Geographical & demographical background
Brief history of the country

The history of Argentina began in 1776 with the creation of the Virreinato del Río de la Plata, the name given to the colonial territories of Spain. In 1810, Argentina initiated a process that led to independence in 1816, although for over sixty years there were internal battles for control of income from Customs, monopolized by the Province of Buenos Aires.

After this period of civil war, the country began a process of modernization in 1880, with the creation of new public institutions and efforts to build a foundation to incorporate the country into the international system of division of labor as an agricultural commodity producer. At the beginning of the twentieth century, Argentina followed an agro-export economic model which 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.

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

Location

The Republic of Argentina 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.
Once democracy returned in the early eighties, the country faltered in finding a clear path to growth. GPD 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 0.14%, always at constant prices. The main cause of this drop was the growing imbalances in both the internal and external sectors.

With the new administration of President Mauricio Macri, the country returned to the international stage, and in 2018 Argentina chairs 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.

---

### 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.

### Education in Argentina

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

### Mineral and energy resources

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

---

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

Major government authorities since December 10, 2015:

<table>
<thead>
<tr>
<th>Role</th>
<th>Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>President</td>
<td>Mauricio Macri</td>
</tr>
<tr>
<td>Vice President</td>
<td>Gabriela Michetti</td>
</tr>
<tr>
<td>Cabinet</td>
<td>Cabinet appointed by the President</td>
</tr>
</tbody>
</table>

Brief description of the legal framework

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

Legislative Branch

The Bicameral National Congress (Congreso Nacional) is made up of 72 seats in the Senate and 257 seats in the Chamber of Deputies. All members are elected by direct vote. Currently the governing Party has no majority in either Chamber, a situation that has never happened in the modern history of the Country.
The economy

2017 was a year of consolidation of the economic activity and continuity in the normalization of macroeconomic variables. At the end of his second year in office, President Mauricio Macri has strengthened his position: with firm leadership after the congressional elections of October 22, 2017, at the local level, and receiving support from world leaders, at the international level.

According to official figures, GDP grew by 2.9% in 2017 compared with 2016. Investment was the main driver of this recovery, with 11.3% year-on-year growth and a 20.5% GDP share (the highest figures since 2011), followed by a 3.6% increase in private consumption. Further, with sector activity under analysis, 13 of the 16 economic sectors grew in 2017 compared with the previous year. The most prominent were construction (+10.4%); financial intermediation (+5.1%); and rental, real estate and business activities (+3.19%).

As for inflation, prices rose by 24.8% in 2017. There was a strong increase in regulated prices, which increased by 38.7% due to the adjustment of rates implemented by the current administration in 2016. Despite this number, the consumer price index (CPI) dropped 16 percentage points in relation to the prior year, although it was outside the 17% target initially established by the Central Bank (BCRA).

Measures taken by the BCRA to reduce inflation involved maintaining positive real interest rates, which encouraged income from foreign currency with financial objectives.

In 2017, the government surpassed the primary deficit target of 4.2% of GDP, as in 2016. The public sector has significantly modified its pattern of financing: up to 2015, its main source was through the Central Bank; whereas from 2016, funding has come mainly through borrowing in the capital markets.

The government’s tax strategy involves a gradual decrease in the fiscal deficit, using indebtedness to finance this transition, including an IMF supporting line of credit, while the economy grows and allows for the reversal of the deficit through higher tax revenues and lower GDP expenditures. However, this strategy faces a challenging international situation, where increases in interest rates could make financing more expensive and reduce the availability of funds for emerging countries such as Argentina.

The commercial channel of Foreign Trade has left a negative balance in 2017, which rose to U$ 8.515 billion, after showing a rise in 2016. Exports grew 0.9% affected by a slowdown in the Brazilian economy, Argentina’s main business partner, and a decline in soy exports due primarily to a fall in production, (as well as a high comparison base in 2016 due to the strong liquidation of stocks as a result of the lifting of the “currency clamp” and the elimination of restrictions on withholdings). Recovery of economic activity helped increase imports to 19.7%, with 68% of imports linked to the productive process and to investment (work in process, capital goods and components and accessories for capital goods). Meanwhile, the balance of services had a deficit of U$ 9,778 billion.

As a result, having obtained part of the necessary financing in dollars at the beginning of 2018 to cover the fiscal deficit in the current year, which limits the need to return to the international market, the economy could be expected to grow in 2018 although still at moderate rates.
**Gross domestic product at market prices - Gross added value at producer prices**

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP at market prices</th>
<th>GDP growth at market prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>485,115</td>
<td>0.9%</td>
</tr>
<tr>
<td>2005</td>
<td>528,056</td>
<td>8.9%</td>
</tr>
<tr>
<td>2006</td>
<td>570,549</td>
<td>8.0%</td>
</tr>
<tr>
<td>2007</td>
<td>621,943</td>
<td>9.0%</td>
</tr>
<tr>
<td>2008</td>
<td>647,176</td>
<td>4.1%</td>
</tr>
<tr>
<td>2009</td>
<td>608,873</td>
<td>-5.9%</td>
</tr>
<tr>
<td>2010</td>
<td>670,524</td>
<td>10.1%</td>
</tr>
<tr>
<td>2011</td>
<td>710,782</td>
<td>6.0%</td>
</tr>
<tr>
<td>2012</td>
<td>703,486</td>
<td>-1.0%</td>
</tr>
<tr>
<td>2013</td>
<td>720,407</td>
<td>2.4%</td>
</tr>
<tr>
<td>2014</td>
<td>702,306</td>
<td>-2.5%</td>
</tr>
<tr>
<td>2015</td>
<td>721,487</td>
<td>2.7%</td>
</tr>
<tr>
<td>2016</td>
<td>708,333</td>
<td>-1.8%</td>
</tr>
<tr>
<td>2017</td>
<td>728,624</td>
<td>2.9%</td>
</tr>
</tbody>
</table>

**Balance of payments estimates**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Account</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>-2,138</td>
<td>-13,124</td>
<td>-9,179</td>
<td>-17,622</td>
<td>-14,693</td>
<td>-30,792</td>
</tr>
<tr>
<td>Goods</td>
<td>15,041</td>
<td>4,635</td>
<td>5,541</td>
<td>-785</td>
<td>4,426</td>
<td>-5,522</td>
</tr>
<tr>
<td>Services</td>
<td>-4,097</td>
<td>-5,329</td>
<td>-4,641</td>
<td>-5,815</td>
<td>-8,190</td>
<td>-9,778</td>
</tr>
<tr>
<td>Interests</td>
<td>-13,754</td>
<td>-13,165</td>
<td>-11,614</td>
<td>-12,105</td>
<td>-12,105</td>
<td>-15,941</td>
</tr>
<tr>
<td>Current transfers</td>
<td>672</td>
<td>734</td>
<td>1,535</td>
<td>1,083</td>
<td>1,176</td>
<td>450</td>
</tr>
<tr>
<td>Financial Account</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>-2,788</td>
<td>-16,165</td>
<td>-9,321</td>
<td>-18,498</td>
<td>-14,497</td>
<td>-30,371</td>
</tr>
<tr>
<td>Net Errors and Omissions</td>
<td>-698</td>
<td>-3,074</td>
<td>-198</td>
<td>-928</td>
<td>-175</td>
<td>282</td>
</tr>
<tr>
<td>Variation in International Reserves</td>
<td>-3,305</td>
<td>-11,824</td>
<td>1,195</td>
<td>-4,906</td>
<td>14,311</td>
<td>14,556</td>
</tr>
</tbody>
</table>

Source: Based on data from the INDEC
Investment and challenges in Argentina
**Investing in Argentina**

- The *macroeconomic evolution* of the third quarter of 2017, measured at 2004 prices, *determined a variation in global supply of 7.4%* in relation to the same period in the prior year, due to the 4.2% increase in GDP and the 18.7% increase in imports of real goods and services. In global demand, there was a 2.1% increase in exports of real goods and services along with a rise of 13.9% in gross fixed capital formation. Public consumption increased by 1.8%, while consumption rose to 4.2%.

- *Strict international trade controls* imposed by the Tax Authority AFIP (Federal Administration of Public Revenue) and the Argentine Central Bank (BCRA) have been eased, and the informal restrictions established for the payment of the import of goods, services and payment of dividends have been removed.

- *Unemployment* rate for 2017: 7.2% (7.6% in 2016)

- *One of the leading producers and exporters of commodities.* The country is known for its high productivity, highly efficient business practices, advanced technology, expansive territories, fertile lands and multiple climate types that foster the growth of a wide variety of crops such as: soybeans (one of the top 3 global producers), wheat (top 13), maize (top 5), sorghum (top 5), as well as livestock (beef, top 6, and poultry, top 8). Endowed also with forest resources, mining deposits of gold, copper, lead, zinc, lithium, natural borates, bentonite, clays and construction stone.

- *World’s third-largest producer of GM (genetically modified) crops* granting producers considerable advantages in terms of production and profit levels. In addition, the largest producer of soybean oil and meal, and the whole soybean group represents almost one quarter of the country’s total exports. China is the main buyer in the oil and grain segment.

- *It is one of the largest sunflower producers* and is one of the leading exporters of meat.

- *Investment opportunities in the construction* and infrastructure industry. Argentina needs to carry out *large infrastructure projects* aimed at improving the productivity and efficiency of industries and the quality of life of Argentine citizens to catch up with the economic growth that took place over the past 15 years. These projects include renovating ports and building new ports, bridges and roads, through public and private (and combined) initiatives.
• Energy industry - Vaca Muerta, located in the Neuquén Basin, is the largest shale gas reserve in Argentina. Argentina holds the world’s second largest shale gas reserves (802 trillion cubic feet) and fourth largest shale oil reserves (27b barrels). Furthermore, the recent development of biofuels offers significant potential synergies with the country’s agricultural producers. Production in 2017 was estimated at 2.94 billion liters, a substantial increase from the previous year primarily thanks to growing exports to the U.S. Production of biodiesel in Argentina in 2018 is forecast to increase to 3.04 billion liters.

• In May 2016, President Macri launched Plan RenovAr, a decade-long plan to attract USD 15 billion in renewable energy investments. The bidding process was encouraging: the Argentine government received offers for more than 18,000 MW*, and granted contracts to build around 6,000 MW (2,500 MW in wind, 1,700 MW in solar and around 1,500 MW in biogas), with estimated investments in USD 11 billion. The first stage, RenovAr 1 was launched in October 2016 and granted contracts for 1,140 MW. The second stage RenovAr 1.5 appeared as an extension of the first and awarded contracts for around 1,300 MW in November 2017. The final round, RenovAr 2 was launched in October 2017 and in November awarded contracts for 2,000 MW.

• Telecommunications – Argentina has the third biggest telecommunications market in Latin America, and the market has grown over 300% in the last 10 years. The number of internet users in the country has been estimated at 32 million as of 2016, or 74% of the population. Argentine telecommunication companies reported 32% year-on-year revenue growth in the second quarter of 2016, reflecting the strongest increase in Latin America and the US. The region of Latin America, as a whole, accounts for revenues in the telecommunications sector of $36.175 billion during the second quarter, which represents an annual growth of 3.7%.

• National, provincial and local governments have incentive programs and tax benefits designed to promote investment and improve business profitability

• 21 bilateral agreements with other countries to avoid double taxation.

• Founding member of the World Trade Organization (WTO), a member of the G20 representing Latin America and a full member of MERCOSUR. Even though 2018 presents a challenge for Latin America, the economies have been showing signs of recovery during 2017/2018 and we expect a continuous improvement in growth for the next decade.

• Current President Mauricio Macri and his cabinet have been visiting many countries including the United States, Spain and China and have attended events at the Davos World Economic Forum in 2016, 2017 and 2018 to promote foreign investment.

• Argentina ranked 20th in the World Transparency and Open Government Ranking. Previously, Argentina was in 54th position, climbing 34 places in the ranking to become the nation with the greatest growth.

• An area with great abundance of natural resources and geographical diversity on the planet. It is the second largest country in Latin America and the eighth in the world.

• High degree of literacy and high rate of student enrollment, providing a qualified and competitive labor force.

• Regarding family businesses, it is common to find founders who decide to sell their businesses when they reach an advanced age, as they have no successor nor the necessary energy to continue. Unfortunately, in many cases, decisions have been made late and business’ products and services have aged along with their founders resulting in a loss of value. However when analyzing the trajectory of these businesses, one sees a marked success and enduring value of those with recognized brands.
Argentina however faces a number of challenges:

• Accumulated inflation rates for 2017: 24.8%, one of the top ten in the world according to private studies.
• Within the international context, commodity prices do not reflect well for Argentina to recover and find a path to growth. We have seen this phenomenon in the reduction of 2014, 2015 and 2016 GDP growth.
• In 2017, despite being lower than the previous year, the fiscal deficit was 3.9%.
• Subsidies in 2017 represented around 9% of national spending.
• The peso devalued 17% in 2017.
• Over the last few years, Argentina has relied heavily on imported energy and utilities (predominantly gas). Hydroelectric power generates 30% of the electricity consumed domestically, with 7% produced by nuclear energy. However, current legislation seeks to promote the use of renewable energies with the view to fostering sustainable development. Investment in shale gas in Vaca Muerta, one of the largest shale basins outside North America, has started showing important investments from internationally recognized companies, which are increasing their participation and operations in the region.
• Since 2011, investment in construction and investment in durable equipment has remained relatively stable. According to the World Economic Forum, Argentina ranks 102 (out of 139 countries) in general infrastructure quality. In 2017, 15% of citizens lacked access to water and 40% to sewers, out of a total population of 41.5m.
• Less growth in Brazil could affect Argentina’s position as a main commercial partner.

Sources:
National Institute of Statistics and Census (INDEC).
United States Department of Agriculture
Federal Administration of Public Revenue
The Economist
CIA World Factbook
United Nations Development Program
Ministry of the Treasury
BCRA
Ministry of Modernization
TELAM, the Argentine National News Agency
Iberoamerican Telecommunications Organization (OTI)

• According to an estimate by PwC Argentina, only 30% of family businesses survive the transfer from the first generation, as many are sold or closed down, and only 10% to 15% survive a transfer to the third generation.
• In a process of advanced growth and diversification, the family business may begin to face financing needs, which may raise the need to incorporate a partner or make a public offering of its shares.
• Crisis is another reason to trigger the decision to sell, especially in the post-crisis period, due to agreements with the creditors of the family business.
Form of Foreign Investment / Structuring the Deal
Formation procedure

- Foreign companies that intend to become shareholders of an Argentine subsidiary or to operate in Argentina through a branch must first become registered as foreign shareholders or branches, with the Public Registry of Commerce (Inspección General de Justicia, IGJ, in Buenos Aires City).

- In all cases, foreign companies operating in Argentina must name individuals who will be legally responsible for them, and separate accounting records must be kept for companies' operations in Argentina.

- The main types of investment vehicles used by non-resident individuals and foreign companies are a branch; a corporation (Sociedad Anónima); and a limited liability company (Sociedad de Responsabilidad Limitada). In 2017 a new simplified company was introduced (Sociedad por Acciones Simplificada, “SAS”) as an alternative to existing legal entities. The SAS aims to support increasing entrepreneurial activity in the country and rising interest from international businesses. This type of company presents a simple and flexible scheme that allows investors to set up a new company in less than 24 hours.

Restrictions on foreign investment

- No restrictions on any industrial sectors.

- No restrictions on the percentage of foreign ownership in a local entity.

Regulatory environment

- General commercial laws and regulations

<table>
<thead>
<tr>
<th>Area</th>
<th>Regulations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign Investment</td>
<td>Law No. 21382/1993 on Foreign Investment and Regulatory Decree No.1855/1993</td>
</tr>
<tr>
<td>Labor Law</td>
<td>Labor Contract Law No. 20744, Labor Law No. 25877, Law No. 24541 (Integrated Retirement and Pension Benefit System), Law No. 24557 (Work Risks) and Collective Bargaining Agreements</td>
</tr>
<tr>
<td>Commercial Companies</td>
<td>Commercial Companies Law No.19550, Insolvency Proceedings and Bankruptcy Law No.24522</td>
</tr>
<tr>
<td>Immigration Policy</td>
<td>Law No. 25871</td>
</tr>
<tr>
<td>Trade</td>
<td>Code of Commerce, Law No.2637</td>
</tr>
<tr>
<td>Capital Markets</td>
<td>Law No. 28831</td>
</tr>
</tbody>
</table>
Foreign Trade and Customs Regulations
**Introduction**

The Argentine Central Bank (BCRA) has regulated the Foreign Exchange System since the year 2001. From October 2011 to December 2015, the foreign exchange market was also regulated by the Tax Authority AFIP (Federal Administration of Public Revenue), which established the validations required to access the foreign exchange market.

As from December 2015, with the arrival of the new administration, many of the mechanisms that had been established to obtain validation for foreign exchange transactions prior to accessing the currency market were eliminated.

**New developments in the operation of the foreign exchange market**

BCRA Communication “A” 6443, dated January 26, 2018, allows companies dedicated to other activities to act as currency operators provided they have previously registered with the “Currency Operator Registry”. Natural persons that have previously established a One-Person Corporation or a Simplified Joint Stock Company (“SAU” or “SAS” for their Spanish acronyms, respectively) may also register with this entity.

As a result, in addition to financial entities (exchange houses and agencies), the registered operators referred to above are also authorized to operate on the foreign exchange market.

This also led to the change of name from Sole Free Foreign Exchange Market (“MULC”, for its Spanish acronym) to Free Foreign Exchange Market (“MLC”), through Decree 27/2018.

Additionally, the obligation to submit the foreign exchange voucher and corresponding affidavit for every foreign currency amount entering / exiting the country through the MLC has been eliminated. This formality has been replaced by the requirement for financial or foreign exchange entities to register transactions carried out with clients in the BCRA’s Foreign Exchange Informative System (locally known as “RIOC”).

BCRA Communication “A” 6244 dated May 19, 2017 implemented the automatic crediting of funds received from abroad in local bank accounts. Consequently, when a beneficiary account is specified in a foreign transfer, the intervening entity must credit the funds received directly and without the involvement of the client, unless the latter has previously issued express instructions to the contrary.
Study of foreign Assets and Liabilities

BCRA Communication “A” 6401, dated December 26, 2017, established the Study of Foreign Assets and Liabilities, which replaces the studies required by Communications “A” 3602 - “Study of debt securities and liabilities issued by the financial sector and non-financial private sector”, and “A” 4237 - “Study of direct investments”, based on information at December 31, 2017.

This new study must be submitted via an electronic form by legal entities and natural persons when the greater of: (i) the sum of their foreign asset and liability account balances on the last day of the preceding year; or (ii) the sum of all their foreign asset and liability flows that occurred during the same year exceeds USD 1 million. The frequency with which this information must be filed depends on the amount in excess of this ceiling (the brackets being less than USD 1 million, between USD 1 and USD 10 million, between USD 10 and USD 50 million, or USD 50 million or more). Quarterly submissions will be due 45 consecutive days following the quarterly calendar closing date, while annual submissions will be due 180 consecutive days following the closing date of the calendar year the study refers to. Since the year 2017 is a transition year, special dates will be set for submissions corresponding to that year.

The information to be included in these studies falls into the following five categories:

1. Shares and other capital interests.
2. Non-negotiable debt instruments.
3. Negotiable debt instruments.
5. Land, structures and real estate property.

Financial Debts

There is currently no obligation for funds obtained from foreign loans to be entered and settled through the MLC, regardless of whether the MLC will be accessed to settle principal and interest. Additionally, principal services on foreign financial debt may be paid through the MLC whether the funds were brought into the country through the MLC or not.

The obligation to keep the funds obtained from financial loans deposited in the country for a minimum period of time no longer exists.

Direct Investment System

Direct investments must be duly registered with the Corporation Control Authority or the Commercial Court of Record, depending on the jurisdiction.

Additionally, non-residents that wish to access the MLC to repatriate direct investments made will not be required to furnish evidence of the entry of those funds.

Payment of dividends

Dividend payments are allowed under the current legislation, and there are no documentary or informative requirements for accessing the MLC to make payments under this heading.
**Imports of goods**

There are currently no documentary requirements in force for accessing the MLC to make payments abroad in respect of imports of goods, payments on demand, and prepayments. The specific provisions relating to the prepayment of goods have been repealed; consequently, there is no term for furnishing evidence of the customs entry registration. Also under this heading, the Import Payment Tracking System (SEPAIMPO) used by financial entities to monitor payments relating to official import dispatches and import prepayments has been repealed.

Additionally, for all import for consumption destinations, importers must register information relating to the goods to be imported through the Integral System for Monitoring Imports (SIMI). This information will be made available to the agencies that adhere to the Single Foreign Trade Window (VUCE), and will remain valid for a period of 180 consecutive days as from the date of approval of the corresponding declaration.

The SIMI must also be used for processing import licenses. The Ministry of Production has established that Automatic Import Licenses (LA) must be obtained for all the goods included under the tariff positions of the Mercosur Common Nomenclature (NCM) with the destination import for consumption, with the exception of the tariff positions specifically listed, for which Non-Automatic Import Licenses (LNA) must be obtained.

Import licenses will be valid for a period of 180 consecutive days following their approval in the SIMI.

The LNA list is dynamic, and allows variations to be introduced based on the needs of each sector and other variables.

**Service imports**

There are currently no documentary requirements in force for accessing the MLC to make foreign payments for the settlement of services rendered from abroad.

**Exports of goods**

At present, there is no obligation to bring in, settle and negotiate on the MLC foreign currency amounts corresponding to exports of goods, prepayments and pre-financing. Consequently, amounts collected in respect of exports constitute freely available funds for the exporters. This means that exporters can use those funds freely in the country or abroad. As a result, the Export Collection Tracking System (SECOEXPO) is no longer in force.

This deregulation allows exporters to negotiate freely the payment term with the foreign buyer without being tied to any internal regulation, collect payments for exports in cash in the country or abroad, apply those funds to any destination they deem convenient, and collect any applicable export drawbacks even before settling the foreign currency amount.

Lastly, if the exporter decides to bring into the country amounts collected for exports of goods, it must declare an item code for the transaction to be carried out with the financial entity; otherwise the foreign currency amounts will be credited automatically.

**Service exports**

There is no obligation for foreign currency amounts collected by residents by way of service exports brought into the country, either for subsequent settlement or for crediting to local foreign currency accounts.

**Foreign capital formation**

Foreign capital formation is currently permitted. Residents are allowed to access the MLC to acquire foreign currency amounts and/or make (direct or portfolio) foreign investments, with no limit to the amount.

**Travel and Tourism**

There are no restrictions on the purchase of foreign currency for travel and tourism.

**Criminal Business Law**

Law 27401, enacted on March 1, 2018, established the Criminal Business Liability System that will apply to private legal entities with national or foreign capital, with or without state participation, that directly or indirectly with their intervention have committed crimes against the public administration, and for transnational bribery.

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

The law referred to establishes that when the crimes listed are verified, the legal entity will be liable to a fine ranging from two (2) to five (5) times the undue benefit obtained or that could have been obtained, or total or partial suspension of activities, among other sanctions. It also establishes a prescription within six (6) years from the moment the infringing activities were committed. Additionally, article 9 of the law lists certain cases in which the legal entity will be exempted from punishment and administrative liability when all of the following conditions have been fulfilled: i) the legal entity spontaneously reported a crime under the law, referred to as a consequence of its own internal investigation; ii) the legal entity implemented a suitable control and supervision system (Integrity or Compliance Program) to avoid the crimes envisaged under this law; and iii) the legal entity returned the unduly obtained benefit.
Tax system
**Significant Developments**

In its commitment to modernizing the tax system, but also with an eye on monitoring the fiscal deficit, the Argentine Congress passed on 27 December 2017 a large tax reform package that became effective on 1 January 2018.

**Profits tax rate reduction**

The most significant change in the tax reform probably is a profits tax rate reduction that applies in two phases. For the first two taxable years starting on or after 1 January 2018, the profits tax rate has been reduced from the prior 35% rate to 30%. For taxable years beginning on or after 1 January 2020 and going forward, the tax rate will be further reduced to 25%.

This measure is offset by the introduction of a withholding tax (WHT) on dividend distributions and branch profit remittances at rates of 7% (while the applicable profits tax rate is at 30%) and 13% going forward. The WHT on dividends and branch profits can be reduced by tax treaties. The tax reform has also abolished the so-called equalization tax for profits generated in taxable years starting on or after 1 January 2018, although it remains applicable on dividend and branch profit distributions made out of earnings accumulated prior to 1 January 2018 and which were in excess of tax earnings as of the year-end prior to the relevant distribution.

**Transfers of Argentine shares**

The tax reform has confirmed that the transfer of Argentine securities that occurred after 23 September 2013, including transfers of Argentine shares made between non-residents, is subject to tax. The tax, however, does not apply to the sale of shares made by non-residents through local stock exchanges or to the sales of American / Global Depositary Receipts (ADRs / GDRs) by non-residents provided the underlying shares are also listed in Argentina.

Non-residents are now exempt from tax on capital gains realized on the sale of shares in publicly traded companies, but only to the extent that the shares are actually sold through the local stock exchange. Furthermore, non-residents continue to be exempt from tax on capital gains arising from the sale of sovereign bonds (except LEBACs) and corporate bonds issued in an initial public offering (IPO). In all cases, the exemption is conditioned on the foreign seller being a resident in a jurisdiction having an exchange of information agreement with Argentina and that the funds come from one of these jurisdictions.

Indirect transfers of Argentine assets (including shares) are now taxable under the tax reform, provided that (i) the value of the Argentine assets exceed 30% of the transaction’s overall value; and (ii) the equity interest sold in the foreign entity exceeds 10%. The indirect transfer of Argentine assets, however, is only subject to tax to the extent those assets are acquired on or after 1 January 2018. Furthermore, indirect transfers of Argentine assets within the same economic group do not trigger taxation provided the requirements to be set by regulations have been met.
Other income tax changes

The tax reform has also replaced the 2:1 debt-to-equity thin capitalization rule with the base erosion and profit shifting (BEPS)-based rule, where the deduction on interest expense and foreign exchange losses with local and foreign-related parties is now limited to 30% of the taxpayer’s taxable income before interest, foreign exchange losses, and depreciation. The taxpayer is entitled to carry forward excess non-deductible interest for five years and unutilized deduction capacity for three years.

The Argentine controlled foreign company (CFC) rules have also been amended. Thus, an Argentine taxpayer is immediately taxed on the passive income generated by a CFC that is directly or indirectly held by the Argentine taxpayer to the extent that more than 50% of that CFC’s income is passive and is effectively subject to a tax that is lower than 75% of the applicable Argentine income tax rate.

Other tax changes

A new 10% excise tax has been introduced on drinks with caffeine and taurine, while the excise tax rate on certain automobiles has been reduced.

The tax reform has also increased the tax on financial transactions that is creditable against the profits tax liability.

With respect to value-added tax (VAT), the tax reform provides for an expedient VAT recovery mechanism for VAT credit balances on certain infrastructure and investments in capital goods, to the extent that companies have not been able to recover the VAT within six months. VAT legislation has also been amended to include digital transactions (e.g. digital services, hosting, on-line technical support, software services, internet services) as a taxable event. Hence, these types of services are now subject to VAT at a 21% rate if they are supplied by a non-resident entity to an Argentine customer, provided that that they are effectively used in Argentina.

The tax reform also updates the minimum thresholds to characterize a tax omission as tax fraud and introduces other amendments to the Tax Procedure Act.

Tax on asset revaluations

As part of the reform package, the Argentine Congress also approved a one-time tax aimed at offsetting the absence of inflation adjustment rules with an optional revaluation of assets for companies and individual entrepreneurs.

Under this revaluation tax, taxpayers are entitled to adjust their tax basis in fixed and movable assets (except automobiles), shares in Argentine companies, and intangible assets. Assets that have been fully depreciated are excluded. The revaluation has to be made by computing certain factors, although an external appraisal instead of those factors can be used for real estate that is not treated as inventory, as well as for movable assets, provided that the revaluation does not exceed 1.5 times the revaluation that would have resulted had those factors been applied.

The tax is levied on the amount of the adjustment at a rate of 8% in the case of real estate (15%, if it is considered inventory); 5% for shares, if held by individuals; and 10% for other assets. The taxpayer can select which class of assets to adjust, but once the category has been selected, all of the assets included in that category have to be adjusted.

The basis adjustment is depreciable over the remaining useful life with a minimum of five years, except for basis adjustments in real estate and intangibles, where the depreciation must be made over the longer of either ten years or 50% of the remaining useful life. Going forward, for newly acquired assets as well as those whose bases have been adjusted, taxpayers are entitled to recover their lost value by adjusting the tax basis for inflation, as inflation adjustments have been reinstated for those assets.

Taxpayers opting to revalue their assets must withdraw judicial or administrative proceedings claiming adjustments for inflation for past or future taxable years.
Taxes on corporate income

Tax on Profits
The profit tax rate on net taxable business profits is 30% for tax years starting on or after January 1, 2018 and 25% for taxable years beginning on or after January 1, 2020. 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 on net taxable profits from Argentine sources and from activities performed abroad by subsidiaries.

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 because of income tax chargeable for a maximum period of ten years. According to Law 27260, enacted in July 2016, this tax will be repealed as of 2019.

Corporate residence
Corporate residence is determined based on 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 taxed 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, and 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
Wealth Tax is 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 0.25% 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.

According to jurisprudence from the Supreme Court, 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, aircrafts; luxury goods and non-alcoholic beverages with caffeine and taurine, 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 funds or the funds of a third party are subject to a tax rate of 1.2%.

According to recent tax reform, the amount of tax that is creditable against other federal taxes would be increased gradually to 100 per cent by 2022.
**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 level of import duties currently ranges between 0% and 35%, except in cases where specific minimum duty is applied or which involves 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 of between 5% to 10%. As of January 2016, the export of agriculture products (except for soybeans), as well as most industrial products, are exempt from export duties.

**Social Security Taxes**

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

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

The employer social tax is payable on the total monthly compensation and is not subject to any cap amount. Since February 2018, the total employer contribution is 26.7% for companies whose main activity consists of rendering services or commerce, provided their annual sales exceed AR$48,000,000 and 23.5% for all other companies. The employee social security withholdings that include pension fund, social health and social services are levied on the monthly compensation up to a monthly compensation cap of AR$86,596.1 except for June and December where the cap is increased by 50% due to the 13th salary. This salary cap is adjusted in March, June, September and December of each year. The total employee social tax rate is 17%, which consists of contributions of 11% to the pension fund, 3% to social health and 3% to social services.

Please note that since February 2018, a non-taxable amount of AR$ 2,400 per employee is established for purposes of the employer contribution to the Social Security System (20.7% of the 26.7 and 17.5% of the 23.5%, referred to above). Therefore, AR$ 2,400 from each employee’s compensation is non-taxable. Employer contributions will be modified in 2019, 2020, and 2021 and will be 25.5% for all activities as of January 2022. In addition, the non-taxable amount will be increased each year and will be AR$ 12,000 per employee as of January 2022.

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 a 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, quotas, 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 a foreign company distributes the dividends.

Foreign income

Foreign income received by resident corporations is subject to tax.

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 proven 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 non-cooperative jurisdictions or 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, residual 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.

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. Thin capitalization: except for financial institutions governed by Law No. 21526 and leasing companies, interest and foreign exchange losses derived by an Argentine resident on loans granted by a related party—whether local or foreign—would be deductible up to a limit equal 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 tax credit capacity can also carry forward for up to three years. Certain exemptions to thin capitalization rules may be available.
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 tax incentives for mining.

Software

Laws No. 25922 and 26692 establish a System of Promotion Benefits for the Software Industry that will be in force throughout the Argentine territory. Local legal entities whose main activity in the country (and on their own account) is the creation, design, development, production and implementation of software systems. The software self-development activity is excluded from this system. The system grants benefits for tax and social security purposes, which can be claimed if specific requirements are 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 that can be claimed if specific requirements are met.

Small and Medium-sized Enterprises (Law 27264)

Law 27264 (passed in August 2016) established a special tax regime for small and medium-sized enterprises (SMEs) and for infrastructure investments conducted by SMEs. The most relevant benefits include the following:

- Full exemption on Minimum Notional Income Tax starting January 2017 (tax to be repealed by 2019).
- Full credit (against income tax and its pre-payments) on tax on financial transactions paid by micro and small-sized enterprises. Fifty percent credit on the tax paid by medium-sized manufacturing entities.
- Deferral on the due date for payable VAT balance
- Fiscal stability (from July 2016 to December 2018) for SME that invest in infrastructure projects and/or capital goods.
- Income tax credit for an amount equal to 10% of the amounts invested in infrastructure projects and capital goods.
- Tax bond (creditable against federal taxes) for the Input VAT balances in favor resulting from infrastructure investments. The regulatory authority would be in charge of carrying out a registry of companies that are considered SME and, therefore, entitled to the benefit.

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 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 2020 onwards. Although the equalization tax is no longer in force due to the amendment introduced by Lay 27430, it still remains applicable on dividend and branch profit distributions made out of earnings accumulated prior to 1 January 2018 and which were in excess of tax earnings as of the year-end prior to the relevant distribution.

Furthermore, in the case of non-residents, gains on the sale of shares, share certificates and quotas would be subject to a 13.5% tax on gross proceed or, alternatively, 15% on actual (provided duly supported). Such rates would be reduced to 4.5% on gross proceed or 5% on net gain in the case of disposal of LEBACs denominated in pesos by a non-resident. Certain securities disposed by a non-resident such as government bonds, corporate bonds (obligaciones negociables) and listed shares are exempt from capital gains tax provided certain requirements are met.

The above tax treatment would apply only to the extent the investor is located in, or a resident of, a cooperative jurisdiction and the funds came from those jurisdictions. Otherwise, the applicable tax rates would be increased to 31.5% on gross proceeds or 35% on the net gain.
Other payments to residents and to non-residents are subject to WHT rates as follows:

<table>
<thead>
<tr>
<th>Recipient</th>
<th>Interest (%)</th>
<th>Royalties (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resident corporations</td>
<td>6/28 (3)</td>
<td>6 (4)</td>
</tr>
<tr>
<td>Resident individuals</td>
<td>6/28 (3)</td>
<td>6 (4)</td>
</tr>
<tr>
<td><strong>Non-resident corporations and individuals</strong>&lt;sup&gt;NR&lt;/sup&gt;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-treaty:</td>
<td>15.05/35</td>
<td>21/28</td>
</tr>
<tr>
<td><strong>Treaty:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Australia</td>
<td>12</td>
<td>10/15</td>
</tr>
<tr>
<td>Belgium</td>
<td>0/12 (5)</td>
<td>3/5/10/15</td>
</tr>
<tr>
<td>Bolivia</td>
<td>15.05/35</td>
<td>21/28</td>
</tr>
<tr>
<td>Brazil</td>
<td>15.05/35</td>
<td>21/28</td>
</tr>
<tr>
<td>Canada</td>
<td>12.5</td>
<td>3/5/10/15</td>
</tr>
<tr>
<td>Chile</td>
<td>4/12/15</td>
<td>3/10/15</td>
</tr>
<tr>
<td>Denmark</td>
<td>12 (5)</td>
<td>3/5/10/15</td>
</tr>
<tr>
<td>Finland</td>
<td>15</td>
<td>3/5/10/15</td>
</tr>
<tr>
<td>France</td>
<td>15.05/20 (6)</td>
<td>18</td>
</tr>
<tr>
<td>Germany</td>
<td>10/15 (7)</td>
<td>15</td>
</tr>
<tr>
<td>Italy</td>
<td>15.05/20 (5)</td>
<td>10/18</td>
</tr>
<tr>
<td>Mexico</td>
<td>12</td>
<td>10/15</td>
</tr>
<tr>
<td>Netherlands</td>
<td>12</td>
<td>3/5/10/15</td>
</tr>
<tr>
<td>Norway</td>
<td>12.5 (8)</td>
<td>3/5/10/15</td>
</tr>
<tr>
<td>Russia</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Spain</td>
<td>12</td>
<td>3/5/10/15</td>
</tr>
<tr>
<td>Sweden</td>
<td>12.5</td>
<td>3/5/10/15</td>
</tr>
<tr>
<td>Switzerland</td>
<td>12</td>
<td>3/5/10/15</td>
</tr>
<tr>
<td>United Arab Emirates (&lt;sup&gt;9&lt;/sup&gt;)</td>
<td>12</td>
<td>10</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>12 (5)</td>
<td>3/5/10/15</td>
</tr>
</tbody>
</table>
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 licenses 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 to the following are subject to withholding at the rates given below, based on assumed gross profit margins (Note 1), unless limited by treaty. Consult the applicable treaty to determine any limitation in each case.

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. The treaty was signed in December 2016, but is still pending ratification by both countries.
<table>
<thead>
<tr>
<th>Payment</th>
<th>WHT (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Freight and passenger bookings (other than those covered by special treaties), news and feature services, insurance underwriting</td>
<td>3.50</td>
</tr>
<tr>
<td>Containers</td>
<td>7.00</td>
</tr>
<tr>
<td>Copyright</td>
<td>12.25</td>
</tr>
<tr>
<td>Rental of movable assets</td>
<td>14.00</td>
</tr>
<tr>
<td>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</td>
<td>17.50</td>
</tr>
<tr>
<td>Rental of real estate</td>
<td>21.00</td>
</tr>
<tr>
<td>Any other Argentine-source income (unless the non-resident is or was temporarily resident)</td>
<td>31.50</td>
</tr>
</tbody>
</table>

**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 and made on a monthly basis beginning the first month after the due date for filing the tax return.
Reference information

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

- Ministerio de Hacienda: www.minhacienda.gob.ar
- Ministerio de Finanzas: www.minfinanzas.gob.ar
- Institutio Nacional de Estadística y Censos: www.indec.gob.ar

Local government agencies

- Ministerio de Trabajo, Empleo y Seguridad Social: www.argentina.gob.ar/trabajo
- Ministerio de Ambiente y Desarrollo Sustentable: www.ambiente.gob.ar
- Administración Federal de Ingresos Públicos: www.afip.gob.ar
- Administración Nacional de la Seguridad Social: www.anses.gob.ar
- Ministerio de Relaciones Exteriores y Culto: www.cancilleria.gob.ar
- Ministerio del Interior, Obras Públicas y Vivienda: www.mininterior.gov.ar
- Ministerio de Turismo: www.turismo.gob.ar

Practical Tips for Business Visitors

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

**Santiago Mignone**  
Territory Senior Partner  
(54 11) 4850 4563  
santiago.mignone@ar.pwc.com

**Miguel Urus**  
Assurance Leader  
(54 11) 4850 4660  
miguel.a.urus@ar.pwc.com

**Norberto Montero**  
Advisory Leader  
(54 11) 4850 6782  
nortberto.montero@ar.pwc.com

**Ricardo Tavieres**  
Tax & Legal Leader  
(54 11) 4850 6714  
rdocio.d.tavieres@ar.pwc.com

**Edgardo Sajón**  
Global Outsourcing Solutions Leader  
(54 11) 4850-6818  
edgardo.sajon@ar.pwc.com