

# Doing Business in Argentina

2021 onwards



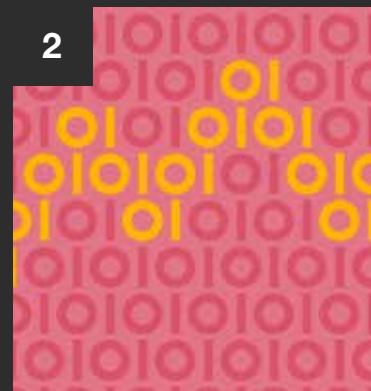
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# Contents



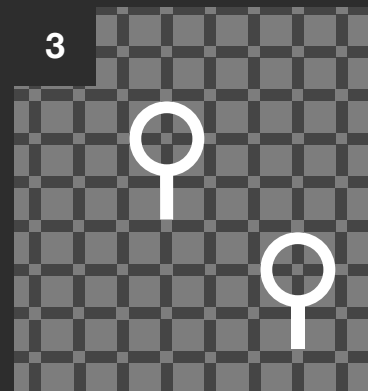
**Geographical and Demographical Background**

P. 03



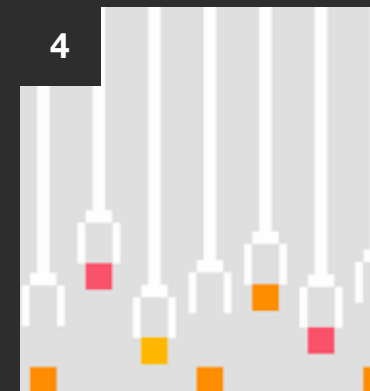
**Investment and Challenges in Argentina**

P. 09



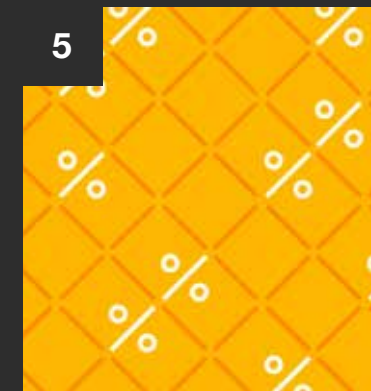
**Type of Foreign Investment / Structuring the Deal**

P. 14



**Foreign Trade and Customs Regulations**

P. 16



**Tax System**

P. 22

**Reference Information**

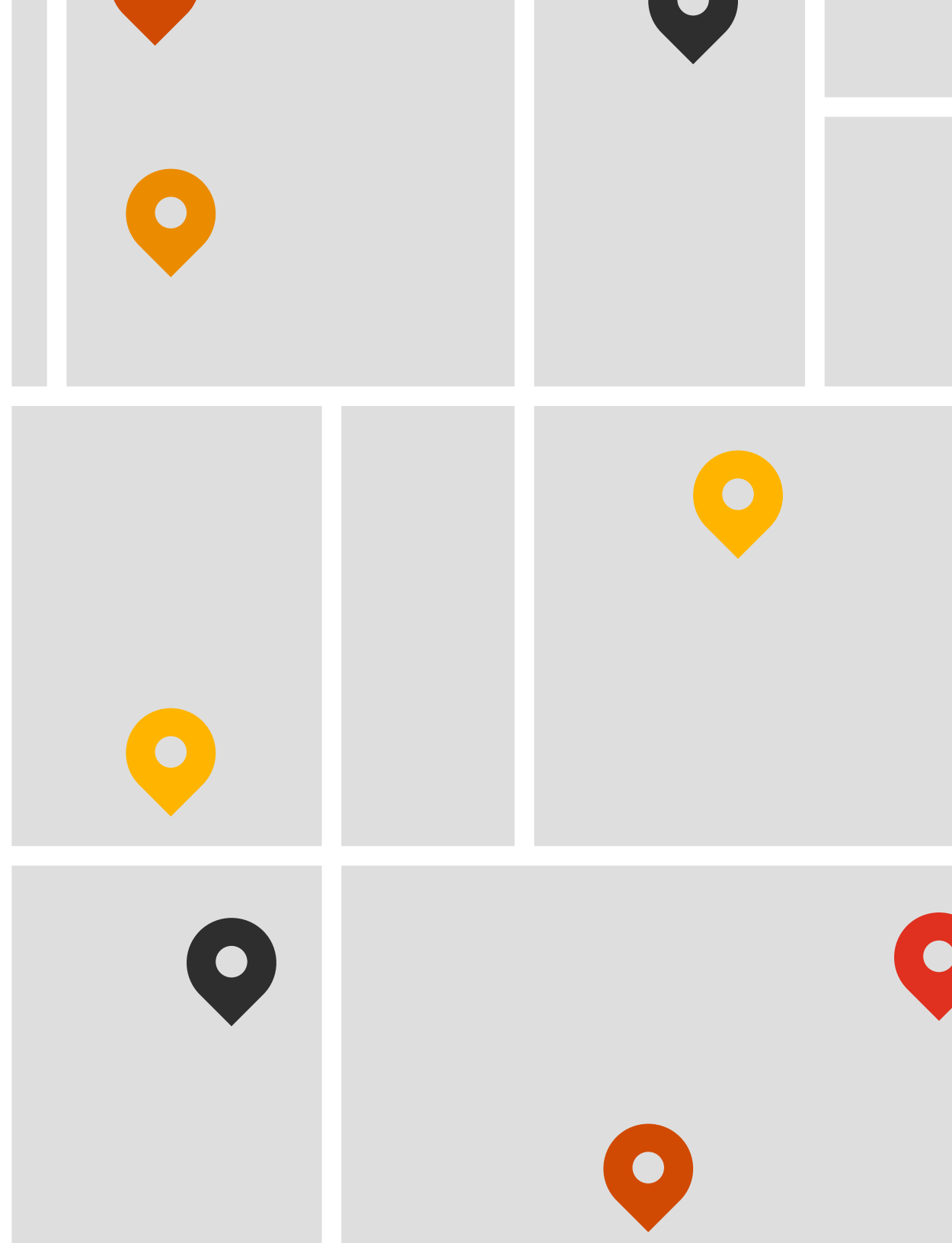
P. 31

**Contacts**

P. 33

1

# Geographical and Demographical Background



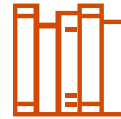


## Location

The Republic of Argentina<sup>1</sup> 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.



<sup>1</sup> Argentina has six major regions: Northwestern, Northeastern, Western (Cuyo), Central (Pampeana), Southern (Patagonia), and the Greater Buenos Aires metropolitan areas



## 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. This drop was mainly caused by 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. In December 2019, Alberto Fernández took office as Argentina's new president.

Undoubtedly, 2020 has been an unprecedented year. The outbreak of the COVID-19 pandemic posed new challenges for the world and, in particular, for Argentina.





## 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, lithium, lead, zinc, 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.



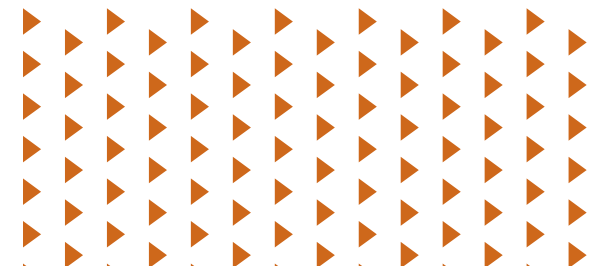
## Prominent Industrial Sectors in the Major Cities

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. Though Agriculture is the productive sector with the main and most dynamic assets, the knowledge-based economy is also a strong and promising area in which Argentina is focused on.

<b>Area<sup>2</sup></b>	2.78 million km <sup>2</sup>
<b>Population</b>	45.37 million (estimated 2019)
<b>Population per km<sup>2</sup></b>	16
<b>Population growth per year</b>	1%
<b>Urban Population</b>	92%
<b>Form of Government</b>	Republican, Representative and Federal
<b>Language</b>	Spanish
<b>Currency</b>	Argentine peso (\$)
<b>Political division</b>	24 autonomous provinces with their own political, administrative and economic administrations (23 provinces and the City of Buenos Aires)
<b>Capital City</b>	City of Buenos Aires

Source: INDEC. Estimates and projections made based on the results of the National Population, Households and Dwellings Census 2010.

<sup>2</sup> Argentina is 2nd in territorial size in Latin America and 8th in the world





## Political and Legal System

### Major government authorities since December 10, 2019:

<b>President<sup>3</sup></b>	Alberto Fernández
<b>Vice President</b>	Cristina Fernández de Kirchner
<b>Cabinet</b>	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<sup>4</sup>. Currently the governing party (Frente de Todos) has majority in the Senate.



## Economy

2020 has been an unprecedented year. The outbreak of the COVID-19 pandemic posed new challenges for the world and, in particular, for Argentina. Following other countries trend, the policy pursued to contain the virus spread was the closure of the economy. In Argentina, the social, preventive and mandatory isolation was decreed on March 20, which, in principle, involved the full closure of most of the economic activities, while limited operations were maintained in the case of essential activities.

Restrictive measures were relaxed as time went by, and the Government implemented a series of measures to mitigate the economic impact of this policy in view of the supply shock generated by the lockdown, such as the National Emergency Family Allowance (IFE for its Spanish acronym), and the Emergency Labor and Production Assistance Program (ATP for its Spanish acronym); or the increase in the National Treasury Contributions to the provinces, among others.



Since it was not until August that Argentina managed to restructure its debt, access to international financial markets had been restricted, and, therefore, these extraordinary expenses — in months in which tax revenue decreased as a result of the halt in activity—, were basically financed with monetary issuance.

Notwithstanding the foregoing, inflation decelerated, and 2020 ended with a 36.1% year-on-year variation compared with the 53.8% variation recorded in the previous year. The main causes for the behavior of inflation were the halt in economic activity, a set of regulated prices to which increases were limited, and an increase in the demand for real money balances for precautionary reasons.

<sup>3</sup> The President is both the Chief of State and Head of Government

<sup>4</sup> 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.

As mentioned above, August was key for the debt restructuring. After difficult negotiations, the Government announced a formal agreement with external debt private creditors, which provided for the exchange of 21 series of bonds for a total eligible amount of USD 66.07 billion, and the issue of 5 new bonds denominated in US dollars (maturing in 2030, 2035, 2038, 2041, and 2046). Thus, the new maturity profile would be USD 7.49 billion in the period 2020-2023, instead of the USD 54.84 billion profile prior to the renegotiation. At the same time, Congress approved a law for restructuring its local-law debt under the same conditions as its foreign-law debt. Despite having reached an agreement with local and foreign holders of debt under foreign-law, and in view of the continual decrease in BCRA international reserves, the BCRA decided to tighten restrictions to access the currency market and compel companies with foreign financial debt to refinance a portion of the foreign currency payments due in the following six months. The immediate consequence of those restrictions was the rise in the exchange gap in the different informal markets, which, in October, exceeded the official exchange rate by 100%.

As from that date, a change in strategy was introduced, by reducing the issuance required to meet treasury needs and trading the recently-swapped bonds held by the BCRA and other public agencies in alternative exchange markets.

By the end of the year, the monetary authorities managed to control the US exchange rate in informal markets and reduce the exchange gap, which had shown an upward trend since mid-September. In 2020, the official exchange rate was depreciated by 38% year-on-year, and the gap reached 70.25% in December, after exceeding 100% in October.

The National Public Sector ended 2020 with a primary deficit of ARS 1.75 trillion (6.5% of GDP) and a financial deficit amounting to ARS 2.29 trillion (8.5% of GDP). The above figures were influenced by revenue (-0.7% of GDP) and expenditure (3.5% of GDP) extraordinary measures adopted by the Government to contain the pandemic.

With regard to the economic activity, official data show that GDP fell by 9.9% in 2020 compared with 2019. This decline affected all

components of aggregate demand. Exports of goods and services dropped by 17.7%, followed by private consumption (13.1%), investment (13%) and public consumption (4.7%). In turn, imports of goods and services decreased by 18.1% year-on-year.

Likewise, when analyzing sectoral behavior, it may be seen that 14 out of the 16 economic sectors showed a decline in 2020 compared with the previous year. Hotels and Restaurants (-49.2%) and other community service activities (-38.9%) were the most affected. In addition, among the activities recording the lowest decreases are those which were least affected by the COVID-19 restrictions: wholesale, retail and repairs (-5.4%); real estate, business and rental services (-6%); and agriculture, livestock, hunting and forestry (-6.9%). The only two activities recording a positive year-on-year variation are financial intermediation (2.1%) and energy, gas and water (0.9%).

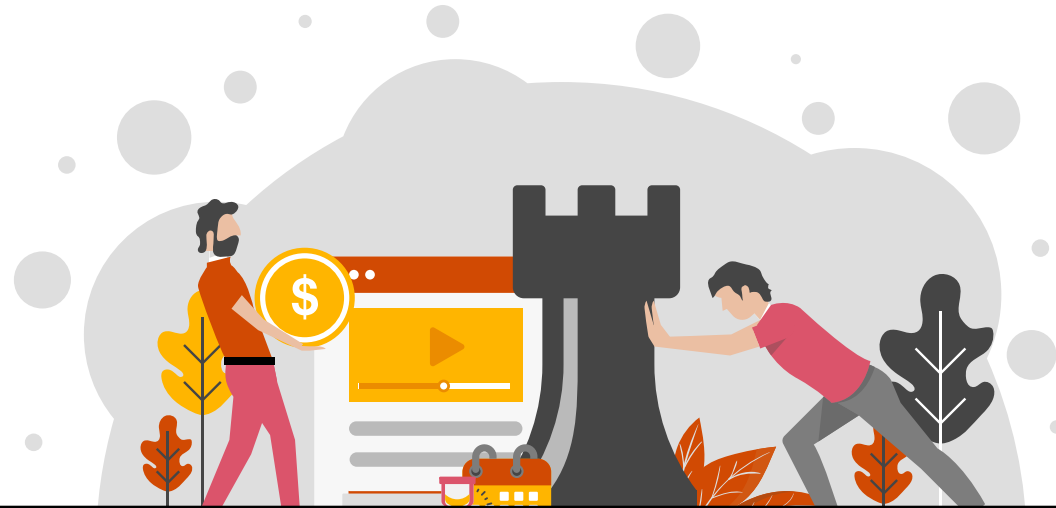
As regards international trade, exports of goods totaled USD 54.88 billion in 2020, which accounted for a decline of 16% in US dollars compared with 2019. They were affected by international trade contraction

as a consequence of the pandemic. Imports reached USD 42.35 billion, accounting for a drop of 14% 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 12.53 billion. Meanwhile, the balance of services recorded a deficit of USD 2.37 billion.

By the end of the year, the economy started showing signs of recovery, as infection curves were gradually decreasing. However, the country is not immune to the possibility of a rebound in infections and a new wave, which, if occurring before enough vaccine doses appear, may hamper the slow recovery of the economic activity.

2021 will be a challenging year for Argentina, as the country must negotiate the debt with the multilateral creditors, mainly the International Monetary Fund, and redress the macroeconomic imbalances which still persist, in a context of mid-term elections.





Year	Real GDP in Pesos	GDP growth
2004	485,115	
2005	528,056	8.9%
2006	570,549	8.0%
2007	621,943	9.0%
2008	647,176	4.1%
2009	608,873	-5.9%
2010	670,524	10.1%
2011	710,782	6.0%
2012	703,486	-1.0%
2013	720,407	2.4%
2014	702,306	-2.5%
2015	721,487	2.7%
2016	706,478	-2.1%
2017	726,390	2.8%
2018	707,755	-2.6%
2019	692,977	-2.1%
2020	624,336	-9.9%

Balance of Payments Estimates		2013	2014	2015	2016	2017	2018	2019	2020
Current Account	<b>Total</b>	-13,124	-9,179	-17,622	-15,105	-31,151	-27,049	-3,997	2,985
	<b>Goods</b>	4,635	5,541	-785	4,416	-5,447	-743	18,227	14,413
	<b>Services</b>	-5,329	-4,641	-5,815	-8,452	-9,695	-8,965	-5,215	-2,367
	<b>Interests</b>	-13,165	-11,614	-12,105	-12,192	-16,380	-18,619	-17,836	-10,218
	<b>Current transfers</b>	734	1,535	1,083	1,123	371	1,279	827	1,158
Financial Account	<b>Total</b>	-16,165	-9,321	-18,498	-13,964	-31,273	-27,985	-5,153	4,158
Net Errors and Omissions		-3,074	-198	-928	775	-295	-1,019	-1,282	1,053
Variation in International Reserves		-11,824	1,195	-4,906	14,311	14,556	11,277	-21,375	-7,727

Source: Based on data from the INDEC



2

# Investment and Challenges in Argentina





## Investment Climate

Argentina will face many challenges during the year 2021. The country – which has an already fragile economy, with high inflation, frail consumption and high political and macroeconomic uncertainty – is running behind in the race to apply vaccines and control the impact of the COVID-19. The Government plans to further implement palliative measures to aid mainly SMEs and vulnerable individuals, and navigate the months before the legislative elections set for October this year as seamlessly as possible.

Based on the recent poor macroeconomic performance, combined with the high political uncertainties the country is facing, international investors are hesitant to consider Argentina as an attractive investment destination. However, there are few sectors that still attract international capital, especially those relating to natural resources which abound in the country, such as mining, agribusiness and energy (especially renewable and shale oil & gas

production). Argentina has also strong talent based on a well-educated middle class, an energetic and entrepreneurial business community that could allow for exponential growth if managed consistently. October legislative elections could provide an attractive tipping point that could depict the country's path in the near future, with presidential elections coming in 2023.

It is worth noting that in times like this, there are always attractive investment opportunities for those willing to take the appropriate risk, especially for investors with a long-term view. Many well-established companies – mainly international ones, with valuable assets, renowned brands and consolidated businesses – are willing to relocate, selling their local business at a steep discount. In turn, lots of companies and projects are in need of financial support for financial support, which cannot be easily accessed from local banks and financial institutions under the current conditions.



## Consumption

After a steep decrease in 2020, consumption is expected to partially recover in 2021. The magnitude of the increase will be highly dependent on a series of variables, including the resolution of the sanitary crisis, the pace of vaccination programs and, primarily, inflation control.

The Government launched a series of measures in its effort to boost consumption in 2020, and plans to continue this trend, since 2021 is an electoral year. Some of the key measures adopted include promised investments in public works and infrastructure, lines of credit for SMEs, maintaining subsidized utilities tariffs without significant increases, intensifying efforts to control prices with the aim to dominate inflation, increasing social assistance and food card programs, among others.

Additionally, the Government plans to inject between ARS 13 and 15 billion into the economy by amending the Income

Tax Law. Salaries and pensions below ARS 150,000 will be exempted from Income Tax. This measure would apply retrospectively to the first quarter of 2021. As a result, approximately 1.2 million income taxpayers will be exempted, with direct impact on consumption.



# Industry Highlights



## Oil & Gas and Mining

The Oil and Gas sector in Argentina currently holds high growth expectations. After the price decrease in 2020, mainly given by the worldwide lockdowns due to the COVID-19 pandemic, oil prices began to recover, changing the scenario.

Argentina has the world's second largest unconventional gas and the fourth largest unconventional oil reserves, the Vaca Muerta formation in the southern province of Neuquén. Its development and exploration remain a top priority for the current administration. It also opens up interesting opportunities for mid-sized players in Conventional Oil & Gas fields, with most big companies focusing their resources on Shale Oil & Gas, abandoning their conventional operations at lower prices.

Mining is another sector in which Argentina offers interesting investment and growth opportunities thanks to its massive potential. The country is one of the top three producers and holds one of the largest lithium reserves in the world. This mineral is a key input to the manufacture of electric batteries, which are trying to oust fossil fuels as the world's main source of power for transportation. The current administration intends to launch a program to boost mining exports from around USD 3 billion to over USD 10 billion by 2030. Potassium and copper, other two minerals with growing global demand, are also abundant in Argentina.

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Source: EMIS LATAM Mining and Investing in Argentina 2021-2022

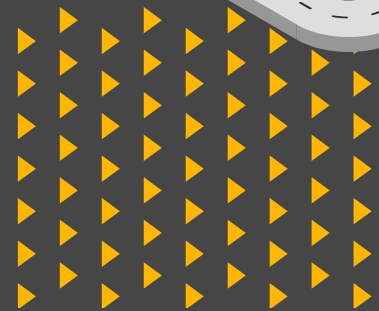


## Agribusiness

Argentina has the world's largest and most competitive soybean complex, being within the top three exporters of most soy-related products, including biodiesel. The country is also ranked in the top five for beef, wheat and corn exports. All the Argentine agricultural-related exports combined totalize over USD 30 billion. Last year, external conditions improved considerably for this sector, with significant rises in the price of commodities. The S&P index of agricultural products was up over 65% in 2020, and it continued the upward trend in 2021. China's quick economic recovery is also of great importance as it is the destination of most of Argentina's agricultural exports. Pork is another segment with massive growth potential, especially since the opening of the Chinese market for Argentine producers in April 2019.

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Source: EMIS Argentina Agricultural Sector and Investing in Argentina 2020-2021





## Tech

Fintech and E-commerce are some of the industries whose activity spiked during the COVID-19 pandemic due to lockdowns and movement restrictions worldwide, and Argentina was not the exception. E-commerce experienced a massive surge last year, with most transactions performed by LATAM's biggest e-commerce platform, the Argentine Mercado Libre. 2020 ended up with more than 1.2 million new buyers, 6 out of 10 Argentine citizens made at least one e-commerce transaction per month. Revenue more than doubled in that same period. The Fintech sector also experienced significant growth in the last year. With banks branches closed or opened with restrictions, digital wallets gained a popularity that will be hard to lose in the future. Some of

the main players are Ualá, Brubank and Mercado Pago. Nevertheless, there is a total of 268 companies, 135 of which created after 2018, which provide evidence of the sector's expansion. A big percentage of the Argentine population does not have a bank account, and almost half of those who have one, do not use it in full because of the failure to access to financing. One of the main reasons for the unbanked economy is the fact that a significant portion of its activity remains informal, with an excessive use of cash. These conditions represent a golden opportunity for growth in this sector. Moreover, the Law on the promotion of the Knowledge-based Economy aims at boosting activity in this sector by providing significant fiscal cuts and benefits.

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Sources: IDB - Fintech Study 2020 and Argentine Chamber of Electronic Commerce (CACE) - Annual Study on Electronic Commerce 2020



## Real Estate

The real estate sector is underdeveloped in Argentina; therefore, it has a growing potential. There are also external drivers arising from a change in habits due to the COVID-19 pandemic. The relocation from big cities, such as Buenos Aires to suburban areas as a result of the surge in home office will boost the sector's activity. The massive growth in e-commerce also intensifies the needs for larger logistics buildings, and may also be a driver for this growth. Besides, the recent local currency devaluation and its negative impact on real estate prices may be seen by investors as a tremendous opportunity with potential.

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Source: EMIS Argentina Agricultural Sector and Investing in Argentina 2020-2021



## Tourism

Before the pandemic hit tourism worldwide last year, Argentina was the most visited country in South America, with over 7 million visitors in 2019. The sector accounted for 7% of total exports. Argentina was also a leader in Corporate Tourism, with various conventions and congresses mainly held in Buenos Aires. With vaccine programs being implemented worldwide and the tourism industry slowly beginning to recover, the sector shows enormous growth potential in the months to follow. The peso devaluation in the last years can also attract those arriving with hard currencies.

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Source: Investments and International Trade Agency and Ministry of Foreign Affairs, International Trade and Worship, October 2020





## Private Equity (P/E)

Throughout the last decade, Private Equity activity in Argentina showed ups and downs, with some growth in 2017 due to an improvement in economic prospects under Macri's administration, but with a setback in 2018 as a result of the economic crisis.

Those sectors showing the highest P/E activity in Argentina are Agro and Digital Services, mostly denominated in hard currency.

Private Equity industry in Argentina and LATAM is still underdeveloped. This means that there is a great potential for growth and the opportunity for P/E funds to play a key role in the economic development of the region.

Given the current situation and the changing economic outlook in Argentina, various multinational companies are leaving the country, selling their operations to local investors, and local companies with financial distress looking for additional capital injections. This offers an interesting opportunity for local P/E Funds or groups to acquire solid operations at discounted values, as is the case of Walmart being acquired by De Narvaez group, and companies such as Garbarino, Araucaria Energy, and EDENOR being acquired by local private investors. As economic uncertainty hinders the possibility of making a deal in view of different value expectations from buyers and sellers, transaction structure negotiations are including alternatives like Success schemes in order to share risks and align interests from both sides based on businesses' future performance.

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Sources: Apertura Magazine/El Cronista newspaper 2020



## Venture Capital (VC)

With the passing of Law No. 27349 on Entrepreneurship (April 2017) aimed at empowering Argentina to dominate the regional startup scene, VC investments more than doubled in terms of value in 2019 compared to 2017. In the last years, the VC industry in Argentina financed around 300 startups for a total of approximately USD 800 million, hitting records in 2019 with transactions such as UALA Series C (USD 150 million), and Auth0 Series E (USD 103 million) and F in 2020 (USD 120 million).

Despite the worldwide context with the COVID-19 pandemic curbing economic activity, Seed and Early Stage financing in Argentina showed a considerable volume in 2020, with the acceleration of many trends in E-commerce, Edtech and Biotech. Over the last four years, most of the investments have been made in the Fintech, Biotech, Edtech and Agtech sectors and led by traditional VC Funds, but there is an upward trend for Corporate Ventures to lead investments due to various advantages, including synergies between the corporations and startups involved.



Some of the main VC Funds investing in Argentina are NXTP Ventures, Kaszek Ventures, Draper Cygnus, Oikos and Patagonia Ventures. From the Corporate Venture side, Mercadolibre, Globant, Grupo Supervielle and Wayra are some of the key players. There are also some government-led programs aimed at promoting VC and Private Investments that are worth mentioning, such as ARCAP (Argentine Association of Private Equity, Venture and Seed Capital), FONDCE (Fiduciary Fund for the Development of Venture Capital) and a Seed Fund from the Argentine Ministry of Productive Development.

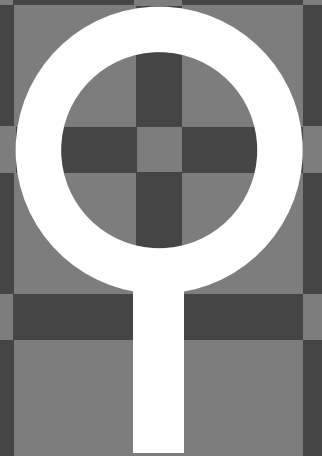
Venture Capital activity in Argentina is expected to grow in the upcoming years, following global trends in technological advances, new consumer habits, and growing needs from traditional corporations to diversify and rethink their business models.

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Sources: Blog Startupeable (2020 article); Techcrunch (Uala and Auth0 2019); Apertura Magazine 2020

3

# Type of Foreign Investment / Structuring the Deal





## Joint Venture, Wholly Owned Company, Branch, Representative Office, Partnership

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, members, or 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, management powers may only be granted to 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 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

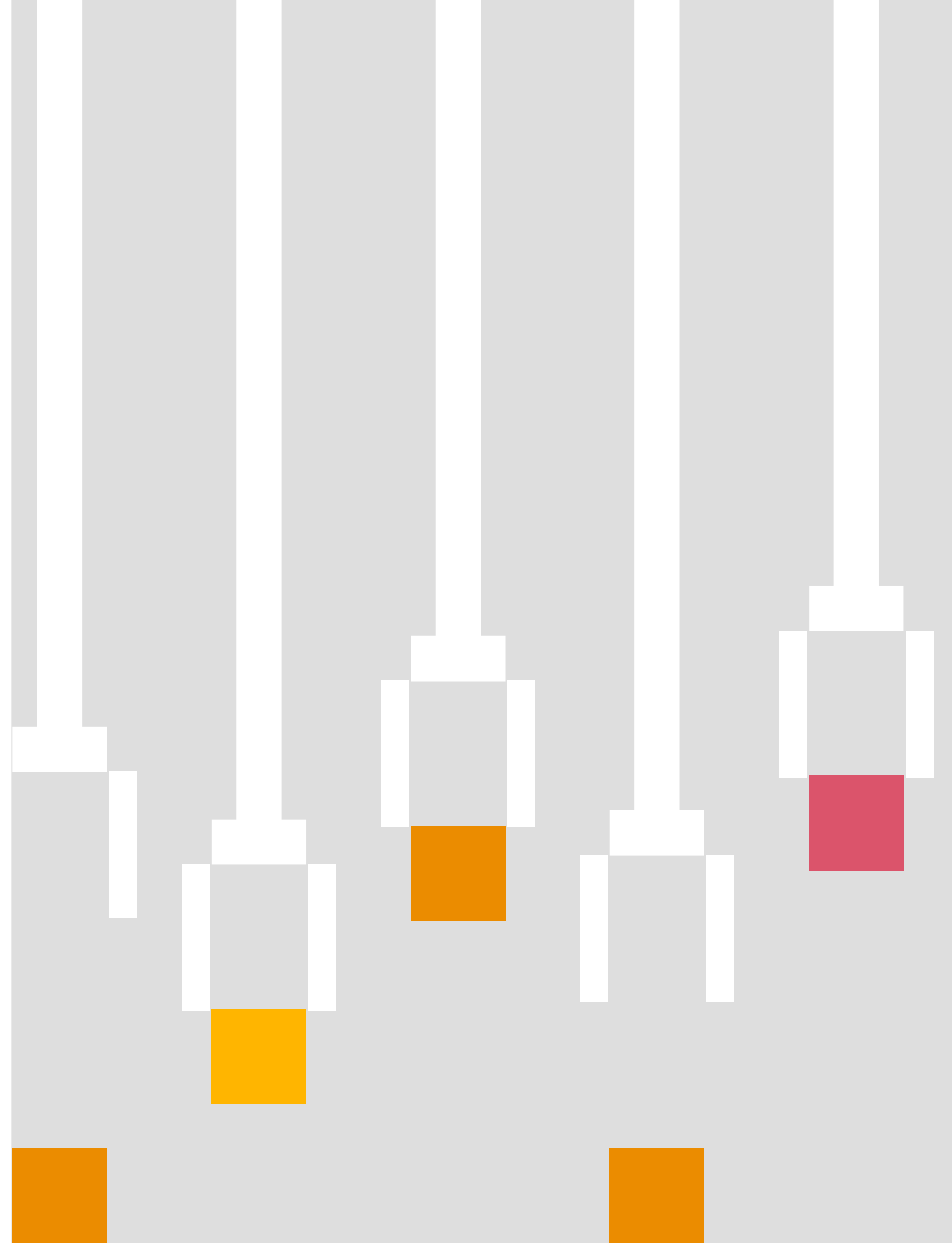
General commercial laws and regulations

Area	Regulations
Foreign investment	Foreign Investment Law No. 21382/ 1993 and Regulatory Decree No. 1853/ 1993.
Labor Law	Labor Contract Law No. 20744, Labor Law No. 25877, Argentine Integrated Pension Fund System Law No. 24241, Workers’ Compensation Insurance Law No. 24557 and Collective Bargaining Agreements
Commercial Companies	General Companies Law No. 19550, Insolvency Proceedings and Bankruptcy Law No. 24522
Immigration Policy	Law No. 25871
Trade	Code of Commerce, Law No. 26994
Capital Markets	Law No. 26831



4

# Foreign Trade and Customs Regulations





## Introduction

Since the restoration of the Foreign Exchange Control System in 2019, the Argentine Central Bank (BCRA) has continued to regulate all transactions carried out through the Foreign Exchange Market (“MLC” for its Spanish acronym), with the regulations in force placing a special focus on those transactions that imply an outflow of foreign currency. In this sense, as from October 16, 2020, financial institutions must inform the BCRA the details regarding any transaction involving an outflow of foreign currency exceeding USD 50,000 per day prior to performing the transaction. It is noteworthy that those transactions that imply an outflow of foreign currency and need prior formal approval from the BCRA are generally not authorized.

From a Customs point of view, import licenses are still required for the import of all goods, and duties are applicable to the export of goods and services.

## New Regulations for all Outflows of Funds through the MLC

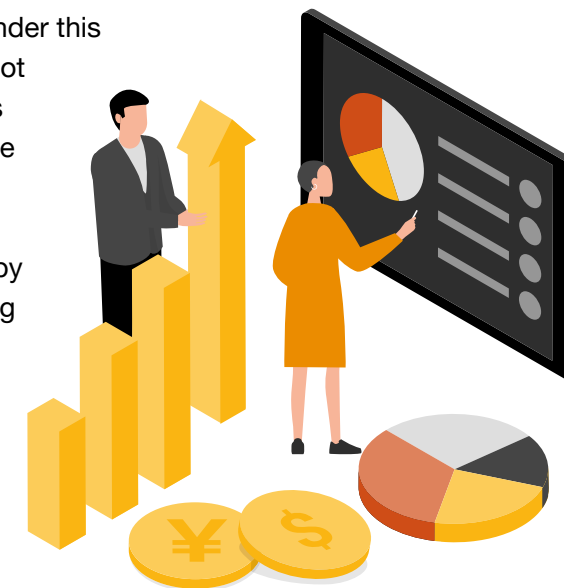
Financial institutions may give access to the MLC to individuals or legal entities, hereinafter the “Client”, when they verify compliance with the general and specific provisions established for the type of transaction to be performed.

Regarding the controls performed over outflows of funds through the MLC, in addition to complying with the requirements in force for each specific transaction, prior formal approval from the BCRA will be required, unless the Client/ individual/legal entity submits a sworn declaration evidencing that at the time of access to the MLC:

- all of the Client’s foreign currency holdings in the country are deposited in accounts opened with financial institutions;
- the Client does not have available liquid assets abroad in excess of USD 100,000 (this includes demand deposits in foreign financial institutions and other investments, such as investments in external public securities, crypto assets, etc.);

- the Client undertakes to settle in the MLC, within 5 (five) business days of its availability, those funds received abroad originating in the collection of loans granted to third parties, the collection of a term deposit, or the proceeds from the sale of any type of asset. This requirement is applicable as long as the asset has been acquired, the deposit created, or the loan granted after May 28, 2020.

In addition, many regulations regarding security transactions were issued throughout the year. One of the most important is the restriction on “Dolar MEP” and “Contado con liquidación” transactions, applicable as of May 1, 2020 to residents who seek to access the MLC to send funds abroad. Under this restriction, access to the MLC is not allowed 90 days prior and 90 days after the performance of these type of transactions. This requirement will not apply to the repayment of loans in foreign currency granted by local financial institutions, including payments for consumptions in foreign currency made with credit or purchase cards.





## 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. However, the regulations applicable to financial loans granted by nonresidents have been changed considerably during the year.

In brief, in order to pay financial debts registered with unrelated parties, with principal maturities between October 15, 2020 and December 31, 2021, a refinancing plan of 60% of the amount owed must be filed, thereby having access to pay the remaining 40% through the MLC.

Some exceptions are applicable, for instance, when the funds originated in the foreign indebtedness were used in certain specific projects, such as gas production promotion plans.

The restrictions on the settlement of new indebtedness with foreign related companies, in effect since May 2020, have been relaxed. Accordingly, the payment of principal on

such loans with related companies at maturity is allowed if the loan amount received has been settled through the MLC after October 2, 2020, and as long as the debt has an average life of not less than two years.



## Direct Investment System

There is no obligation for direct investment funds to be brought into the country and settled through the MLC.

Moreover, repatriations of capital contributions through the MLC by nonresident Clients need to be previously brought into the country and settled as of October 2, 2020, with the capital contribution being maintained for a minimum period of two years. If these conditions are not met, prior formal approval from the BCRA will be required.

The Investment Promotion Regime for Exports, created by Decree No. 234/21, allows for the possibility that residents and nonresidents submit an 'Investment Project for Exports' for certain productive sectors

(forest, mining, hydrocarbon, manufacturing, and agro-industrial activities), which represents a direct investment in foreign currency for a minimum amount equivalent to USD 100,000,000.

In this regard, according to foreign exchange regulations in line with the above-mentioned Decree, foreign currency from exports of goods under the projects referred to above may be used, in turn, for the following operations:

- Pay upon maturity principal and interest on debts for the import of goods and services.
- Pay upon maturity principal and interest on financial debts held abroad.
- Pay profits and dividends from closed and audited balance sheets.
- Repatriate nonresidents' direct investments in companies other than parent companies of local financial institutions.

To perform the above-mentioned operations, certain requirements should be met, as laid down in the regulation.

The projects approved will benefit from regulatory stability as to foreign exchange matters for a term of 15 years from the date of approval of the project submitted, meaning that future foreign exchange regulations will not affect the benefits granted under the regime herein analyzed.



## 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 must 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.

If the conditions set in the foreign exchange regulations are not met, prior formal approval from the BCRA will be required to access the MLC for payments of profits and dividends.



## Import 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 the import of goods. In principle, current foreign exchange regulations set forth that debts arising from 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 arising from 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 related commercial invoice and the shipping document, among other requirements.

In addition, as from July 2020, a “quota system” has been devised for accessing the MLC for the payment of imports of goods. Accordingly, depending on the import payment to be made through the foreign exchange market (e.g. shipments until July 1, 2020 or advanced payments), a quota system

will be applicable. In each case, a specific calculation should be made in order to determine whether the company may access the free exchange market or not. The specific quota allocated to any company may be increased if the latter complies with certain requirements, such as making advance payments from the collection of funds originated in the export of goods, among others.

Restrictions are less severe in the case of health-related imports, such as medicines, goods for production, and medical care supplies.

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 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 advanced payment is made,



## 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.

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 Integral Monitoring System for Imports (“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 worth highlighting that the list of NAL is dynamic and may be modified based on the needs of each sector involved.





## Export 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) business 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) business 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. Export duties can vary from 0% to 33%, with a significant temporal reduction applicable to certain commodities.



## Export of Services

Amounts in foreign currency relating to the export 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 for the export of services rendered in the country, whose effective use or exploitation is carried out abroad.



## Formation of External Assets

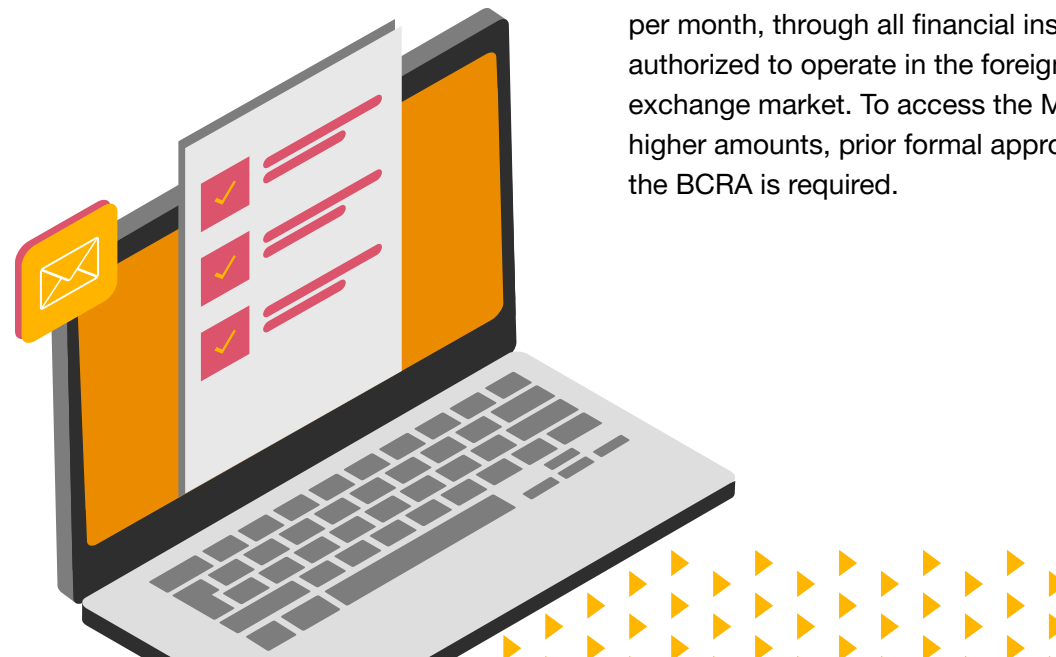
Legal entities, local governments, mutual funds, and trusts established in the country must obtain prior formal approval from the BCRA to access the MLC for the formation of external assets, as well as to provide all types of guarantees relating to the coordination of derivative transactions.

Resident individuals may access the MLC to form external 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.

Consumptions made abroad with debit cards in pesos and consumptions in foreign currency with credit cards as of September 2020 will be deducted from the individual's quota of USD 200. In the event that the amount of these transactions is higher than the monthly limit of USD 200, the deduction will be transferred to the quotas of subsequent months until the amount spent is reached (it is clarified that there are no limits as regards consumption abroad with debit card from an account in pesos or credit card).

This monthly quota is not allowed for individuals who are beneficiaries of special financing of credit cards and/or have had a freezing of mortgage loan installments while the financing or the benefit remains. These individuals are also prevented from selling securities in the country with settlement in foreign currency (MEP dollar) or transferring them abroad (contado con liquidación).

Additionally, the 30% (thirty percent) Tax for an Inclusive and Supportive Argentina (PAIS tax) established by the Federal Public Revenue Agency (AFIP) is maintained, which applies to this type of transactions.





## Travel and tourism

The 30% PAIS Tax will be also applied to the following operations relating to travel and tourism:

1. When the financial institutions must access the MLC to pay with foreign currency the following operations provided that their resident clients, as end users, used their credit, purchase and/or debit cards for these transactions:
  - a. purchases of goods or services rendered abroad;
  - b. withdrawals or cash advances made abroad;
  - c. purchases made through portals or virtual sites (remote purchases) made in foreign currency.
2. Purchase of services abroad contracted through travel and tourism agencies of the country –wholesalers and/or retailers –.
3. Acquisition of land, air and water transport services for passengers destined outside the country.

Individuals or legal entities residing in the country, as end users of the above-mentioned goods or services, are liable for the payment of the PAIS Tax.



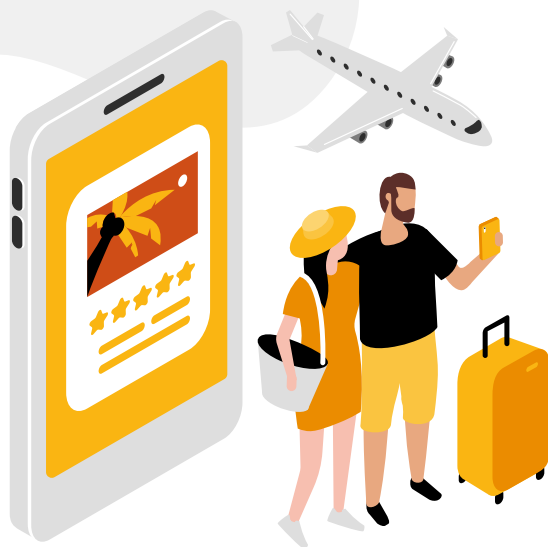
## Report of Foreign Assets and Liabilities

For financial institutions to give access to the MLC to settle all commercial or financial debts, they shall first verify that the operation has been declared, if applicable, in the latest “Report of Foreign Assets and Liabilities” to be filed with the BCRA.

In the year 2020, the report was filed on a quarterly basis and had to be completed by all legal entities or individuals with external liabilities at the end of any calendar quarter, or by those who have settled them during that quarter. The due date to file the quarterly report is 45 calendar days after the end of the calendar quarter.

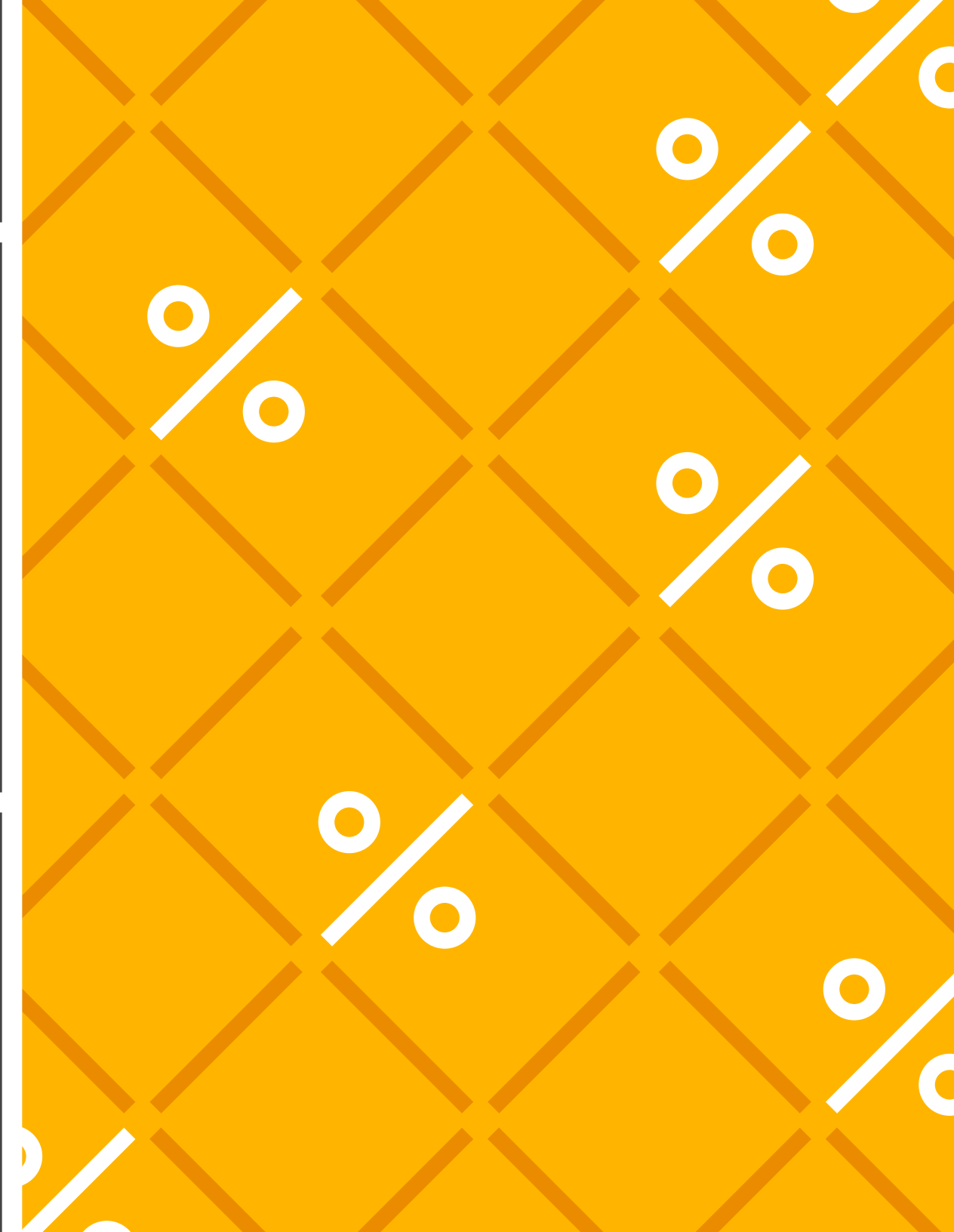
Those individuals/legal entities for whom the balance of external assets and liabilities at the end of each year reaches or exceeds the

equivalent of USD 50 million, must submit, in addition to the quarterly filings, an annual statement (which will complement, ratify and/or rectify the quarterly presentations made), and which may be optionally submitted by any legal entity or individual below the aforementioned threshold. The due date to file this annual statement is 180 calendar days after the end of the calendar year. Although the certificate stating that the Report has been updated is a requirement that must be met by all those who want to pay a commercial or financial debt, such updated certificate is mandatory for all entities with external liabilities, regardless of whether they intend to access the MLC.



5

# Tax System





## Taxes on Corporate Income

### Corporate Income Tax

The Corporate Income Tax rate applicable to net taxable business profits is 25% for fiscal years starting on or after January 1, 2021. By the end of April, a bill was under analysis whereby a scale of rates ranging from 25% to 35% is to be introduced. 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.

### 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



## 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 the import of goods and services.

Certain goods are taxed at a reduced rate of 10.5%, while some services, at a rate of 27%. The export of goods and services is taxed at a rate of 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. The export of goods is 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 industrial activities, 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 the tax paid from the shareholder/member).

The applicable tax rate is currently 0.50% of the value of the ownership interest, which is generally calculated as 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 actually 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 from LAIA and MERCOSUR countries are entitled to a preferential duty treatment.

Export duties rates can vary from 0% to 33%, with a significant temporal reduction applicable to certain commodities as well as to the mining industry.

The 5% (five percent) duty that was established for the export of services rendered in the country, whose effective use or exploitation is carried out abroad, continues to be in force.



## Social Security Taxes

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 ARS 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 225.171,69 (as from March 2021), 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.

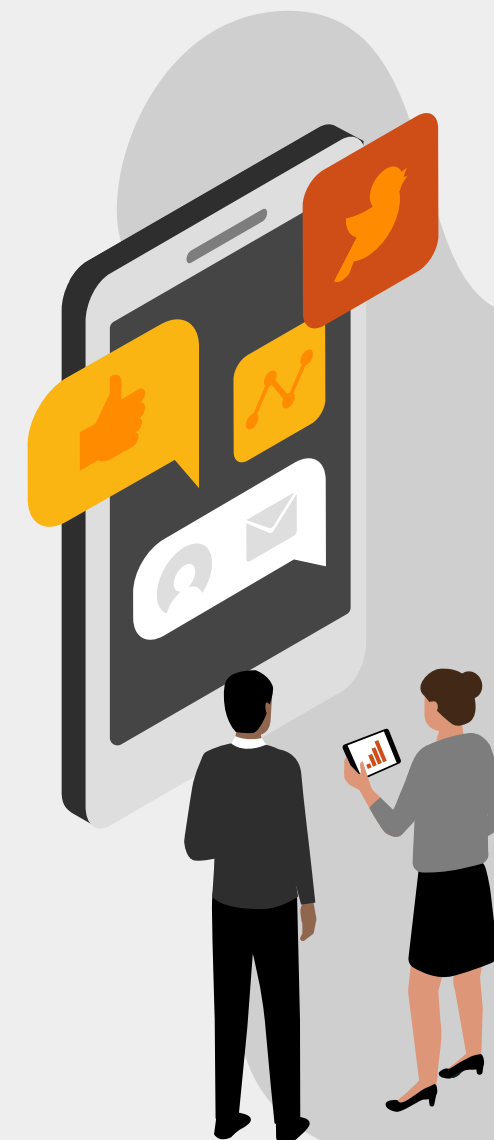
## Significant Developments

### New Tax Promotional System for Knowledge-Based Activities

On October 26, 2020, the Government created new tax incentives intended to promote certain knowledge-based activities through the end of 2029.

Incentives under the new system include a reduction by a certain percentage of the statutory CIT rate (currently 25% subject to potential modifications), a reduction of export duties applicable to the export of services to 0%, a non-transferable tax credit certificate of up to 70% of social security contributions paid by the employer, and tax stability with respect to the new system's benefits (available until December 31, 2029).

A similar system promoting knowledge-based activities was created on June 10, 2019, with the enactment of Law No. 27506. The previous system, together with its regulations, was suspended by the new administration on January 20, 2020 and replaced with this newly shaped system.



## New Informative System Requiring Domestic and International Tax Planning Disclosures

The Argentine Tax Authorities (AFIP) issued Resolution No. 4838/2020 on October 19, 2020, which follows BEPS Action 12 (Mandatory Disclosure Rules). The resolution, effective as of October 20, creates an informative system with respect to domestic and international tax planning strategies (the System). The new reporting requirements may apply retrospectively.

The System requires taxpayers to report any agreement, scheme, plan, or other action resulting in a tax advantage or any other benefit with respect to any Argentine Federal Tax (not only Income Tax), or any informative system in place in Argentina, either in a domestic or cross-border context.

Examples of cross-border tax planning strategies subject to the System include:

- using legal entity vehicles to take advantage of tax treaty benefits;
- adopting strategies that prevent the creation of a permanent establishment in Argentina;
- when a strategy results in stateless income (“supuesto de doble no imposición”), taxable income is allocated to other jurisdictions, or results in the avoidance of disclosure requirements through any Argentine informative system;

- when the planning involves non-cooperative jurisdictions or jurisdictions that are considered to be low or zero-tax;
- taking advantage of tax asymmetries or utilizing hybrid instruments; and
- pursuing a tax-planning strategy specifically listed on the tax authorities’ website (not yet published).

The reporting obligation is currently on the Argentine taxpayers participating in a tax-planning process, agreement, scheme, etc., as provided by the Resolution. Tax advisors (individuals and any entities that help, assist, advise, or perform any tax-planning implementation activity in the course of their business) participating in tax planning either directly or through third parties are also compelled to comply with this system. For new domestic tax planning, the due date for reporting is the last day of the fiscal period in which the planning was implemented. For new cross-border planning, reporting must be made within 10 days of implementation. The Resolution provides for a special deadline for tax planning implemented between January 1, 2019 and October 20, 2020, as well as tax plans implemented prior to January 1, 2019 that were still in place on October 20, 2020. In those cases, the tax planning must be reported by January 29, 2021.

## 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

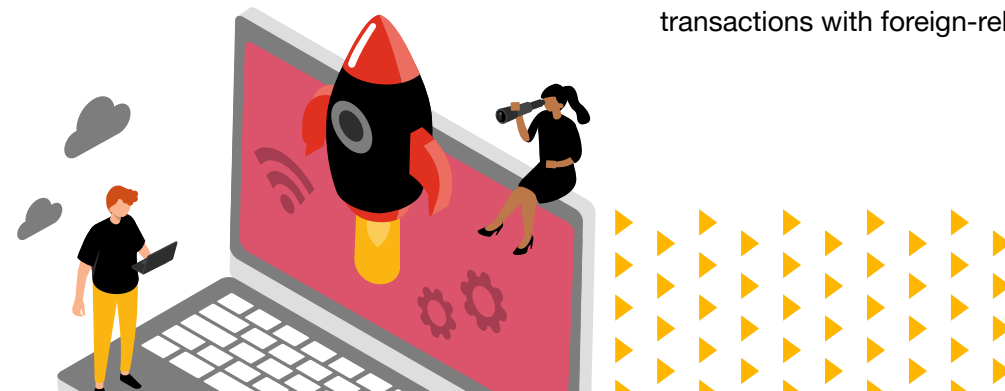
These dividends are not included in the tax base of an Argentine entity (the recipient) if distributed by another Argentine company. However, tax is levied if the dividends are distributed by a foreign company.

## Foreign Income

Foreign income earned 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 actually subject to tax at a rate 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 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

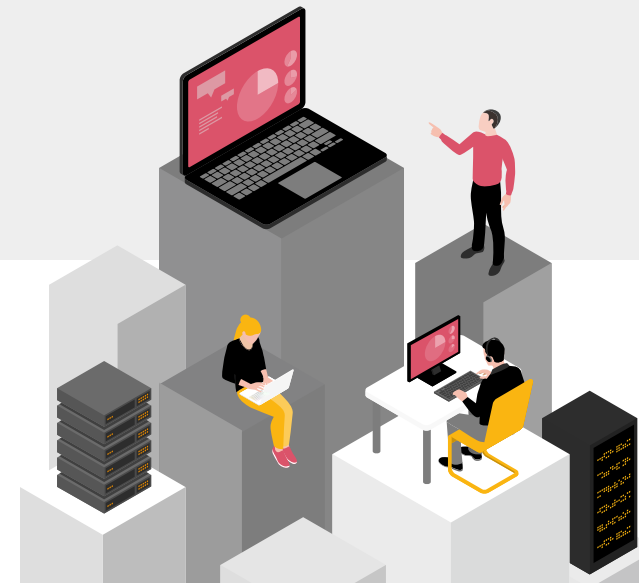
Transactions between related parties should comply with the arm's length principle. This principle was included in the transfer pricing rules and was extended to transactions with companies located in non-cooperative jurisdictions or low or zero tax jurisdictions. The tax authorities will determine income 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 (i.e interest that was subject to tax - WHT - at the recipient's hands or FX losses in years where, following tax rules, inflation recognition is allowed may not be subject to this limitation).



## 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, among others benefits, 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

By virtue of Law No. 27506 (as amended by Law No. 27570), the Government created new tax incentives intended to promote certain knowledge-based activities through the end of 2029. Taxpayers that comply with all requirements must apply and register in order to benefit from the new law.

The new system aims at encouraging the creation, design, production, and implementation or adaptation of products and services (and the associated technical documentation) relating to, among others, the following ‘Promotional Activities’:

- software
- computing and digital services
- audio-visual production and post-production activities
- certain scientific and engineering activities
- geological and prospecting services
- activities related to the industrial sector using ‘4.0 technologies,’ and
- the export of professional services.

#### Incentives under the new system include

Reduction by a certain percentage of the statutory CIT rate. The reduction depends on the taxpayer’s size. Large taxpayers would benefit from a 20% reduction. Reduction

for micro and small businesses is 60% and for medium-sized enterprises, 40%. This reduction would apply to both Argentine- and foreign-source income. Reduction of export duty applicable to exports of promoted services to 0% Non-transferable tax credit certificate of up to 70% of social security contributions paid by the employer with respect to employees engaged in Promotional Activities, which can be applied to the payment of certain taxes, such as VAT (excluding CIT). This bonus certificate will increase to up to 80% of the social security contributions of new hires considered included in special interest groups (including women, LGBT, people with disabilities, and residents in unfavorable areas). Exporters may request the use of the certificate to offset CIT liabilities.

Tax stability with respect to the new system’s benefits (available until December 31, 2029). The incentives will become effective for income tax purposes starting in the fiscal year following that in which taxpayers receive approval. However, they become effective for all other tax purposes as of the date the relevant governmental institution approves the registration. Furthermore, incentives apply retrospectively to January 1, 2020 for taxpayers that benefited under the software incentive system, which expired on December 31, 2019.

### 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 as 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 29 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 from 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 equivalent 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

The export of goods and services is 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 onwards-it may remain at the 7% level if the bill aimed at increasing the Corporate Income Tax rate to a marginal 35% is finally passed-. Although the Equalization Tax is no longer in force due to the amendment introduced by Law No. 27430, it still remains applicable to dividend and branch profit distributions made out of profits accumulated in FYs starting prior to January 1, 2018, and which were in excess of tax profits 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 (duly 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.



## Other Payments to Residents and Nonresidents

Recipient	WHT (%)	
	Interest (1)	Royalties (1, 2)
Resident legal entities	6/28 (3)	6 (4)
Resident individuals	6/28 (3)	6 (4)
<b>Nonresident legal entities and individuals:</b>		
Non-treaty:	15.05/35	21/28
<b>Treaty:</b>		
Austria (10)	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	12	3/5/7/10
Denmark	12 (5)	3/5/10/15
Finland	15	3/5/10/15
France (13)	15.05/20 (6)	18
Germany	10/15 (7)	15
Italy	15.05/20 (5)	10/18
Japan (11)	12	3/5/10
Luxembourg (12)	12	3/5/10
Mexico	12	10/15
Netherlands	12	3/5/10/15
Norway	12.5 (8)	3/5/10/15
Qatar	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 (9))	12	3/5/10
United Arab Emirates	12	10
United Kingdom	12 (5)	3/5/10/15

### Notes

1. Withholding from payments of interest and royalties to non-residents is based on a flat rate of 35% applied to an assumed percentage gross profit margin. 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 for credits obtained abroad is 100%. However, a margin of 43% is applicable (i) if the debtor is a local bank; (ii) if the creditor is a foreign financial institution located in a country not considered as a low or no 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 the interest is paid on a loan dedicated to the purchase of tangible assets other than cars; (iv) if the 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' covers 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%).
- Cessation of rights or licences for invention patents exploitation and technical assistance obtainable in Argentina: 28% (35% on assumed profit of 80%). On 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 treaty. A broad sample of these concepts and the non-treaty effective rates are set forth in Note 2.

2. Payments to non-residents (only) for 'royalties', rentals, fees, commissions, and so on, in respect of the following, are subject to withholding at the rates given below on the basis of assumed gross profit margins (Note 1) unless limited by treaty. The treaty concerned should be consulted to determine any limitation in each case.

Payment	WHT (%)
Freight and passenger bookings (other than those covered by special treaties), news and feature services, insurance underwriting	3.50
Containers	7.00
Copyright	12.25
Rental of movable assets	14.00
Motion picture, video, and sound tape rentals and royalties; radio, television, telex and telefax transmissions; any other means for projection, reproduction, transmission, or diffusion of image or sound; sale of assets located in Argentina	17.50
Rental of real estate	21.00
Any other Argentine-source income (unless the nonresident is or was temporarily resident)	31.50

3. The higher tax rate is applicable on non-registered taxpayers. On interest paid to corporations by financial entities or stock exchange/open market brokers, income tax must be withheld at 3% (10% if not registered); 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, 15%.

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.

9. Treaty signed in April 2018. Still pending ratification by both countries.

10. Treaty signed in December 2019. Still pending ratification by both countries.

11. Treaty signed in June 2019. Still pending ratification by both countries.

12. Treaty signed in April 2019. Still pending ratification by both countries.

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

6

# Reference Information



## 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](http://www.argentina.gob.ar/economia)
- Insituto Nacional de Estadística y Censos:  
[www.indec.gob.ar](http://www.indec.gob.ar)

### Local government agencies

- Ministerio de Trabajo, Empleo y Seguridad Social:  
[www.argentina.gob.ar/trabajo](http://www.argentina.gob.ar/trabajo)
- Ministerio de Ambiente y Desarrollo Sostenible:  
[www.argentina.gob.ar/ambiente](http://www.argentina.gob.ar/ambiente)
- Administración Federal de Ingresos Públicos:  
[www.afip.gob.ar](http://www.afip.gob.ar)
- Administración Nacional de la Seguridad Social:  
[www.anses.gob.ar](http://www.anses.gob.ar)
- Cancillería  
<https://www.argentina.gob.ar/cancilleria>
- Ministerio de Obras Públicas:  
[www.argentina.gob.ar/obras-publicas](http://www.argentina.gob.ar/obras-publicas)
- Ministerio de Turismo y Deportes:  
[www.argentina.gob.ar/turismoydeportes](http://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 Notice:** The COVID-19 pandemic continues to strike Argentina; the information detailed above is subject to the health situation.

Source: <https://www.argentina.tur.ar/#!/ar/information>







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