**Payments to Foreign Affiliates**

Transactions between related parties should be at an arm’s length. This principle was included in the transfer pricing rules and was extended to transactions with companies located in non-cooperative jurisdictions or low or zero tax jurisdictions. The tax authorities will determine income by applying one of six methodologies: comparable uncontrolled price, resale price, cost plus, profit split, residual profit split, and transactional net margin. Payments to foreign affiliates or related parties and companies located in low or zero tax jurisdictions that represent Argentine-source income are tax deductible, provided they are paid before the due date for filing the tax return and the related withholding is paid to the tax authorities.

**Other Significant Items**

1. **Donations:** when made to companies and associations expressly exempt from assessment of income tax, donations up to a maximum of 5% of the donor’s net taxable income are admissible deductions, provided certain requirements are met.

2. **Representation expenses:** if adequately documented, representation expenses are admissible deductions up to 1.5% of the amount of salaries accrued during the fiscal year.
3. Directors’ fees: Amounts equivalent to 25% of after-tax income or ARS 12,500 per individual, whichever is higher, are deductible in the fiscal year to which they apply, provided they are approved and available for the director before the tax return is due, or in a later year of payment.

4. Thin capitalization: except for financial institutions governed by Law No. 21526 and leasing companies, interest and foreign exchange losses incurred by an Argentine resident on loans granted by a related party—whether local or foreign—would be deductible up to a limit equivalent to 30% of the taxpayer’s taxable income before deducting interest, foreign exchange losses and depreciation. The portion of non-deductible interest will be carried forward for up to five years. Any deductibility capacity can also be carried forward for up to three years. Certain exemptions to thin capitalization rules may be available.

Tax Incentives

Mining Activity
Law No. 24196 created an investment scheme for the mining activity and is applicable to individuals and legal entities.

Mining ventures included within this scheme enjoy fiscal stability (i.e., tax rates will remain basically the same) for a term of 30 years, except for VAT, which will adjust to the general scheme. Furthermore, the scheme grants incentives for income tax, tax on assets, import duties, and any other tax on the introduction of certain assets. Additionally, the possibility to obtain a VAT reimbursement during the exploration stage, as indicated in Law No. 24196, has been regulated by General Resolution No. 1641/2004.

Forestry
Law No. 25080 established an investment scheme for plantation, protection and maintenance of forests, and contains rules similar to tax incentives for mining.

Knowledge-Based Activities
On May 22, 2019 the Argentine Congress passed a law approving a new tax promotional system for the so-called knowledge-based economy (the “System”). The System replaced the former Software Promotional System (established by Law 25,922, as amended), and also broadened its scope to contemplate and promote other economic activities that are knowledge-based (like biotechnology, nanotechnology, geological and prospective services, and exports of professional services, among others).

Companies eligible for the System would obtain benefits such as a reduction of the Corporate Income Tax rate, fiscal stability during the term of the System and a transferable tax bond that can be used to offset other tax liabilities of the taxpayer, just to name a few.

The Regime became effective on January 1, 2020. However, a law has been passed to introduce some amendments to the regime. Further, the regulations necessary to make the System operative have not been issued, yet.

Tierra del Fuego
Although subject to certain limitations in the case of new projects, companies established in this province enjoy a general tax exemption as well as important customs-related benefits, based on the system established by Law No. 19640 and supplementary regulations.

Renewable Energy
Companies engaged in the production of energy through renewable sources are entitled to certain tax benefits, such early refund of VAT or accelerated depreciation of capital goods for Income Tax purposes, among others.

Biotechnology
Law No. 26270 established a promotion system for the development and production of biotechnology, and grants
benefits for tax and social security contributions that may be claimed if specific requirements are met.

**Small and Medium-sized Enterprises (Law No. 27264)**

Law No. 27264 (passed in August 2016) established a special tax system for small and medium-sized enterprises (SMEs) and for infrastructure investments conducted by SMEs. The most relevant benefits include the following:

- Full exemption on Minimum Notional Income Tax starting January 2017 (this tax was abolished for fiscal years starting on or after January 1, 2019).
- Full credit (against income tax and its prepayments) on tax on financial transactions paid by micro- and small-sized enterprises. A 50% credit on the tax paid by medium-sized manufacturing entities.
- Deferral of due date for VAT balance payable.
- Fiscal stability (from July 2016 to December 2018) for SMEs that invest in infrastructure projects and/or capital goods.
- Income tax credit for an amount equal to 10% of the amounts invested in infrastructure projects and capital goods.
- Tax bond (creditable against federal taxes) for the Input VAT credit balances resulting from infrastructure investments.

The regulatory authority would be in charge of keeping a registry of companies that are considered SMEs and are therefore entitled to the benefit.

**Export Incentives**

Exports of goods and services are exempt from value added and excise taxes. The temporary import of raw materials and intermediate and packaging goods for the manufacturing of products for export is free of duty, with the obligation to offer sufficient guarantees for the import. A reimbursement system is in place for VAT credits paid to suppliers in relation to export activity.

**Withholding Taxes**

Dividend distributions and branch profit remittances paid out of profits generated in fiscal years beginning on or after January 1, 2018 are subject to a 7% withholding tax in Argentina. The rate would be increased to 13% from fiscal year 2021 onward. Although the equalization tax is no longer in force due to the amendment introduced by Law No. 27430, it still remains applicable on dividend and branch profit distributions made out of earnings accumulated in FYs starting prior to January 1, 2018, and which were in excess of tax earnings as of the year-end prior to the relevant distribution.

Furthermore, in the case of nonresidents, gains on the sale of non-listed shares, share certificates and units of Argentine entities would be subject to a 13.5% tax on gross profits or, alternatively, 15% on actual profits (dually supported).

Similar rates would apply in the case of transfers of bonds, digital currency and other Argentine securities denominated in foreign currency. For securities denominated in pesos, the rates would be reduced to 4.5% on gross profits, or 5% on net gain. Certain securities disposed by a non-resident, such as government bonds (except LEBACs), corporate bonds (obligaciones negociables) and listed shares are exempt from capital gains tax provided certain requirements are met.

The above tax treatment is applicable only to the extent that the investor is located in or is a resident of a cooperative jurisdiction and funds have originated in those jurisdictions. Otherwise, the applicable tax rates would be increased to 31.5% on gross profits or 35% on net gain.

<table>
<thead>
<tr>
<th>Recipient</th>
<th>Interest (1)</th>
<th>Royalties (1, 2)</th>
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<td>Resident legal entities</td>
<td>6/28 (3)</td>
<td>6 (4)</td>
</tr>
<tr>
<td>Resident individuals</td>
<td>6/28 (3)</td>
<td>6 (4)</td>
</tr>
<tr>
<td>Nonresident legal entities and individuals: Non-treaty:</td>
<td>15.05/35</td>
<td>21/28</td>
</tr>
</tbody>
</table>

| Treaty: | | |
|--------|--------|
| Austria (12) | 12 | 3/5/10/15 |
| Australia | 12 | 10/15 |
| Belgium | 0/12 (5) | 3/5/10/15 |
| Bolivia | 15.05/35 | 21/28 |
| Brazil | 15 | 10/15 |
| Canada | 12.5 | 3/5/10/15 |
| Chile | 4/12/15 | 3/10/15 |
| China (10) | 12 | 3/5/7/10 |
| Denmark | 12 (5) | 3/5/10/15 |
| Finland | 15 | 3/5/10/15 |
| France (15) | 15.05/20 (6) | 18 |
| Germany | 10/15 (7) | 15 |
| Italy | 15.05/20 (5) | 10/18 |
| Japan (13) | 12 | 3/5/10 |
| Luxembourg (14) | 12 | 3/5/10 |
| Mexico | 12 | 10/15 |
| Netherlands | 12 | 3/5/10/15 |
| Norway | 12.5 (8) | 3/5/10/15 |
| Qatar (10) | 12 | 10 |
| Russia | 15 | 15 |
| Spain | 12 | 3/5/10/15 |
| Sweden | 12.5 | 3/5/10/15 |
| Switzerland | 12 | 3/5/10/15 |
| Turkey (11) | 12 | 3/5/10 |
| United Arab Emirates (9) | 12 | 10 |
| United Kingdom | 12 (5) | 3/5/10/15 |
Notes

1. Withholding from payments of interest and royalties to nonresidents is based on a flat rate of 35% applied to an assumed gross profit margin percentage. This margin is not contestable, but the resultant rate may be limited by bilateral treaty. Under the 1998 tax reform, the general margin for interest paid on loans obtained abroad is 100%. However, a margin of 43% is applicable (i) if the debtor is a local bank; (ii) if the lender is a foreign financial institution located in a country not considered a low or zero tax jurisdiction, or in countries that have signed an agreement with Argentina for exchange of information and have no bank secrecy laws, which are under the supervision of the respective central bank; (iii) if interest is paid on a loan intended to the purchase of tangible assets other than cars; (iv) if interest is paid on debt certificates (private bonds) issued by local companies and registered in certain countries that have signed an agreement with Argentina for the protection of investments; and (v) on interest paid on time deposits with local banks.

‘Royalties’ cover a variety of concepts. The rates given in this column relate specifically to services derived from agreements ruled by the Foreign Technology Law, as follows:

- Technical assistance, technology, and engineering not obtainable in Argentina: 21% (35% on assumed profit of 60%).
- Cession of rights or licenses for invention patents exploitation and technical assistance obtainable in Argentina: 28% (35% on assumed profit of 80%). Under non-registered agreements, the rate is 31.5% (profit of 90% is assumed) or 35% (profit of 100% is assumed), depending on the case.

Several other concepts of ‘royalties’ are subject to rates that, in turn, may be limited by a treaty. A broad sample of these concepts and the non-treaty effective rates are set forth in Note 2.

2. Payments to nonresidents (only) for ‘royalties’, rentals, fees, commissions, and so on, in respect of the following, are subject to withholding at the rates below on the basis of assumed gross profit margins (Note 1), unless limited by a treaty. The treaty referred to should be consulted to determine any limitation in each case.
3. The higher tax rate is applicable to non-registered taxpayers. Income tax must be withheld at 3% (10% if not registered) on interest paid to corporations by financial entities or stock exchange/open market brokers; individuals are tax exempt.

4. Resident corporations and individuals who are registered for tax purposes are subject to 6% withholding (28% if not registered).

5. Interest is exempt if paid on credit sales of machinery or other equipment, specific bank loans at preferential rate or loans by public entities.

6. The treaty limits taxation of interest to 20% (registered).

7. The 10% rate is applicable to interest on credit sales of capital equipment, any bank loan, or any financing of public works; otherwise, a rate of 15% will be applied.

8. Interest paid on loans with guarantee of the Norwegian Institute for Credit Guarantees or paid in relation to imports of industrial equipment is tax exempt.


10. Treaty signed in December 2018 with the ratification by both countries still pending.

11. Treaty signed in April 2018 with the ratification by both countries still pending.

12. Treaty signed in December 2019 with the ratification by both countries still pending.

13. Treaty signed in June 2019 with the ratification by both countries still pending.

14. Treaty signed in April 2019 with the ratification by both countries still pending.

15. An amending Protocol has been signed in December 2019, pending ratification. Once in force, it will introduce a reduction on interest WHT (12%) and on royalty WHT (3/5/10 %).

**Tax Administration**

**Returns**

Tax is assessed on a fiscal-year, self-assessment basis. The deadline for filing Income Tax return is the second week of the fifth month after fiscal year-end.

**Payment of Tax**

Income Tax installment payments must be made in the course of the tax year, on a monthly basis, beginning the first month after the due date for filing the tax return.
Reference Information

General statistics on cost/expense, i.e. average labor costs, office rental and utilities necessary for doing business locally

- Ministerio de Economía: www.argentina.gob.ar/economia
- Instituto Nacional de Estadística y Censos: www.indec.gob.ar

Local government agencies

- Ministerio de Trabajo, Empleo y Seguridad Social: www.argentina.gob.ar/trabajo
- Ministerio de Ambiente y Desarrollo Sostenible: www.argentina.gob.ar/ambiente
- Administración Federal de Ingresos Públicos: www.afip.gob.ar
- Administración Nacional de la Seguridad Social: www.anses.gob.ar
- Ministerio de Relaciones Exteriores y Culto: www.argentina.gob.ar/relacionesexterioresyculto
- Ministerio de Obras Públicas: www.argentina.gob.ar/obras-publicas
- Ministerio de Turismo y Deportes: www.argentina.gob.ar/turismoydeportes

Tips for Business Visitors

- Requirements for visitors’ visas
- Argentine time zone is GMT -03

Source: https://www.argentina.gob.ar/organismos

Normal Business Hours

- Banks and exchange houses: Monday to Friday, from 10 a.m. to 3 p.m.
- Business offices: Generally, from 9 a.m. to 6 p.m.
- Stores: In large cities, from 9 a.m. to 8 p.m., although in the interior, they tend to close at mid-day. On Saturday, many stores are open only from 9 a.m. to 1 p.m.
- Cafés, bars and pizza parlors: Open almost around the clock, some closing between 2 a.m. and 6 a.m.
- Restaurants: Lunch is served from 12.30 p.m. and dinner from 8.30 p.m. Many establishments offer fast food at all times.
- Trading currency in the country: Argentina’s legal tender is the peso. Although the US dollar and the euro are widely accepted, exchange for local currency is performed at banks and authorized exchange houses. The most commonly accepted credit cards are American Express, VISA, Diners and MasterCard. It may be difficult to exchange travelers’ checks outside of Buenos Aires.
- Climate: Argentina enjoys a wide range of climates: temperate and humid on the plains of the Pampas; cold and humid in the extreme west of Patagonia; subtropical in the north of Mesopotamia; and warm in the north east of the country. From November to March, the average temperature is 23° C, and from June to September, 12° C.
- Weights and measures: Weight: kilo (k); Measurement: meters (m)
- Format of dates: DD/MM/YY (date/month/year)
- Numbers: Thousands are separated by a point, decimals, by a comma.

Important note: Given the publicly known lockdown, according to Decree No. 260/2020, the working hours and other provisions have been changed, until otherwise stated.

Source: https://www.argentina.tur.ar/#!/ar/information/informacion-comercial
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