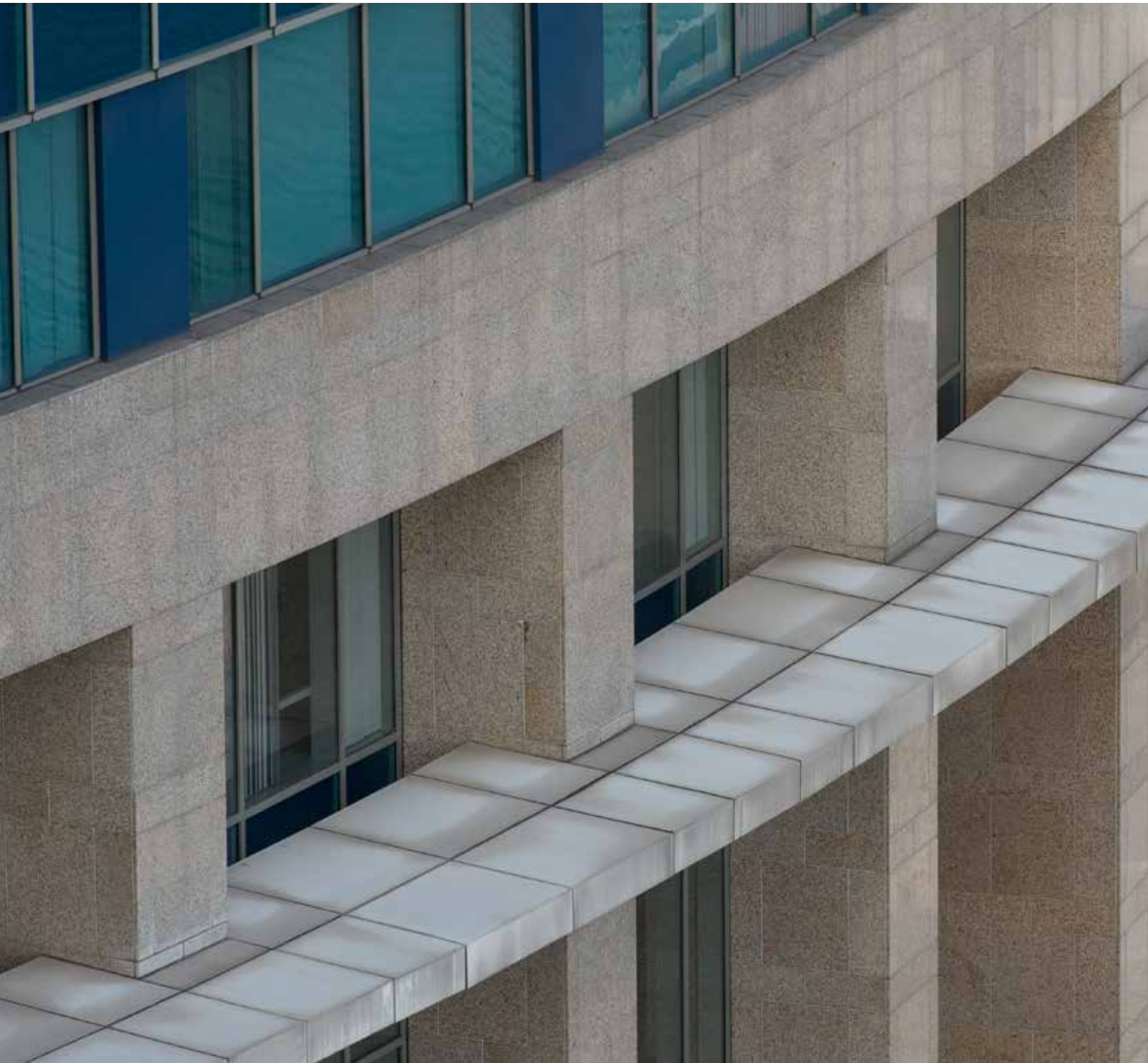




Doing Business in Argentina 2015



Doing Business in Argentina



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An overview of the country



Geographical and demographical background

Location

The **Republic of Argentina**¹ 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.

Brief history of the country

The history of Argentina begins 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 began a process that led to independence in 1816, although for over sixty years there were internal battles for control of income with 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 placed it as a leader in the world economy. This model was based on three pillars: a) high prices of commodities, b) incorporation of extensive croplands to the production process, c) and 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.

The effects of the Great Depression severely affected the country in the thirties, 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.

¹ Argentina has six major regions: the Northwest, Northeast, West (Cuyo), Central (Pampeana), South (Patagonia), and the Greater Buenos Aires metropolitan areas

After the 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 annual GDP growth of 1.90% and of 2.93% in 2013, always at constant prices. The main cause of this drop was the decrease in exports and in the Fixed Domestic Gross Investment (FDGI). In 2013, exports decreased a 4.16% annually, after the decrease of 6.64% in 2012; while the FDGI experienced a slight recovery in 2013 since the fall of 4.86% in 2012, growing 2.98% annually. On the other hand, total consumption (public and private) experienced a growth of 4.46% in 2013, being the main component of GDP.

Regarding 2014, the latest data available reported a 0.07% drop in GDP in the first half of 2014, compared to the same half of 2013; driven mainly by exports and FDGI, which decreased 5.17% and 2.67% respectively in this period.

The forecasts for 2015 are slightly positive, considering the fact that most macroeconomic variables experienced a decrease in the first six months of 2014. Within this context, the International Monetary Fund (IMF) estimated in April 2014 that GDP at constant prices in Argentina will grow 1% by 2015.

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.

Population, major races, legal language, common languages/dialects used:

Area ²	2.78 million km ²
Population	40.1 million
Population per km ²	14.4
Population growth	1%
Urban Population	92%
Form of Government	Republican, representative and federal
Language	Spanish
Currency	Argentine peso (\$)
Political division	24 autonomous provinces with their own political, administrative and economic administrations (23 provinces and the Autonomous City of Buenos Aires)
Capital City	Autonomous City of Buenos Aires
Ethnic groups	White (85%); mixed-race (10%); indigenous and others (5%)

Source: National Institute of Statistics and Census (INDEC) and Wikipedia.

2 Argentina is 2nd in territorial size in Latin America and 8th in the world

Mineral and energy resources

Energy resources: oil, gas and electricity; mineral resources: gold, copper, lead, zinc, natural borates, bentonite, clays and construction stone.

Education in Argentina

Education in Argentina is free; however, to encourage high attendance rates in school, it is mandatory from the age of 5 to 18. Over one million students attend public and private 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 most important and dynamic assets.

Political and legal system

Major government authorities:

President ³	Cristina Fernández de Kirchner ⁴
Vice President	Amado Boudou

Cabinet	Cabinet appointed by the President
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N.B.: The President and Vice President were elected (the President, in fact, was re-elected) by popular vote for a four-year term in the same election in October 2011. The previous election was held October 28, 2007; the next selection will be held in October 2015.

Brief description of the legal framework

Argentina is a federal republic. The federal government consists of an Executive branch, embodied by the President; a Legislative branch (Congress), 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 vote⁵. The governing Party gained some parliamentary seats in the legislative elections of October 2013, achieving 32 seats in the Senate and 118 seats in the Chamber of Deputies.

³ The President is both the Chief of State and Head of Government

⁴ Since October 2011

⁵ 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 next election will be held in October 2015.

The economy

By the year 2013, the Argentine economy had experienced eleven consecutive years of growth according to official figures. However, after two years of strong growth in the GDP, with 9.2% annually in 2010 and 8.9% annually in 2011, 2012 recorded a strong deceleration, with a GDP growth of 1.9% annually, always at constant prices. In 2013, even though a slight recovery was experienced, GDP growth remained low, increasing a 2.9% annually. In turn, the Economic Activity Monthly Estimator (EAME) showed a 4.9% variation against 2012.

The main cause for this recovery was the increase of public and private consumption -of about 5.1% and 4.4% respectively- and in the Fixed Domestic Gross Investment (FDGI), of about 3.0%. They were partly offset by the 4.2% decrease in exports from the previous year.

Despite the low level of activity, inflation accelerated compared to the previous year. However, exact figures are uncertain, as the methodology used by the INDEC is still under question, and the official rate of inflation differs significantly from estimates by private consultants. In 2013 the official inflation was 11.0%, compared to 10.8% in 2012.

As regards the foreign sector, the trade balance showed a surplus of more than US\$ 8 billion in 2013, around 35% lower than the previous year. In spite of government efforts to control foreign trade (i.e. reduce imports), imports grew almost 8% compared to 2012, while exports increased by less than 1% against 2012.

The fiscal balance, another pillar supporting expansion in the last decade, began to weaken in 2008, especially due to escalating expenses. After fifteen years of a consecutive surplus, there was a AR\$ 4.4 billion deficit in 2012. In 2013, the deficit was 414% higher by AR\$ 22.5 billion, caused by the significant increase in current expenses, driven principally by Social Security Benefits, in capital expenses and in figurative expenses.

The financial result (primary result minus interest payments on debt) also reflected a mayor loss, with a downturn from AR\$ -55.6 billion in 2012 to AR\$ -64.5 billion in 2013.

Additionally, figures from early 2014 show no significant recovery. In the first half of 2014 GDP at constant prices fell 0.1% compared to the same period in 2013; while trade surplus fell more than 28% in the same period. Regarding official inflation, in the first six months of 2014 consumer prices grew 15%, under a new measurement system.

Current forecasts 2014 point to uncertainty, given that the evolution of most macroeconomic variables in the first semester of 2014 was less than positive. According to IMF (International Monetary Fund) estimates, as of April 2014, the GDP at constant prices in Argentina will grow by 0.5% annually in 2014 and 1.0% annually in 2015.



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

Millions of pesos at 2004 prices

Year	GDP at market prices	GDP growth at market prices
2008	709,944,726	3.7%
2009	704,908,752	-0.7%
2010	770,935,940	9.4%
2011	836,888,837	8.6%
2012	844,807,455	0.9%
2013	869,520,376	2.9%

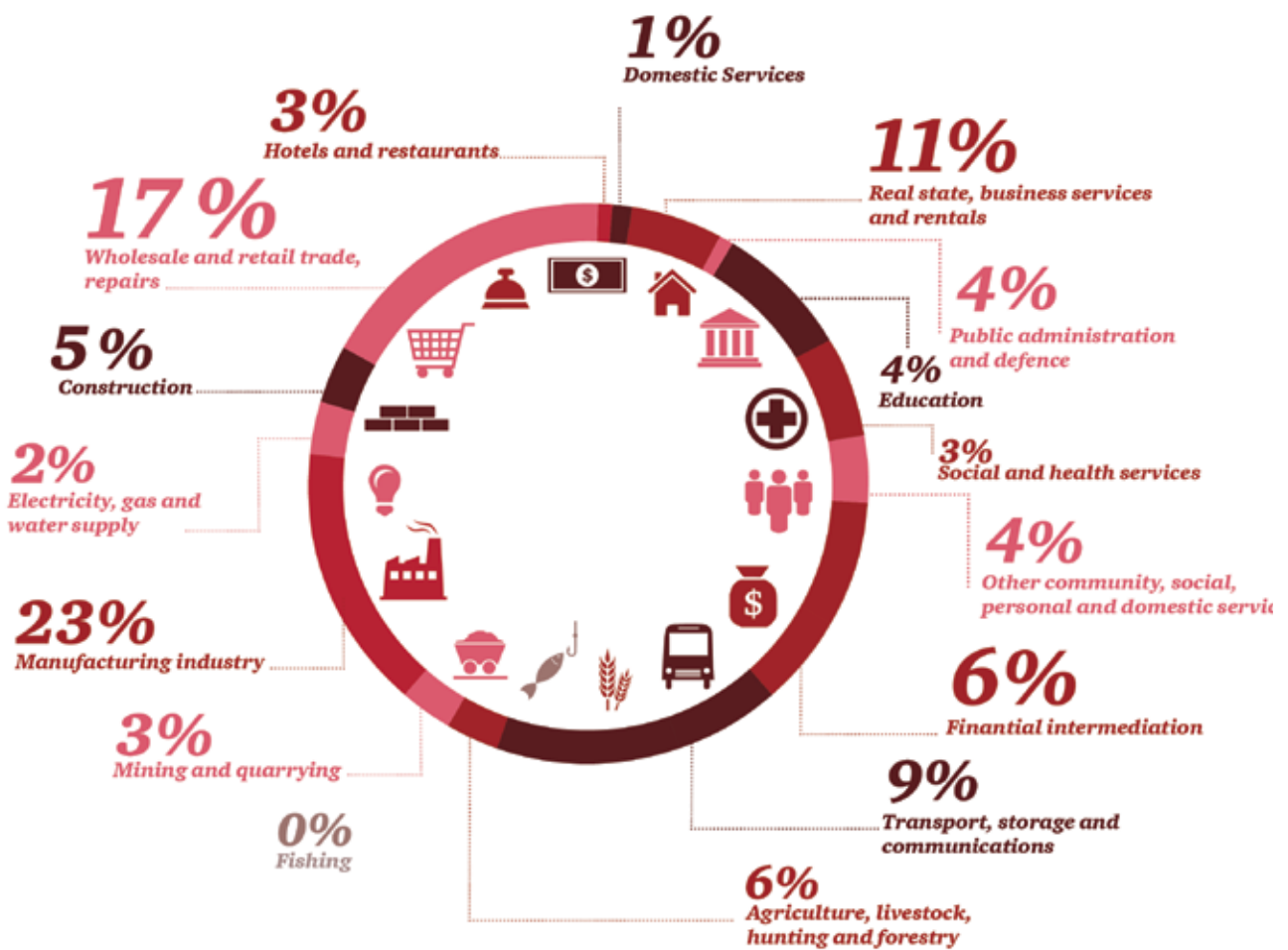
Source: Based on data from the INDEC

Balance of payments estimates

		2012	2013
Current Account	Total	479	-4,330
	Goods	15,642	12,155
	Services	-3,460	-5,103
	Interests	-11,307	-10,709
	Current transfers	-397	-673
Financial Account	Total	-3,475	-5,899
Net Errors and Omissions		-347	-1,627
Variation in International Reserves		-3,305	-11,824

Source: Based on data from the INDEC

Share in GDP by industry– 2013



Source: Based on data from the Argentine Ministry of Economy

General business and investment climate

Government attitude toward foreign investment

Through its International Trade Under-Secretariat, the Argentine government promotes and coordinates foreign investment opportunities in Argentina. This Under-Secretariat identifies and assists potential foreign investors interested in developing new productive activities in Argentina or in expanding and improving existing activities.

To this end, the country has a series of regulations available to both domestic and foreign investors designed to promote investment.

- ***Horizontal incentives:*** Instruments and measures to encourage investment applicable to all regions and areas of economic activity.
- ***Sectoral incentives:*** Incentive regimes targeting specific sectors of the economy.
- ***Regional incentives:*** Provincial promotion regimes to support infrastructure for investment.

Investment protection agreements

Local legislation provides foreign investment with protection and an arbitration process for disputes with Argentina. In addition, Argentina has signed Bilateral Investment Treaties (BITs) and is a member of the Multilateral Investment Guarantee Agency (MIGA), the Overseas Private Investment Corporation, and the International Center for the Settlement of Investment Disputes (ICSID).

Trademark legislation (Law No. 22362 and Law No. 24481 and its amendments) provides protection for trademarks that have been duly registered with the National Industrial Property Institute (INPI).

Under case law, protection is also granted to de facto brands, provided they have been used to such an extent that they have built up a degree of customer allegiance. This registration is subject to payment of a fee. Protection is granted for a maximum of 10 years each time a trademark is registered, and registration may be renewed indefinitely, provided the trademark has been used in the last five years.

Argentina has adopted the international classification of goods and services used by the International Intellectual Property Organization.

Local competitor attitude toward foreign investment

The main aspects of the existing legal framework governing the FDI address are: a) domestic treatment of foreign investors; b) absence of prior approval requirements or registration of investment; c) access to all sectors of the economy, and d) access to domestic incentive schemes.

Pursuant to Law 26737, enacted on December 2011, foreigners shall not hold more than 15% of the total amount of land in the whole country, or in any province or municipality. An additional restriction prevents foreigners of a given nationality from owning more than 30% within the previously referred cap of 15%. The law specifically prevents any foreigner from owning more than 1,000 hectares (approx. 2,500 acres) of rural land in the Argentine “zona nucleo”, or an equivalent area determined in view of its location; and from owning rural lands containing or bordering significant and permanent water bodies, such as seas, rivers, streams, lakes and glaciers.



Business Entities

Foreign companies willing to operate in Argentina on a regular basis may act either through a permanent representation office (a “Branch”) or a local company (a “Subsidiary”). Stock corporations (Sociedades Anónimas or S.A.) are the most widely used type of Subsidiaries by foreign corporations in Argentina, although some small businesses chose to operate through limited liability companies (Sociedades de Responsabilidad Limitada or S.R.L.) mainly due to their simpler regulatory requirements and lower maintenance costs.

The main difference between a Subsidiary and a Branch is that a Subsidiary is a legal entity independent and separate from its shareholders; while a Branch is considered a legal extension of its parent company. In practical terms, this means that the parent company will be exposed to the Branch’s liabilities, and the foreign shareholder will limit its exposure to its share of the Subsidiary’s capital (except for fraud).

Foreign companies that intend to become shareholders of an Argentine Subsidiary or to operate in Argentina through a Branch must previously register as foreign shareholders or branches, as the case may be, with the Public Registry of Commerce, a governmental institution with supervisory authority over local companies. Each provincial jurisdiction has its own Public Registry of Commerce, and a registration completed in any provincial jurisdiction is valid to operate and do business in any other jurisdiction within the country. In the City of Buenos Aires, the Public Registry of Commerce is run and administered by the Office of Corporations (Inspección General de Justicia or IGJ).

The incorporation, existence, validity, capacity, operation and, in general, all aspects concerning foreign and local companies doing business in Argentina are governed nation-wide through the provisions of the Business Corporations Act No. 19550. In addition to this norm, provincial jurisdictions apply their own procedural regulations concerning registration and incorporation processes, as well as with regards to the formal requirements that from time-to-time must be complied with by foreign or local companies.



Form of foreign investment



The exchange control system has been regulated since 2001 by the Argentine Central Bank (BCRA), as well as by the Federal Administration of Public Revenue (Administración Federal de Ingresos Públicos, AFIP) since October 2011, establishing the necessary validations to allow access to the Single and Free Exchange Market (Mercado Único y Libre de Cambios, MULC).

Some mechanisms have been established to obtain validation of the transactions prior access to the MULC. The mechanisms are as follows:

- Foreign Currency Transactions Consultation Program (Programa de consulta de operaciones cambiarias, COC) which provides validation of the amount of foreign currency an Argentine resident can purchase to pay tourism and travel expenses and to hold foreign currency in the country; in addition, the program records all exchange transactions conducted for any reason;
- Advanced Import Sworn Statement (Declaración Jurada anticipada de importaciones, DJAI) under which prior consent is required to pay for the import of goods and to carry out any import for consumption;
- Advanced Services Sworn Statement (Declaración Jurada anticipada de servicios, DJAS), provides the prior consent of the AFIP for the payment of certain services provided by non-residents; and
- Advanced Statement of Payments Abroad (Declaración Jurada de Pagos al Exterior, DAPE) for the payment of financial debts arising from the purchase of goods not brought in and sold to other countries, payment of interests and dividends, payment of transactions under the courier system and some import sub-systems and payments of lease of machinery, tools and other movable properties with purchase option.

In 2012, AFIP created Multidisciplinary Teams for Verification, Valuation and Control Inspection (EMVIC) led by the Customs Service for valuation and classification of imported goods.

Financial debts

The time frame to bring and settle funds of foreign financial debts in the MULC is 30 (thirty) calendar days counted as from the date of disbursement of the funds.

Additionally, in general terms, there exists the obligation to place a mandatory non-interest bearing deposit in US dollars of 30 (thirty) percent of the amount involved for a term of 365 (three hundred and sixty five) calendar days (an “Encaje”).

To settle capital services through the MULC, the maturity date of the financial debt and renewals of loan agreements from abroad must be arranged for a minimum term of 365 (three hundred and sixty five) calendar days. Access to the MULC is authorized for up to 10 (ten) business days prior to the expiration of the term, except for cases requiring a longer term.

Payments before 10 (ten) business days are authorized if they are financed with funds that: a) arise from capital contributions; b) are granted by foreign banks or international organizations and its agencies or official entities granting export loans and/or c) arise from the issuance of debt securities that comply with the requirements to be considered external securities, and if all other applicable requirements have also been fulfilled.

Interest instalments can be settled 10 (ten) business days prior to the expiration of each instalment, in arrears. Interest accrued not in arrears cannot be paid. AFIP requires the DAPE to have an exit status to pay interest abroad.

Foreign Direct Investment

In principle, capital contributions made with foreign currency through the MULC must comply with the obligation of the Encaje mentioned above, unless the contribution qualifies as a direct investment in the local company receiving the investment.

For the exception of the Encaje, a presentation shall be made before the Registry of Commerce to assure the direct character of the funds.

Notwithstanding the obligation to bring funds into the country, the BCRA established that non-residents who intend to access the MULC to repatriate direct investments must demonstrate that funds have been brought into this market in a timely manner.

Payment of Dividends

Although there are no formal restrictions for the payment of dividends abroad, authorities have been reluctant in recent years to authorize payments abroad to avoid the loss of foreign currency reserves in the BCRA.

Certain companies paid dividends in 2012 and some others have accepted to postpone them. In 2013, there were payments of dividends for USD 1,344 million, an increase over 2012.

Transfers of funds abroad in the first 6 months of 2014 amounted to USD 834 million.

Imports of goods

Pursuant to the provisions of the BCRA, imported goods may be wholly paid in advance, at sight or through deferred payment, regardless of the type of goods.

Advance or at sight payments can be made with the required DJAI in the exit stage for the registration and subsequent nationalization of the goods.

Deferred payments for imports of goods may be made, up to 5 (five) business days prior to the due date of the obligation with the foreign creditor. Prior authorization of the BCRA is required to access the MULC to pay for imports of goods, five days prior to the due date.

For advance payments of all goods, evidence of the filing of the import registry must be

provided within 120 (one hundred and twenty) calendar days from the date the importer paid through the MULC, except for capital goods which have a term of 365 (three hundred and sixty five) calendar days. For at sight payments, importers have 90 (ninety) calendar days to comply with the filing.

In any of the cases, if the importer fails to comply with filing, as a general rule, it is required to re-enter the foreign currency within the same periods mentioned above.

Payment of services provided by non - residents

For payment purposes, some services rendered by non-residents require compliance with AFIP (DJAS) and BCRA regulations.

The conditions established by the AFIP include reporting through its website, if applicable, the service to be paid abroad attaching the contract and/or the commercial invoice, or a similar document, in a pdf file. When the reported transaction obtains approval and passes to the exit stage, access to the MULC can be requested to make the payment.

BCRA regulations in force establish that residents may access the MULC to make transfers abroad for the payment of services provided by non-residents through the presentation of the documentation supporting the truthfulness of the transaction as regards its item code, the actual provision of the service and amount to be transferred abroad.

Further, as established by the BCRA, to make payments for nearly all the items for which DJAS is required to pay for rental or lease of properties located in the country owned by non-residents and to pay commercial commissions to: a) a related company (under the terms of BCRA Communication “C” 40209) and/or b) an account in a country not considered cooperative with fiscal transparency, and/or c) a beneficiary domiciled in a country not considered cooperative with fiscal transparency, whenever the amounts excess of USD 100,000 (one hundred thousand) per item code and per year, the BCRA's prior authorization must be obtained.

Exports of goods

The terms to bring foreign currency into the MULC, according to the tariff code, are set by the Ministry of Economy and Public Finances (“ME&PF”) and range from 30 (thirty) to 360 (three hundred and sixty) calendar days and are counted as from the date of clearance of the shipping export declaration.

Notwithstanding, an exporter could require an extension of the term applicable to a specific tariff code. If this extension is granted, it will come into force only for that particular exporter.

However, if the parties are related, according to the rules set, there is a 30-calendar-day period to bring foreign currency into the MULC, regardless of the term that corresponds to the tariff code, except in the event the head office of the exporter of that relationship is established in Argentina and certain conditions are met.

The BCRA has established that independently of the term assigned by the tariff code the exporter must: a) transfer the funds credited to foreign accounts abroad within 10 (ten)

business days of collection to the corresponding account with the local financial institution and b) convert foreign currency into Argentine pesos within 15 (fifteen) business days of collection.

Exports of services

The funds of collections of exports of services must be traded in the MULC within 15 (fifteen) business days counted as from the date of their collection in Argentina or abroad.

The amount that is to be brought into Argentina for exports of services must coincide with the amount collected, net of withholdings or discounts and/or when the company uses international clearing systems for transactions conducted in different countries and must coincide with the net amount offset in the period.

Formation of external assets

Until July 6, 2012, foreign exchange regulations allowed the Formation of Residents' External Assets. According to the rules in force, Argentine residents were allowed to remit foreign currency abroad up to a monthly limit of US\$ 2,000,000 (two million US dollars) without the prior authorization of the BCRA. However, this was suspended until January 2104 at which point this alternative was cancelled.

Residents today can only access the MULC to purchase foreign currency for certain specific situations.

Travel and tourism

Access to the MULC is allowed for the purchase of foreign currency (bank notes or traveler's checks) to travel abroad, up to an amount that is validated by the AFIP through the COC. If the trip is suspended, the purchased amount must be returned.

Tax system

Significant developments

Tax. Amendment to Income tax Regulatory Decree.

Several changes have been introduced to the regulatory decree of the Income Tax Law, under the reform of Law 26893, published September 23, 2013.

The provisions of the decree will enter into force for the sale of shares, units, equity interest or government and corporate bonds and other securities: when payment is made on or after September 23, 2013 for dividends or profits and are made available to their beneficiaries on or after the above date.

Additionally, by General Resolution 3674, the Tax Authorities established a procedure to submit the withholding.

New Regime to Inform Relationships with domestic and foreign related parties

On December 2013, the National Tax Authority created a new database in which local taxpayers must disclose their relationships with domestic and foreign-related parties. For purposes of this rule, the definition of “related party” is broad and goes beyond economic or legal ownership. Additionally, it introduces a new information regime pursuant to which Argentine taxpayers are required to report, on a monthly basis, all their transactions with local related parties.

Argentina Announces New White List

The Argentine National Tax Authority (AFIP) on January 7 listed jurisdictions that are considered to be “cooperative for international tax transparency purposes”. The new white list was issued in connection with Decree 589/13 to replace the previous roster of blacklisted jurisdictions. A complete list is available at :

<http://www.afip.gov.ar/genericos/novedades/documentos/paisesCooperantes.pdf>.

Surtax on triangulated exports

The Argentine authorities introduced a new surtax on income derived from export transactions where there is a mismatch between the jurisdiction where the products are shipped and the jurisdiction where the buyer is located.

The surtax rate is 0.5% on the export’s freight on board (FOB) value and is increased to 2% when the buyer is located in a ‘non-cooperative’ jurisdiction.

Argentina-Spain Tax Treaty Enters Into Force

The Argentina-Spain income and capital tax treaty entered into force December 23, 2013 and applies retroactively from January 1, 2013.

Switzerland, Argentina Sign New Tax Treaty

Switzerland and Argentina signed a new income and capital tax treaty in Bern in 2014. The treaty is in line with the current international standard on the exchange of information. Although approved by Argentina, approval by Switzerland is still pending.

Argentina Signs Several Automatic Information Exchange (MOU)

During 2014, Argentina signed with numerous countries a memorandum of understanding regarding automatic information exchange. A complete list is available at <http://www.afip.gov.ar/institucional/acuerdos.asp>

Taxes on corporate income

- ***Profits tax:***

The profit tax rate on net taxable business profits is 35%. Corporations 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 profits from Argentine sources and from activities performed abroad by branches.

- ***Tax on minimum notional income:***

The rate is 1% on the value of fixed and current assets. Income tax can be credited against the settlement of taxes for the tax return of the same fiscal year. In addition, any payment of this tax, not offset by income tax will be treated as payment on account of income tax chargeable for a maximum period of ten years.

- ***Corporate residence:***

Corporate residence is determined on the basis of centers of activity and is unaffected by the place of incorporation or management. Centers of activity in Argentina of non-Argentine corporations are treated as permanent establishments.

Other taxes

- ***Value-added tax (VAT):***

The current general rate of 21% is applied on 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% and some services at 27%.

Exports of goods and services are taxed at 0%. Nevertheless, input VAT related to exports can 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 as inventory cannot 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 the engagement of these services are for a conference, congress, convention or any similar event directly related to the specific activity of the contracting party.

- **Turnover tax (gross income 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.

- **Wealth tax:**

Payable by Argentine companies on all shares issued by them and owned either by individuals, regardless of residence, or by companies residing abroad.

The wealth tax rate for this purpose is 0.5% on the value of the shares as of December 31 of each year, based on the Financial Statements of the respective fiscal year. However, companies are allowed to request reimbursement from the shareholders.

- **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 other goods and services; among others, are taxed at varying rates.

- **Tax on credits and debits on bank accounts:**

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 disposal of one's own or a third party's funds are subject to a tax rate of 1.2%.

- **Stamp duty:**

This local tax is applicable 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 on the economic value of the agreement.

- **Import & Export duties:**

The levels of import duties currently range between 0% and 35%, except in cases where specific minimum duty is applied or which involve merchandise with a specific treatment. In general, merchandise originating from LAIA and MERCOSUR countries is entitled to preferential duty treatment. The levels of export duties range from 0% to 45%, although nearly all products have an export duty from 5% to 10%.

Social Security Taxes

Law No. 24241 (Argentine Integrated Pension System Law) establishes the territoriality principle, under which all persons providing remunerated services on an employment basis within the national territory, on a permanent or temporary basis, are covered by the Argentine Social Security System.

Local employers must deposit on a monthly basis the employer social security contributions jointly with the employee withholdings with the National Social Security Regime and the National Health Care Scheme.

The employer's social security tax is payable based on total monthly compensation and is not subject to any cap amount.

The total employer contribution is 27% for companies whose main activity consists of the rendering of services or commerce, if annual sales exceed AR\$ 48,000,000 and 23% for all other companies. Employee social security withholdings, which includes the pension fund, social health and social services are levied on monthly compensation up to a cap of AR\$ 36,531.48 except for June and December where the cap is increased by 50% due to the 13th salary. The salary cap is adjusted in March and September of each year

The total employee social security tax rate is 17% which consists of contributions of 11% to the pension fund, 3% to social healthcare and 3% to social services.

Should any employee serve as Director of the same Company, the social security liability is 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 for his salary as employee; thus if the Director opts not to pay these contributions, the Company is not obliged to pay any employer's contributions.

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 those losses from the sale of shares and other equity interest 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.

- ***Foreign income:***

Foreign income received by resident corporations is subject to tax.

- **Stock dividends:**

These dividends are tax exempt if distributed by an Argentine company.

- **Transfer pricing rules:**

The transfer pricing regulations governing intercompany transactions, which were introduced into income tax law by Law 25063 as amended by Laws No. 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 proved that useful life is less than 50 years.

Depreciation of automobiles with an original cost in excess of AR\$20,000 is not deductible. Related expenses (gasoline vouchers, insurance, rentals, repairs and maintenance, etc.) are deductible up to an amount of AR\$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 available life of income tax loss carry-forward is five years.

- **Payments to foreign affiliates:**

Transactions between related parties should be at arm’s length. This principle was included in the transfer pricing rules and was extended to transactions with companies located in low or no tax jurisdictions. The tax authorities will determine income by applying one of six methodologies: comparable uncontrolled price, resale price, added cost, profit distribution, residue from profit distribution, and net margin of the transaction. Payments to foreign affiliates or related parties and companies located in low or no tax jurisdictions that represent income of Argentine source are tax deductible, provided they are paid before the due date for filing the tax return and the corresponding withholding is paid to the tax authorities.

Technical assistance and services that involve transfer of technology should be covered by agreements duly registered with the National Institute of Intellectual Property for information purposes. These transactions are governed by the Transfer of Technology Law (Law 22426).

- **Taxes:**

All taxes are deductible except for the profit tax and tax on minimum notional income.

Other significant items

1. Donations: when made to companies and associations expressly exempt from assessment of tax on profits, donations up to a maximum of 5% of the donor's net taxable profits are admissible deductions, provided certain requirements are fulfilled.
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 of 25% of after-tax profit or AR\$12,500 per individual, whichever is greater, are deductible in the financial 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. Although the Convertibility Law is no longer in place, an adjustment for inflation for tax purposes is not yet in force. A fierce debate regarding the reinforcement of this is ongoing, with no final decision in view. Recent jurisprudence has accepted that in certain situations the application of an adjustment for inflation should be considered on a case by case basis.
5. Thin capitalization: except for financial institutions governed by Law No. 21526, leasing companies and certain financial trusts, whose interest is paid by an Argentine resident on loans granted by foreign-related parties would not be deductible if the debt exceeds twice the net equity of the local debtor. The portion of non-deductible interest will be treated as if it were a dividend. An exception to thin capitalization rules applies in case the interest payment is subject to an effective withholding tax of 35%.

Tax incentives

• Mining activity:

Law No. 24196/93 created an investment regime for mining activity and is applicable to natural and legal persons. Mining ventures included within this regime 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 regime. Furthermore, the regime grants incentives for tax on profits, tax on assets, import duties, and any other tax for introduction of certain assets. Additionally, the possibility to obtain a VAT reimbursement during the exploration stage as indicated in Law No. 24196/93 has been regulated by General Resolution 1641/2004.

• Forestry:

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

• Software:

Laws No. 25922 and 26692 establish a System of Promotion Benefits for the Software Industry that will be in force throughout Argentina. Local legal entities whose main activity is their own creation, design, development, production and implementation of software systems within Argentina. Software self-development is excluded from this system.

The system grants benefits for tax and social security purposes, which can be claimed if specific requirements have been met: this has been extended until 2019.

• Tierra del Fuego:

Although with certain limitations in the case of new projects, companies established in this province enjoy a general tax exemption and important benefits in customs matters, based on a 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 like early return of VAT or accelerated depreciation of capital goods for Income Tax purposes, among others.

- **Biotechnology:**

Law No. 26270 established a promotion regime for the development and production of biotechnology and grants benefits for tax and social security contributions which can be claimed if specific requirements are met.

- **Export incentives:**

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

- **Withholding taxes:**

Income tax withholding at a rate of 35% is applicable on dividends or other profits distributed by the company if the corresponding amounts have not been subject to income tax in the hands of the company. Additionally, starting in 2013, a 10% withholding tax would be applicable on dividends distributions made to non-residents or local individuals.

Furthermore, in the case of non-residents, gains on the sale of shares would be subject to a 13.5% tax on gross proceeds or, alternatively, 15% on actual gains (provided it is properly supported).

Other payments to residents and to non-residents are subject to withholding rates as follows:

Recipient	Interest %	Royalties %
Resident corporations	6, 28 or 35 (1)	6 or 28 (2)
Resident individuals	6 or 28 (1)	6 or 28 (2)
Non-resident corporations and individuals ^{(1) (2)}		
Non-treaty	15.05 or 35	21 or 28% or 31.5%
Treaty		
Australia	12	10 or 15
Belgium	12 (5)	3,5,10 or 15
Bolivia	15.05 or 35	21, 28 or 31.5
Brazil	15.05 or 35	21, 28 or 31.5
Canada	12.5 (5)	3,5,10 or 15
Chile	15.05 or 35	21, 28 or 31.5
Denmark	12 (5)	3,5,10 or 15
Finland	15 (5)	3,5,10 or 15
France	15.5 or 20 (6)	18
Germany	10 or 15 (7)	15
Italy	15.5 or 20 (5) (6)	10 or 18
Netherlands	12 (5)	3,5,10 or 15
Norway	12.5 (8)	3,5,10 or 15
Russia	15	15 (11)
Spain (10)	12 (5)	3,5,10 or 15
Sweden	12.5	3,5,10 or 15
United Kingdom	12 (5)	3,5,10 or 15

Notes Table (The numbers in parentheses refer to the following notes)

1. The 28% rate is applicable to non-registered taxpayers. As regards 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. Interest paid between two resident companies may be subject to a 35% withholding tax.
2. Resident corporations and individuals who are registered for tax purposes are subject to a 6% withholding (28% if not registered)
3. Withholdings from interest payments and royalties to non-residents is based on a flat rate of 35% applied to a presumed percentage of gross profit margin. This margin is not contestable, but the resulting rate may be limited by bilateral treaty. The general margin for interest paid on credit obtained abroad is 100%. However, a margin of 43% is applicable (1) if the debtor is a local bank, (2) 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 violation of banking secrecy, all of which is under the supervision of the corresponding central bank, (3) if interest is paid on a loan allocated to the purchase of tangible assets other than automobiles, (4) 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 (5) on interest paid on time deposits with local banks. The term "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, and are as follows:
 - a. Technical assistance, technology and engineering not obtainable in Argentina—21% (35% on presumed profit of 60%);
 - b. Cessation of rights or licenses for working of invention patents and technical assistance obtainable in Argentina: 28% (35% on presumed profit of 80%), on non-registered agreements the rate is 31.5% (profit of 90% is presumed) or 35% (profit of 100% is presumed), depending on the case. Several other "royalty" charges are subject to rates that may, in turn, be limited by treaty. A broad sample of these concepts and the non-treaty effective rates are set forth in Note 4
4. Payments to non-residents (only) for royalties, rentals, fees, commissions, and so on, in respect to the following are subject to withholding at the rates given below on the basis of presumed gross profit margins (Note 3), unless limited by treaty. The treaty concerned should be consulted to determine any limitation in each case.

	%
Freight and passenger bookings (other than those covered by special treaties), news and feature services, insurance underwriting	3.5
Containers	7.0
Copyright	12.25
Rental of movable assets (9)	14.0
Motion picture, video and sound tape rentals and royalties; radio, television, telex and telefax transmissions; any other means of projection, reproduction, transmission, or broadcasting of image or sound; sale of assets located in Argentina (9,10)	17.5
Rental of real estate (9)	21.0
Any other Argentine-source income (unless the non-resident is or was temporarily a resident) (10)	31.5

Notes Table (The numbers in parentheses refer to the following notes)

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%
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. Deduction of actual costs and expenses may be optionally exercised.
10. Except for shares and other securities that are taxed at a rate of 13.5% on gross proceeds or, alternatively, 15% on actual gain.

Tax administration

• Returns:

Tax is assessed on a fiscal-year, self-assessment basis. The due date for filing the profits and the notional income tax return is during the second week of the fifth month after the fiscal year end.

• Payment of tax:

Installment payments for tax on profits must be made in the course of the tax year. The installment payments must be made on a monthly basis beginning the first month after the due date for filing the tax return.

Other issues for attention

• **Price control and unfair competition:**

There is no law on price control. In recent years the Trade Secretariat promoted price agreements in various sectors with the aim of curbing price increases of certain consumer goods. There are several laws dealing with unfair trade, including: a) Law No. 22802 on Fair Trade, b) Law No. 24425 (GATT, WTO Unfair Trade and Safeguards); c) Decree 1326/98 (Regulating Law No. 24425 Dumping and Subsidies); d) Decree 1059/96 (Regulating Law No. 24425 - Safeguard Clauses); e) Resolution 224/99 (Request for opening of Dumping and Subsidy investigation); f) Resolution 826/99 (Examination of measures on Dumping and Subsidies).

• **Environmental issues⁶:**

The Secretariat for the Environment and Sustainable Development has issued a series of regulations relating to the environment which are frequently consulted by users. In addition to the National Constitution, which contains three articles that relate to the environment, at the national level, there are close to 70 laws, 68 decrees, 1 General Resolution, 374 Resolutions, 1 Joint Resolution, 26 Ordinances, 18 Regulations, 4 Minutes, 1 Pact, 30 Declarations, 7 Recommendations and 1 Manifesto on environmental matters.

• **Trademark and Name Registration**

The legal framework is constituted mainly by the Trademarks and Trade Names Law (Law No. 22362), and a variety of international treaties such as the Paris Convention and the Agreement on Trade-Related Aspects of Intellectual Property Rights (GATT-TRIPS). Argentina is not a member of any common system of trademark registration. Argentina has also adopted the international classification of goods and services under the Nice Agreement which divides products in 34 classes and services in 11 classes.

• **Copyrights**

Copyright is regulated by the Copyright Law (Law No. 11723) and the Berne Convention, amongst other treaties to which Argentina is a signatory party. Law No. 11723 protects scientific, literary and artistic works, including writings of any kind and length. Protected items include, without limitations: software source and object code, data compilations, dramatic works, musical compositions, architecture works, models and artistic or scientific works applied to commerce or manufacturing, printed matter, blueprints and maps, and, in general, any scientific, literary or didactic production regardless of its reproduction process.

• **Patents**

The legal framework is essentially constituted by the Patent Law (Law No. 24481), and a variety of international treaties such as the Paris Convention and the Agreement on Trade-Related Aspects of Intellectual Property Rights (GATT-TRIPS). Nevertheless, Argentina has not adhered to the Patent Convention Treaty (P.C.T.). According to Law No. 24481, inventions are patentable when the products and proceedings meet the following requirements: novelty, inventive activity and actual industrial application. It is important to note that since the entrance into effect of the GATT-TRIPS Agreement, pharmaceutical patents can be obtained in Argentina.

The Patent Law also regulates protection of Utility Models, which are defined as any new arrangement or shape applied to known tools, devices or objects of industrial use, insofar as they provide a new and better use or function for such tool, device or object. A mere innovation in procedures is excluded from this protection. Protection of utility models is granted for 10 years as from the application date. Renewals are not admitted.

• **Industrial Models and Designs**

Industrial Models and Designs protect the shape or appearance given to an industrial product providing an ornamental feature. There is no examination of the application and the granting proceedings are quite straightforward. Protection is granted for a 5-year term as of the filing date and can be renewed twice for identical periods of time.

⁶ General Environmental Law, legally protected asset, No. 25675

Reference information

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

- Ministerio de Economía y Producción: www.mecon.gov.ar
- Instituto Nacional de Estadística y Censos: www.indec.mecon.gov.ar

Local government agencies

- Ministerio de Trabajo, Empleo y Seguridad Social: www.trabajo.gov.ar
- Ministerio de Ambiente y Desarrollo Sustentable: www.ambiente.gov.ar
- PosPeAR, Invierta en Argentina: www.inversiones.gov.ar
- Administración Federal de Ingresos Públicos: www.afp.gov.ar
- Administración Nacional de la Seguridad Social: www.anses.gov.ar
- Ministerio de Relaciones Exteriores, Comercio Internacional y Culto: www.mrecic.gov.ar
- Ministerio de Interior, Dirección Nacional de Migraciones: www.migraciones.gov.ar
- Secretaría de Turismo: www.turismo.gov.ar

Practical Tips for Business Visitors

- Requirements for visitors' visas
- International time zone
- Argentine time zone is GMT -0400

Normal business hours

- ***Banks and exchange houses:***

Monday to Friday, from 10am to 3pm

- ***Business offices:***

Generally from 9am to 6pm

- ***Stores:***

In large cities, from 9am to 8pm, although in the interior they tend to close at mid-day. On Saturday many are open only from 9am to 1pm

- ***Cafés, bars and pizza parlors:***

Open almost around the clock, some closing between 2am and 6am

- ***Restaurants:***

Lunch is served from 12.30pm and dinner from 8.30pm. 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, currency 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 can 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 separated by a point, decimals by a comma

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