Investment in Argentina 2022

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Content

Preface

Investment in Argentina is one of the booklets published by KPMG to provide information to those interested in investing in the country or doing business from abroad.

As laws and regulations in Argentina are subject to be changed, we recommend that legal, accounting or other professional advice be obtained before deciding whether to invest in the country.

Investment in Argentina was prepared by KPMG, a partnership established under Argentine law and a member firm of the KPMG network of independent firms affiliated with KPMG International Cooperative and is one of a series of guides that KPMG is publishing on investing in different countries.

This edition is based on information available up to March 31, 2022.

01. Argentina - Country outline

1.1. Argentina at a glance

Geography and Climate

Argentina, officially the Republic of Argentina, is a large country of about 3.8 million square kilometers (1.45 million square miles). It borders Chile, Bolivia, Paraguay, Brazil and Uruguay.

To the west, the country is limited by the Andes Mountains, which in the north reach considerable altitudes. The central and eastern areas of the country are flat and fertile, but almost half of the country experiences rainfalls of less than 500 mm per year and a good deal of this area is desert-like.

The climate is mainly moderate to dry. The north of Argentina is subtropical and the south is arctic. The climate in Buenos Aires is pleasant, with many days of sunshine; summer months (December through February) are at times hot and humid. Very few businessmen stay in town during January and February; therefore, business visitors from abroad should plan their visits outside this period.

History and Government

During the time of the Spanish colony, Argentina had very little development. Only the northern area was developed as a supply base for Potosí, an important mining town in current Bolivia. Buenos Aires was mainly founded to stop as far as possible the smuggling of goods through Río de la Plata, as Spain had decided that all commercial relations of the South American colonies should be channeled through Central America and Callao, the port of Lima. For this reason, the development of what is now Argentina started very late.

The first census was conducted in 1869 and at that time only 1,629,000 inhabitants were counted. However, this number did not include any native inhabitants (who were not taken into account). But even after correcting this omission, there were certainly less than 2 million inhabitants in Argentina at that time; in other words, just 153 years ago Argentina was virtually empty of inhabitants. From 1890 to 1915 Argentina showed an amazing development and millions of immigrants were drawn in from Europe.

The Argentine constitution was shaped on that of the USA, but not always in Argentine history have constitutional provisions been respected. Since 1983, the democratic government has been reestablished and the general feeling is that this time democracy will stay for good.

Population and language

In 2022 the National Population, Household and Housing Census will be held in Argentina. It plans to register more than 15 million households and 45 million people, with the aim of reaching all the inhabitants of the country, including populations that are difficult to access.

According to the 2010 census, the estimated population in Argentina was 40.1 million people. The census showed other interesting data such as:

1.1%
is the growth rate of the population per year.

29.8
is its relatively young demographic profile median age and with a life expectancy of 76 years.

93%
of the population is living in metropolitan areas. The urbanization rate is high.

+15.6 million
people live in the Province of Buenos Aires, and **2.9 million** live in the City of Buenos Aires (Ciudad Autónoma de Buenos Aires), which is also the main financial and business district of the country.

Spanish is the official language of Argentina. The cultural links with Spain are still very significant, but an important native culture has been developed and the influence of other Latin American cultures is also noticeable. However, the rather European character of Buenos Aires always surprises visitors from abroad.

Currency

On January 1, 1992, a new currency was introduced, the Peso (ARS), which currently remains as the official currency of the country.

However, Argentina has recurrent economic cycles which have a strong impact and compromise its internal stability with inflation and loss of the currency value, as well as external liquidity problems in the payment of international commitments.

Visa Requirements

Upon an international assignment, every assignee travelling to Argentina to perform activities other than tourism or leisure purposes must apply for the appropriate category and benefit conferred by the Immigration Office in Argentina or Consular Authority in the country of residence. However, as of April 2017, OECD (Organization for Economic Co-operation and Development) member countries are exempt from the Argentine consular visa requirement when the entry into our country is made on a transitional basis and for a period of up to NINETY (90) days, under the provisions of Section 24 of Law No. 25871, whenever the reasons for admission involve:

a) The development of any unpaid activity, or

b) The carrying out of business activities or performance of commercial or economic transactions, at one's own risk or with one's own capital, or with an interest in companies or legal entities that perform such activity, or on behalf of them, as provided for in Section 1 of Provision No. 1171, as amended, issued by the Immigration Office in Argentina on June 29, 2010 (Resolution No. 137-E.2017).

Work Permits

There are three categories of residences for Argentina:

- Transitional residence: this type of residence is for those foreigners remaining in the country for a short period of time, generally less than 3 months. There are two kinds of transitional residences: technical residence and business residence.

- Temporary residence: this type of residence is for those foreigners who need to live in the country for a long period of time. They are able to work, study, live, etc. Mostly, the following categories are required: work residence, intra-company transfer residence, family reunification residence, Mercosur agreement.

- Permanent residence: this type of residence is for those foreigners who want to live in the country permanently. Under this residence, foreigners can work, study, live, etc.

Employers and employees who violate the above rules are subject to penalties. Further, employers are legally obliged to comply with social security regulations and must make social security payments, except for foreign professional, scientific or technical research personnel hired for a maximum of two years and employees from countries that have signed social security agreements with Argentina. These expatriates can ask for an exemption.

To obtain temporary or permanent resident status, foreigners must file personal documentation with the immigration authorities from host and home countries.

Registration of the Local Company

Renure is the national registry where all the local companies requiring foreign staff must be enrolled in order to require the type of residence involving a local company. The requesting person (private or state, individual or legal entity) must be registered with Renure.

Cost of Living

Argentina has been, generally speaking, an expensive country. However, Argentina went from being among the most expensive countries in the entire American continent to being one of the less expensive ones as a result of the decline of its currency.

Housing

Housing in Buenos Aires is rather expensive for expatriates, as they usually wish to live in fashionable areas where they can find a large supply of services, including foreign schools. However, any expatriate willing to buy a house or a flat may still be able to find a home at a price lower than that charged in other big cities. We do not refer to housing elsewhere in Argentina as conditions vary greatly among different areas, and most expatriates settle in Buenos Aires, anyway.

Transportation and Communications

Although public transportation is available in most large urban areas, an automobile is essential in many regions. Car rentals are available throughout the country. Because of the distances involved, business visitors frequently travel between Argentine cities by air. Aerolíneas Argentinas and other less important airlines provide air transportation services.

In Buenos Aires, trains and subway connect most major suburban areas, and buses connect Buenos Aires with major Argentine cities.

Medical Services

Argentina has extensive public and private medical facilities. Employees of companies and family members are entitled to medical assistance under the country's social security system, which provides medical services directly through associated hospitals.

Many middle and high-income people pay a monthly fee to a private health care organization to receive medical assistance in private hospitals.

Public Holidays

There are 3 types of public holidays in Argentina:

- Public holidays that can be celebrated on a different day.
- Public holidays that cannot be celebrated on a different day, depending on the day of the week they fall. If the public holiday falls on a Tuesday or Wednesday, it will be celebrated on the previous Monday. If the public holiday falls on a Thursday or Friday, it will be celebrated on the following Monday.
- Touristic public holidays that are extra holidays. The Government may establish up to 3 holidays per year on a Monday or Friday to encourage tourism.

Under Argentine law, those of Jewish or Islamic faith are entitled to additional public holidays. These include Yom Kippur, the first and last days of Passover and New Year for Jews; Eid al Fitr, Eid al Adha, and the Islamic New Year for Muslims; Genocide Remembrance Day for Armenians. The dates in italics vary from year to year.

New Year's Day	January 1 [a]
Carnival	*February 28 and March 1 [d]*
Remembrance for Truth and Justice	March 24
Malvinas Islands Day	April 2
Maundy Thursday	*April 14 [c]*
Good Friday	*April 15 [c]*
Labor Day	May 1
National Census 2022	*May 18*
Anniversary of the May Revolution	May 25
Anniversary of the death of General Martín Miguel de Güemes	*June 17 [d]*
Flag Day	June 20 [d]
Independence Day	July 9
Anniversary of the death of General José de San Martín	*August 15 [d]*
Touristic Holiday	*October 7 [d]*
Remembrance of Cultural Diversity	*October 10 [d]*
National Sovereignty Day	*November 20 [d]*
Touristic Holiday	*November 21 [d]*
Feast of the Immaculate Conception	December 8
Touristic Holiday	*December 9 [d]*
Christmas Day	December 25 [a]

(a) Banks and most offices are open only in the morning during the previous days (December 24 and 31).
(b) Maundy Thursday is optional for business activities. It depends on the date of Catholic Easter.
(c) It depends on the date of Catholic Easter.
(d) Dates corresponding to calendar year 2022.

Leisure and Tourism

Buenos Aires offers entertainment possibilities that satisfy all tastes. There are many theaters, cinemas and discos, as well as art and science museums. Teatro Colón (the main opera house in Argentina) is regarded as one of the best concert venues in the world. National and international sporting tournaments are held in many clubs and stadiums. Restaurants offering international cuisine (French, Italian, Mexican, Japanese, Indian, Chinese and so forth) compete in excellence with those offering local cuisine. Argentine restaurants are particularly famous for their beef.

Argentina's wide range of climates and scenery make the country attractive for tourism. Varied landscapes include wide and beautiful beaches, the highest mountains in the Western Hemisphere, soft green hills in the central provinces, a wonderful lake region and paradises for skiing in the south and west. Argentina also offers an extensive network of protected areas –national parks– throughout the country.

1.2. Regulatory Framework

Tax System

Taxes are levied at three levels: national, provincial and municipal. National taxes, especially value added tax (VAT), which are collected by the federal government and distributed to the provinces, yield most of the revenue.

The provinces levy taxes primarily on gross receipts (turnover tax) and on real estate and, jointly with municipalities, they levy charges for services.

Argentine residents (whether individuals, companies or any other type of entity) are taxed on worldwide income. Non-residents are taxed only on Argentine-source income.

A tax credit is allowed for similar taxes paid abroad, up to the amount of the Argentine tax on the foreign-source income. All profits of local companies are taxable, including any kind of capital gain such as those from sales of depreciable assets, shares and real property.

An Argentine company is allowed to deduct from gross revenue the expenses incurred in producing taxable income, including a percentage of royalties, technical assistance fees with some restrictions, and interest payable to beneficiaries abroad, regardless of whether these are economically related to the paying entity. Some restrictions apply to transfer prices and interest deductibility.

The income tax at a 35 % rate is applied to assumed Argentine-source income on amounts paid to non-residents (e.g. interest, technical assistance fees, royalties, etc.). The assumed Argentine-source amount may vary depending on the nature of the payment.

In addition to income tax, the federal government imposes value added tax, excise taxes, customs duties, and a tax on financial transactions.

Local Banking System

Control and supervision of the banking and financial system is carried out mainly by the Banco Central de la República Argentina (BCRA), which is a government agency.

The BCRA is the exclusive currency issuer. It also has a significant participation in the foreign currency market through the purchase and sale of foreign currency. The BCRA also issues, trades and pays government bonds and notes.

The BCRA controls and supervises banks and other financial institutions through the following methods, among others:

- setting rules regarding, among others, credit risk, debt-to-equity ratios, liquidity and minimum capital requirements;
- determining the minimum cash reserves to be maintained by banks;
- issuing detailed rules concerning periodic reports (daily, weekly, monthly, quarterly and annually) to be filed with the BCRA;
- establishing detailed accounting and auditing standards;
- conducting audits; and
- authorizing the creation and set-up of entities and branches.

Stock Exchanges

The main stock exchange is Bolsa de Comercio de Buenos Aires (Buenos Aires Stock Exchange). There are also smaller exchanges throughout Argentina.

Shares are purchased and sold on the Buenos Aires Stock Exchange through brokers, some of them are related to national or international banks. The system is controlled by the Comisión Nacional de Valores (Argentine Securities and Exchange Commission), which has functions similar to those of the Securities and Exchange Commission (SEC) of the United States. Listed companies must file their financial statements and board of directors' reports with the Stock Exchange on a quarterly basis as well as annual audited financial statements.

The over-the-counter market, also regulated by the Argentine Securities and Exchange Commission, is growing. The shares traded in this market are those of the companies listed on the Buenos Aires Stock Exchange. A trend towards using more sophisticated financial instruments is reflected in the growth of the negotiable instruments and options market. Both are traded on the Buenos Aires Stock Exchange. Foreign-owned companies may be listed on the Stock Exchange. To list its shares on the Stock Exchange, a company must comply with certain detailed requirements.

Commodity Exchanges

Cash and forward transactions, primarily in agricultural and cattle-raising products (such as grains, oil-seeds and meat), are carried out in the commodity markets.

Two of the leading markets in Buenos Aires are the Mercado de Hacienda de Liniers (Liniers Livestock Market) and the Mercado de Cereales de Buenos Aires (Buenos Aires Grain Market).

Foreign Exchange Regulations

In Argentina, exchange control regulations apply to the purchase and sale of foreign exchange.

Recent Exchange Control Restrictions

- **Inbound: mandatory repatriation of funds and conversion to Argentine pesos (ARS)**

  - Services: Under the exchange control regime, amounts collected in consideration for exports of services must be brought into the country and converted to ARS in the local exchange market within 5 working days from the date of collection abroad or in the country, or from the date on which the amount is credited to foreign bank accounts.

  - Goods: Proceeds from exports of goods are subject to mandatory repatriation and conversion to ARS within the maximum term prescribed by BCRA regulations. The terms may range from 15 to 360 days depending on the tariff classification of the goods and/or if the exporter is a related party to the foreign buyer.
    In any case, if the exporter collects the proceeds from the export prior to the mandatory maximum term, it will have to repatriate the proceeds and convert them to ARS within 5 working days or within the mandatory maximum term, whichever first.
    Special rules are applicable to exports made prior to September 1, 2019.

  - Sale of non-financial, non-produced assets: Examples of non-produced, non-financial assets are the sale or transfer of certain intellectual property rights, certain rights on natural resources, etc.
    The collection of foreign currency in consideration for the sale or transfer after September 11, 2019 (or arguably, after September 23, 2019) of non-produced, non-financial assets is subject to mandatory repatriation and conversion to ARS.

  - Financial indebtedness: In the case of loans or other financial indebtedness with non-resident persons, the funds received by the Argentine borrower will have to be repatriated and converted to ARS, only if the Argentine borrower subsequently wishes to purchase foreign currency in the Argentine Exchange Market to repay the principal or interest of the loan. In other words, it is not mandatory to transfer to Argentina the proceeds from a loan and convert them to ARS, if the borrower will not in the future purchase foreign currency in the Argentine Exchange Market to repay principal or interest thereof.

  - Capital contributions: If the funds are received from a non-resident person as a consequence of a capital contribution (equity), there is no requirement to transfer the USD to a domestic bank account and exchange them for ARS. Likewise, there is no requirement to repatriate the USD and convert them to ARS if such USD are "acquired" through a transaction with securities (e.g. purchase of Argentine sovereign debt bonds with ARS in the Argentine stock market, transfer of the bonds to a foreign stock market and subsequent sale of the bonds in such foreign market), or any other legally available mechanism to obtain USD.

- **Outbound: restrictions to acquire foreign currency to make payments in relation to certain types of transactions**

Argentine companies require the BCRA's approval in order to acquire foreign currency (i.e. USD, € or any other foreign currency) for the following purposes:

1. To keep funds in foreign currency for savings investments or operating purposes (deposited in domestic or foreign accounts).

2. To make foreign direct investments (i.e. make capital contributions, or buy shares, in non-resident companies).

3. To make foreign portfolio investments.

4. To grant loans to non-resident persons.

5. To make other foreign investments.

6. To make payments to non-resident related persons in consideration for services.

7. To pay dividends or profits.

8. To prepay principal or interest of financial indebtedness with non-resident persons, when such prepayment is made more than 3 days before the due date (although certain exceptions are applicable).

9. To pay principal of financial indebtedness between related companies until December 31, 2022 (this deadline could be extended).

10. To pay advances or debts with exporters abroad for merchandise imported prior to 1/07/2020 for a global amount higher than two hundred and fifty thousand dollars in addition to the difference between the payments made since 1/1/2020 and the imports carried out in that same period (see characteristics of this restriction in section 10.11 of Communication A" 7490 and its amendments).

11. For the payment of debts through the foreign exchange market for the import of goods, other than capital goods and not subject to non-automatic licenses, it is required to obtain an authorization called SIMI "A" or "C" which may be obtained if the conditions of section 10.14 of Communication "A" 7490 are complied with. In case such conditions are not met, payment will be authorized after 180 days from the date of import.

12. To prepay debt arising from imports of goods or services.

Only in some special cases, such as mass media, banking, airlines, etc. do specific regulations exist with respect to foreign investments which, however, have been diluted in recent times to such an extent that foreign investments are practically on the same footing as local investments in these areas.

13. To operate with derivatives (although certain exceptions are applicable).

In addition, Argentine companies may not acquire foreign currency in the Argentine foreign exchange market to make payments to Argentine-resident persons (except in the case of obligations in foreign currency agreed prior to 1 September 2019 stated in notarized contracts or public registries).

In practice, the BCRA's approval is rarely granted. Therefore, in fact, the BCRA's approval works almost as a prohibition or total restriction.

Business Regulatory Requirements

Only in some special cases, such as mass media, banking, airlines, etc. do specific regulations exist with respect to foreign investments which, however, have been diluted in recent times to such an extent that foreign investments are practically on the same footing as local investments in these areas.

Limitation on the Possession and Ownership of Rural Lands

The Rural Lands Law No. 26737 of 2011 regulates and limits the possession and ownership of lands by foreign individuals or entities, excluding those individuals with a continuous and permanent residence in the country of or over 10 years; or those who can prove a 5-year residence and have sons and daughters born in the country, or those individuals who, complying with other requirements, are married to an Argentine citizen.

The law states that ownership or possession of rural lands will be limited to 15 % in any province, municipality or equivalent administrative organization. Additionally, it states that the same foreign holder will not be able to have an area or surface of rural lands bigger than 1000 ha (one thousand hectares) and that the purchase of lands by foreigners cannot be computed as investment, as it is a natural, non-renewable resource.

02. Exporting to/from Argentina

2.1. Import regulations

Argentine Customs Authorities have incorporated the Harmonized System Codes (HS codes) to classify goods and assign tariffs, which is the basis for the Mercosur Common Nomenclature (NCM), applicable to Mercosur member countries. Basic rates are calculated on the CIF (cost, insurance and freight) value of imports. Tariff rates vary according to the different kinds of goods and range from 0 to 35 %.

Imports are also subject to the statistics fee of 3 %. However, such fee cannot exceed the following maximum amounts:

Customs value	Maximum statistics fee
Less than USD 10,000 inclusive	USD 180
Between USD 10,000 and USD 100,000 inclusive	USD 3,000
Between USD 100,000 and USD 1,000,000 inclusive	USD 30,000
More than USD 1,000,000	USD 150,000

In certain cases, the import of goods is exempted from the statistics fee.

In addition, imports are subject to VAT. The VAT rate may be 21 % or 10.5 %, depending on the classification of the goods, and is calculated on an amount equivalent to the addition of the customs value, the import duties and the statistics fee that could apply.

The import of goods can also be subject to the advance payment of certain taxes (VAT / Income Tax / Excise Tax/ Turnover Tax advances). These charges are actually advances for VAT, Income Tax, Excise Tax and Turnover Tax liabilities that the importer shall pay in relation to its activities (sales, services, supplies, etc.) in the domestic market. For instance, the income tax advance collected by the Customs Authorities upon the import is a credit towards the payment of the annual income/corporate tax liability of the importer. (Please bear in mind that these advances –additional VAT, income tax and turnover tax– are not applicable if goods are regarded by the importer as fixed assets for accounting purposes, or if the importer obtains specific tax exemption certificates.) The VAT advance rate is 20 % or 10 % (depending on the classification of the goods), the income tax advance rate is 6% or 11%, and the turnover tax advance rate varies depending on the jurisdiction.

For intra-MERCOSUR, special trade regulations apply. The applicable import duty rate is 0 %. The statistics fee is not applicable. Eligible products must have a certificate of origin from a Mercosur member country showing that a sufficient manufacturing process occurred within a Mercosur member country.

The import of goods can also be subject to the advance payment of certain taxes (VAT / Income Tax / Excise Tax/ Turnover Tax advances). These charges are actually advances for VAT, Income Tax, Excise Tax and Turnover Tax liabilities that the importer shall pay in relation to its activities (sales, services, supplies, etc.) in the domestic market.

During the last twelve years, Argentina implemented a general import substitution industrialization and trade balancing policy through import licensing procedures and informal export requirements. These measures were introduced initially to cushion the impact of the world economic and financial crisis in 2009, but they were extended and generalized till the end of 2015 through the Advance Import Affidavit (in Spanish, *Declaración Jurada Anticipada de Importación* – "DJAI"), which operated as a non-automatic import licensing procedure applicable to any single product to be imported.

In December 2015, the DJAI system was replaced by the new Comprehensive Import Monitoring System (in Spanish, *Sistema Integral de Monitoreo de Importaciones* - "SIMI"). Under this system and in order to obtain an import license (which, depending on the classification of the goods, may be an automatic license or a non-automatic license), the importer shall submit a standard set of information through the Tax Authorities (in Spanish, *Administración Federal de*

Ingresos Públicos – "AFIP") website. This information is shared with all the public agencies and regulatory bodies involved in the clearance of goods. Said authorities may request additional information in order to approve the non-automatic licenses. According to the legislation, the approval shall be granted within a term of 10 days from the filing date in the case of an automatic license, and 60 days in the case of a non-automatic license. However, the terms could be longer, depending on the products to be imported. Once it has been approved, the import license will be valid for a term of 90 calendar days. However, according to the applicable legislation, said term may be extended once.

It is also important to point out that an Economic and Financial Capacity System ("CEF System") has been created as a risk management tool. For the purposes of authorizing imports, the AFIP shall take into account the companies' capital and their economic and financial capacity to carry out the imports in order to authorize said imports.

2.2. Export regulations

Export Duties on Goods

As of September 2018, Argentina reinstated export duties on goods. From that moment, the Executive Branch has modified the export duty rates applicable to the export of goods. The applicable rates range from 0 % to 12 %, depending on the tariff classification code of the exported goods. In certain cases, the export duty rates could be higher (e.g., in the case of certain agricultural products), but they cannot exceed a 33 % rate.
In the case of hydrocarbons and mining, for example, the export duty rate shall not exceed 8 %.

Export Subsidies

There are also certain export incentives, for example, a scheme involving the refund of domestic taxes on the export of certain products. The rate of refund depends on the classification of the products.

The export of certain agricultural products is subject to the prior approval of the government.

Export Duties on Services

As of January 2022, export duties are no longer applicable to the export (provision) of services.

2.3. Authorized Economic Operators Program

As per General Resolution No. 4150/2017 of AFIP, Argentina implemented the Authorized Economic Operators program ("AEO Program"), in accordance with the SAFE Framework of Standards to Secure and Facilitate Global Trade of the World Customs Organization.
Importers-Exporters that comply with the requirements established by the regulations in force may request to the Customs Authorities their inclusion in the AEO Program in order to obtain important benefits in relation to the customs operations that are carried out.

As per General Resolution No. 4197/2018 of AFIP, an AEO Program pilot plan ("AEO Pilot Plan") has been implemented for automobile companies that are users of the in-factory customs system (in Spanish, *Régimen de Aduana en Factoría*).

In March 2019, through General Resolution No. 4451/2019, amendments were introduced to promote the implementation of the AEO Program, improving regulation in the area of security and logistical facilitation. The AEO Program may be adhered to in the case of import and export operations, including those performed in the special customs area. Likewise, the procedure and requirements to apply for the AEO Program are determined, highlighting that the application for such program is voluntary and free.

In September 2019, through General Resolution No. 4582/2019, customs brokers, customs transportation agents and transporters of automotive cargo transportation related to trade were included in the AEO Program.

The operators may apply for the following categories of the AEO Program: 1) AEO – Compliance; 2) AEO – Simplification; 3) AEO – Safe operator. Requirements and benefits increase in each category. AEO – Safe operator is the highest category and as such it has greater security requirements and benefits. Some of the benefits of the AEO – Safe operator include customs preferential treatment for beneficiaries, priority upon contingencies, priority at border checkpoints, mainly operations registered by green channel of selectivity, and the possibility of benefiting from mutual recognition agreements reached between the Customs authorities of different countries, which

generates time and cost savings, also in the countries of destination of the goods.

In November 2021, through General Resolution No. 5107/2021, General Resolution No. 4451/2019 was amended by digitalizing the process to access the AEO Program.

2.4. Control System over Service Payments Abroad

As of January 7, 2022, the Tax Authorities (AFIP) issued a General Resolution by means of which they implemented the Comprehensive Monitoring System of Payment of Services Abroad (in Spanish, "*Sistema Integral de Monitoreo de Pagos al Exterior de Servicios*" – "SIMPES"), which is applicable to human persons and legal entities that need to make payments abroad. The payer of the services will be required to submit an affidavit with a standard set of information to the Tax Authorities; the latter will analyze the taxpayer's situation based on its records and the economic and financial capacity of the taxpayer. The affidavit submitted by the payer will also be shared with the Argentine Central Bank for its review and intervention.
The affidavit must be approved by the relevant Authorities for the payer to be able to operate in the Argentine Exchange Market to purchase the foreign currency for the payment of services abroad.

2.5. Common Market of the Southern Cone (in Spanish, *Mercado Común del Sur* - "Mercosur")

On March 26, 1991, Argentina, Brazil, Paraguay and Uruguay signed a treaty stating a gradual reduction in import duties on trade among the 4 countries. The full implementation of this treaty started as of January 1, 1995. While there have been discussions and, at several times, unilateral measures by the member countries, the MERCOSUR has already promoted trade among member countries. In the meantime, this trade agreement has become so important to the participants that it can be expected that any future difficulties will be overcome by negotiations between the parties. An agreement has also been reached with respect to a common duty to be applied to imports from third-party countries, which accounts for a significant percentage of trade.

Chile and Bolivia signed free trade agreements with MERCOSUR. MERCOSUR has also signed preferential trade agreements with other ALADI countries (Mexico, Colombia, Ecuador, Peru, Cuba), aiming at creating free trade areas. There are also trade agreements with India and Israel.

There are important distinctions between the objectives of MERCOSUR and those of the North American Free Trade Agreement (NAFTA) signed by the United States, Canada and Mexico. NAFTA creates a free-trade zone, but it does not provide for a common foreign tariff. The basic motivation compelling NAFTA member countries was to remove protectionism barriers among them, not to align member countries' policies.

The MERCOSUR model shows greater similarity with the European Community as to the motivation and degree of integration intended to attain.

Considering the broad scope of the South American integration project, the timeframe for implementation is quite tight, though up to now, the rate of progress has been good. MERCOSUR is expected to be extremely important in the development of foreign trade, especially with Brazil. Any investment project should consider the potential effect of MERCOSUR.

2.6. Regional and international trade associations

Argentina is a member of the Latin American Integration Association (LAIA), which was organized to promote the economic and social development of the region. Other members of the LAIA are Bolivia, Brazil, Chile, Colombia, Cuba, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela. The LAIA carries out its purpose through an economic reference area with a regional tariff preference, regional agreements and agreements between particular member countries. To date, however, LAIA has not had much influence on the region's economic development.

Argentina is a member of the General Agreement on Tariffs and Trade (GATT) and the Organization of American States (OAS).

03. Business entities

Please find below a summary of the basic guidelines and aspects regarding different vehicles for doing business in Argentina. In particular, we will describe the organization of the "Sociedad Anónima" (SA), the "Sociedad de Responsabilidad Limitada" (SRL), and the "Sucursal Argentina" (Branch), which are the most commonly used entities to do business in Argentina. Additionally, we will briefly describe the "Sociedad por Acciones Simplificada (SAS), a new corporate type set forth in Argentina in year 2017.

3.1. SA

A SA is a stock company whose articles of incorporation and by-laws shall be registered with the Public Registry (PR) to operate regularly in Argentina. SAs allow its equity holders to limit their liability, in general to the par value of the shares they have agreed to subscribe.

A description of the main requirements and aspects involved in the process of incorporation of a SA follows:

1. Equity holders: the Argentine Companies Law No. 19550 (ACL), as amended, requires that Argentine companies have at least two members (except in the case of SAUs, as defined below), and that any members that are foreign companies shall be duly registered with the PR. The PR of the City of Buenos Aires (in Spanish, *Inspección General de Justicia* - IGJ) considers that the plurality of equity holders required by the ACL is a substantial matter, and not merely a formal matter. Consequently, we recommend that the SA's minority shareholder hold at least a 5 % interest in the company. We point out that the transfer of shares is not required to be registered with the PR.

2. Foreign company as equity holder: as mentioned above, the ACL requires that in order to hold an interest in Argentine companies (such as SA, SRL, or SAS), a **foreign company** shall be duly registered with the PR. We may expand on this matter at your request and prepare a memorandum with the relevant requirements.

3. Corporate purpose: the IGJ establishes that the company's purpose must be unique, and it must be stated in a precise and determined manner, through a concrete and specific description of its activities. It also establishes that other activities, described in a precise and certain manner, may be included, only if the activities are related, accessory and/or complementary to the activities that lead to the development of the company's purpose. Finally, it requires that the described activities bear a reasonable relation to the company's capital.

4. Corporate capital: the PR requires an initial minimum stated capital of ARS 100,000. In addition, if the capital is contributed in cash, at least 25 % of its amount shall be paid in at the time of issuance and the 75 % balance may be paid within two years. If the contributions are made in kind (such as real estate, equipment or other non-monetary assets), they shall be fully paid in at the time of issuance. In addition, the IGJ requires that the described activities bear a reasonable relation to the company capital. The IGJ will be able to require a higher amount than the minimum set forth in ACL, if it considers that, due to the activities described, the company's capital is inadequate.

5. Management and supervision: SAs are managed by a board of directors, whose members may be elected for a maximum term of three fiscal years and may be reelected. The majority of the members of the board of directors shall be Argentine residents. If the corporate capital is lower than ARS 50,000,000, the board of directors may be comprised of one regular director. If the corporate capital exceeds such amount, the board of directors shall be comprised of at least three regular directors. The chairman of the board of directors is vested with the legal representation of the SA as well as the corporate signature.
SAs may be organized with or without supervisory auditors. If the SA is organized without supervisory auditors, the equity holders shall appoint at least one alternate director. In some

cases, it is mandatory to appoint one or more supervisory auditors (for instance, if the SA is a listed company; if the corporate capital exceeds the amount of ARS 50,000,000, etc.).
In addition, SAs encompassed in certain specific cases set forth in section 299 of ACL must include in their board of directors and, where appropriate, in their supervisory body, a composition that respects gender diversity as follows: (i) in the case of an even-numbered board, the same number of women and men; (ii) in the case of an odd-numbered board, with a minimum of one third women.

6. Shareholders' meetings: SA is governed through shareholders' meetings. The shareholders are required to hold an ordinary meeting at least once a year and such annual shareholders' meeting is competent to approve the audited annual financial statements, to appoint and/or remove directors and supervisory auditors and to deal with any other matters related to the SA's ordinary course of business. In addition to the ordinary meeting, the shareholders may hold extraordinary meetings to consider any other matters (for instance, amendments to the by-laws or reorganizations).

7. Financial Statements: SAs shall approve financial statements and file them with the PR on an annual basis.

Please note that the registration of a SA with the PR might take approximately fifteen working days as from the date on which the relevant documentation is submitted to the PR. SAs and SAUs filed on an urgent basis will be registered within 5 working days, provided no observations are raised to the documentation submitted to the PR. The PR also provides the company's Tax ID upon registration, provided certain additional documentation is furnished with the initial filing.

The "*Sociedad Anónima Unipersonal*" (SAU) is a type of SA which may be organized with only one equity holder and is subject to certain additional requirements. Pursuant to Argentine law, SAUs are subject to permanent governmental control. In this regard, SAUs shall, among other requisites: (i) appoint at least one regular supervisory auditor; (ii) comply with the filings required for companies subject to permanent governmental control by the PR; and (iii) pay in 100% of the corporate capital upon incorporation. The fact that SAUs are subject to permanent governmental control makes them an expensive type of corporate entity, which would not be convenient for small-scale business operations.

3.2. SRL

A SRL is a limited liability company whose articles of organization shall be registered with the PR to operate regularly in Argentina. This company allows its members to limit their liability to the par value of the units that they have agreed to subscribe, although each member shall guarantee, jointly and with no limitation, all pending capital contributions and any overvaluation of non-monetary contributions.

A description of the main requirements and aspects of this type of company follows:

1. Members: in this case, the ACL also requires a minimum of two members (being the requirement of substantial plurality of the PR applicable), who may be residents or non-residents in Argentina. However, the SRL may have a maximum of fifty members. The transfer of units shall be registered with the PR.

2. Foreign company as member: please see our comments in section 1(ii) above, which also apply to the SRL.

3. Corporate purpose: please see our comments in section 1(iii) above, which also apply to the SRL.

4. Corporate capital: there is no minimum capital required by the ACL for a SRL, though each unit –i.e. the way the membership interests are represented in SRLs– shall be equal to ARS 10. As regards the paid-in capital, we refer to our comments in section 1(iii). In addition, the IGJ requires that the described activities bear a reasonable relation to the company capital. The IGJ will be able to require a higher amount of capital than the one set forth at the incorporation deed, if it considers that, due to the activities described, the company's capital is inadequate.

5. Management and supervision: SRLs are managed by one or more managers, who may be appointed for an indefinite period of time (and may also be reelected). It is not required that the managers are members of the SRL, but the majority of them shall be residents in Argentina. The legal representation of the SRL shall be vested on one or more managers, as set forth in its operating agreement.
SRLs may be organized with or without supervisory auditors. However, the appointment of one or more supervisory auditors is mandatory if the SRL's capital exceeds ARS 50,000,000.

6. Meetings of members: the authority governing the SRL is the meeting of members. The form in

which the members of a SRL discuss and adopt resolutions is simple and flexible, and it may be established in the operating agreement. Unless the operating agreement provides otherwise, members may adopt resolutions by written consent; annual members' meetings shall be held to consider annual financial statements of SRLs with a stated capital in excess of ARS 50,000,000.

7. Financial Statements: SRLs shall approve financial statements, but there is no need to file them with the PR, unless its corporate capital reaches the amount of ARS 50,000,000.

The terms for registration of the SRL with the PR are similar to those applicable to the SA. The registration within 5 working days as from the filing performed on urgent basis is also applicable for SRLs, the PR also provides the company's Tax ID upon registration, provided certain additional documentation is furnished with the initial filing.

3.3. Branch

Another alternative for doing business in Argentina is setting up a Branch of a foreign company.

According to the ACL, the Branch shall be registered with the PR to validly operate in Argentina on a regular basis (habitually), though it is governed by the laws of the place of organization of the Branch's headquarters. We may expand on the requirements for this registration at your request.

To perform activities in Argentina, the Branch shall keep accounting records; thus, it shall keep books of account separate from those of the headquarters to record the transactions carried out locally. Accordingly, its legal representative shall prepare and file with the PR annual financial statements.

Additionally, the Branch shall establish a legal domicile in Argentina and appoint a legal representative, who may or may not be an Argentine resident.

The Branch may be assigned capital, though such assignment is not mandatory. Headquarters is liable for all the Branch's operations in Argentina.

Please note that, normally, the registration of a Branch with the PR might take approximately thirty working days as from the date on which the relevant documentation is submitted to the PR.

3.4. SAS

A SAS is a corporate type set forth in year 2017 by means of Law No. 27,349. The articles of incorporation and by-laws of the SAS shall also be registered with the Public Registry (PR) in order to operate regularly in Argentina. This company structure allows its members to limit their liability to the paid in capital, even though all shareholders are jointly liable vis-a-vis third parties for full payment of all the shares.

A description of the main requirements and aspects of this type of company follows:

1. Members: SASs can be organized with a minimum of one shareholder.

2. Foreign company as member: please see our comments in section 1(ii) above, which also apply to the SAS.

3. Corporate capital: the minimum capital required for a SAS is twice the minimum wage required by law (currently, ARS 77,880). In addition, the IGJ requires that the described activities bear a reasonable relation to the company capital. The IGJ will be able to require a higher amount of capital than the one set forth in Law No. 27,349, if it considers that, due to the activities described, the company's capital is inadequate. In such case, the SAS shall file an accounting report signed by an accountant, duly legalized, stating a business plan evidencing the possibility of running the business during the first fiscal year regarding the activities or at least a part of the activities described in the corporate purpose, with the subscribed corporate capital or with new capital contributions committed for such first fiscal year.

4. Corporate purpose: the corporate purpose can comprise multiple activities not linked with each other.

5. Management: SASs are managed by one or more managers, who may be appointed for an indefinite period of time (and may also be reelected). It is not required that the managers are members of the SAS, at least one of them shall be resident in Argentina and all members shall have a Taxpayer Identification Number (in Spanish, *Clave Única de Identificación Tributaria* - CUIT). The legal representation of the SAS shall be vested on one or more managers, as set forth in its operating agreement.

The managers meetings can be convened by electronic means and be held outside the registered office. Managers residing abroad shall only grant powers of attorney to other managers with legal address within the Republic of Argentina. SASs may be organized with or without supervisory auditors, if there are no supervisory auditors appointed, the shareholders shall appoint at least one alternate director. However, the appointment of one or more supervisory auditors is mandatory if the SAS's capital exceeds ARS 50,000,000.
It is also worth mentioning that SASs can carry books, grant powers of attorney and sign minutes and other documents digitally.

6. Shareholder's meetings: SAS are governed through shareholder's meetings, which may be held at the corporate offices or elsewhere (shareholders should communicate simultaneously). Resolutions may also be adopted by written consent of shareholders.

7. Financial Statements: SASs shall approve financial statements and file them with the PR by electronic means.

8. Restrictions: this corporate structure is not allowed for those companies included within some cases of permanent surveillance of the PR, as provided in Section 299 of the ACL (such as government owned companies, companies that develop financial activities and/or companies that operate public concessions or public services). The same restriction applies to companies holding participation in the SAS, provided such participation exceeds 30% of its share capital, or control the SAS in any manner.

It is worth noting that SASs can be registered by electronic means and within 24 hours since the time of filing documentation with the PR. The PR also provides the company's Tax ID upon registration.

General comments applicable to these entities

Annual filings with the PR

Please note that depending on the jurisdiction in which the Foreign Company (pursuant to Section 123 and 118 of the ACL) is registered, it shall comply with certain filings with the relevant PR on an annual basis in order to evidence that the Foreign Company's main purpose continues to be fulfilled abroad, and disclosing its shareholders and ultimate beneficial owner.

Virtual meetings

In response to the COVID-19 pandemic, the Public Registries of several jurisdictions allow that the governing bodies of companies hold remote sessions by electronic means and online platforms, even if they are not expressly allowed in their by-laws or operating agreements, as long as the restrictions on the general prohibition of circulation are in force.

A digital record of the meeting shall be kept and made available to any member upon request for a five-year term.

04. The Argentine Tax System

4.1. Main taxes

Federal, provincial and municipal governments levy taxes in Argentina. The Federal Government imposes income tax, value added tax, wealth tax, excise tax, tax on financial transactions and customs duties.

The provincial and municipal jurisdictions levy turnover tax, real estate tax, stamp tax, tax on vehicles and tax on public advertising, among others.

4.2. Sources of tax law

The Legislative Branch (Congress), which consists of the House of Representatives and the Senate, enacts federal tax legislation. Legislation is generally proposed by the President of Argentina based on studies conducted by the Ministry of Economy.

Decrees and regulations issued by the Government facilitate the proper interpretation and application of the law. Moreover, the Tax Authorities continuously issue rules that establish practical application procedures or provide information on official interpretations of tax legislation. Answers to the Tax Authorities' requests of information also provide a guideline for interpretation, exclusively binding on the firm submitting the query. In addition, decisions rendered by Argentine courts result in case law, which provide additional guidance and clarification to taxpayers.

Provincial and local tax laws are enacted by the legislatures of each province or local government and, therefore, vary among jurisdictions. Most provinces and local governments issue regulations to assist in the interpretation of their tax laws.

4.3. Tax administration

Filing Procedures and Tax Payments

The Argentine tax system is based on the principle of self-assessment. Federal tax laws require taxpayers to file annual or monthly returns to report their taxable income, determine their tax liability, deduct any taxes withheld or paid in advance and pay any balance due.

Companies are required to make 10 monthly advance payments of their annual income tax liability. Advance payments are calculated based on a percentage of the previous year's income tax obligation. An optional system to make estimated payments is available. The corporate income tax return shall be filed within five months after the end of the company's fiscal year.

The tax year for individuals is the calendar year. Individuals, whose sole earnings are employee's compensation, are not required to file an individual income tax return for the year. Instead, their employers are required to withhold income tax monthly, and this tax is considered final. Notwithstanding the abovementioned, depending on the level of income, informational tax returns could be required.

Individuals with significant amounts of non-wage income, such as income from self-employment, are required to make 5 advance payments towards their final tax liability. These payments are calculated as a percentage of the prior year's income tax and are made bimonthly from August to April. Resident individuals with non-wage income shall file an annual income tax return within six months after the end of the calendar year.

Foreign taxpayers not established in Argentina are not required to file a tax return if their income tax liability is fully satisfied by withholding taxes on Argentine-source income.

Audits, Assessments and Appeals

The Tax Authorities (AFIP) review tax returns to confirm their accuracy and completeness. Tax officials usually visit the premises of taxpayers to examine books and documents and determine if the taxable bases are correct. Likewise, they make routine visits to monitor compliance with value added tax obligations.

The appeal procedure for assessments received as a result of a tax audit is divided into two phases: administrative and legal. The administrative phase begins when the taxpayer answers the notice of assessment (in Spanish, *vista*). If the taxpayer challenges the assessment, but the Tax Authorities maintain their position by issuing a resolution (ex officio assessment), the file is forwarded to the tax collector that issues a tax bill (in Spanish, *boleta de deuda*), unless the taxpayer files an appeal with the same Tax Authorities or with the special tax court.

It is important to mention that, in light of the tax reform established by Law 27430, before the administrative tax assessment of the debt occurs, the Tax Authorities may authorize a final voluntary agreement instance. If the taxpayer does not accept the conciliatory solution, the original assessment will continue through the usual procedure.

If the Tax Authorities' position is confirmed when the administrative phase ends, the tax bill is bound to be collected, and the taxpayer shall pay the amount assessed.

To challenge the unfavorable decision issued by the Tax Authorities or the special tax court, the taxpayer may begin the legal phase, after paying the amount assessed, by filing an appeal with a federal district court or with the federal court of appeals.

Calculation of Tax

Tax laws establish very detailed rules on how the tax should be calculated. In general, the calculation is based on known facts, such as those shown in the books kept by the taxpayer or in the documentation kept on file. Only when no detailed information has been provided by the taxpayer or no proper books of account are being kept, or the information or records prove to be incorrect or incomplete, may the Tax Authorities turn to legal assumptions to establish the tax obligation of the taxpayer at issue.

Penalties

The Tax Authorities may impose various penalties for late filing of returns, unreported taxable income or fraud. A penalty equal to 100% of the underpaid tax is imposed for failure to file tax returns or withhold taxes, and for filing inaccurate returns. The fine will be equivalent to 200% in case of recidivism. When the failure to report or withhold tax arises from operations with foreign entities, the fine will be equivalent to 200% of the omitted tax and may increase to 300% in the case of recidivism. The penalty for fraud is equivalent to 2 to 6 times the evaded amount. There is a penalty interest of 3.35% per month (rates are updated periodically) for late payment of taxes. There are penalties involving imprisonment for those who commit fraud. This embraces directors, managers, supervisory auditors, members of the statutory audit committee, administrators, agents, and representatives of entities involved in the commission of fraud.

The Federal Government has promoted a law whose regulation sets forth how to pay tax credits, deductions or other transactions. It requires that any transaction over ARS 1,000 be paid by bank check, wire transfer or other specific checks created for such

purposes. Also, the Government decided to create a special legal forum for tax frauds in order to reduce the tasks of the current federal courts, and to improve tax collection.

Confidentiality

Data and information given to the Tax Authorities shall be kept confidential. The AFIP may, however, share information with the Customs Authorities, the Argentine Securities and Exchange Commission (in Spanish, CNV) and the BCRA. Moreover, a judge may request the AFIP to disclose information to a court. However, on certain occasions, the AFIP have published the amount of the tax on the private property paid by individual taxpayers and the names of taxpayers that, according to the records of the AFIP, have missed a tax deadline.

Statute of Limitations

The statutory period for assessment is normally five years and ten years for non-registered taxpayers. Still, there are circumstances that might be examined in each case. For social security matters, the statute of limitations extends to ten years.

Tax Planning Information Regime (TPIR)

The Argentine Tax Authorities (AFIP) resolved that taxpayers shall report the structures, techniques, instruments and mechanisms applied to minimize their tax burden.

The TPIR is aimed at obtaining early information about the "tax planning strategies" implemented by the taxpayers in order to improve the AFIP's tax audit capacity to fight tax avoidance and evasion, while identifying, in real time, tax risk areas and encouraging voluntary compliance.

Tax planning (either national or international) includes all agreements, schemes, plans and actions that allow taxpayers to obtain tax advantages or benefits in connection with any tax and/or information regime.

Based on General Resolution 4838, there is an international tax planning whenever any of the following situations can be verified:

1. the use of companies to take advantage of the double taxation conventions; strategies implemented to avoid the permanent establishment configuration; double non-taxation strategies; allocation of one or several taxable bases to foreign jurisdictions.

2. Arrangements in which non-cooperative or low or null taxation jurisdictions are involved.

3. The use of asymmetries existing in the tax laws of two or more jurisdictions regarding the treatment and/or qualification of an entity or contract or financial instrument aimed at obtaining a tax advantage or any other type of benefit.

4. The individual, undivided estate, company, trust, foundation or any other foreign entity or legal instrument with a double tax residence.

5. Any individual/entity holding rights inherent to the nature of beneficiary, trustor, trustee, further beneficiaries or the like of trusts of any type set up abroad, or of private-interest foundations set up abroad or any other type of estate of similar characteristics located or domiciled and/or set up abroad.

Both the tax advisors implementing a tax planning for a third party and the taxpayers implementing such strategy for themselves are bound to provide the information under this regime.

No statements have been made so far as regards reporting requirements for domestic tax planning arrangements.

National tax planning strategies shall be reported up to the last day of the month following the end of the fiscal period in which the tax planning strategy was implemented. International tax planning strategies shall be reported within 10 days of the implementation's start date.

The tax advisor and/or taxpayer shall provide clear, precise and sufficient information to understand the tax planning implemented and identify the expected tax advantage or benefit.

Reporting obligations comprise any domestic and international tax planning that has been implemented from January 2019 onwards and those implemented before January 2019 but that remain in effect as of October 2020.

To date, the institutional website of the AFIP lacks the tools mentioned in the regulations to be able to comply with some of their provisions. Besides, the legal validity of this regime has been challenged by several professional organizations.

05. Business Taxation

5.1. Federal Taxes
5.1.1. Corporate Income Tax

The Income Tax Law has established a partial integration system, in which the tax paid by the company is supplemented by the tax withheld from the shareholder at the time of the distribution of the dividends.

Tax Rates
Law 27630 has established a tiered structure of corporate income tax rates for different brackets of earnings (the lowest at 25 % and the highest at 35 %).

The measures are effective retroactively, for fiscal years beginning on or after 1 January 2021.

The following table sets out the tax rate measures in the new law:

Accumulated net taxable income		Fixed Amount in ARS	Tax	
From ARS	to ARS		Plus %	On the amount in excess of
0	5,000,000	0	25%	0
5,000,000	50,000,000	1,250,000	30%	5,000,000
50,000,000	forwards	14,750,000	35%	50,000,000

It is to note that the distribution of dividends is taxed at a 7 % rate.

Territoriality
For resident companies, worldwide income is taxable, including income of foreign branches and subsidiaries. Income of foreign subsidiaries is taxable only to the extent of dividends actually paid, unless the subsidiary is subject to the tax transparency regime, in which case, the Argentine company is taxed on the allocable share of the subsidiary's income regardless of whether dividends are paid (CFC rules further explained below). Companies formed under Argentine law, as well as commercial, industrial, agricultural, mining and other types of permanent establishments of foreign entities are considered to be residents. They must keep separate books and records for a permanent establishment in Argentina.

Gross Profit
Gross profit generally includes all income collected by or due to the company.

Business Income
Business income includes income from the sale of goods, depreciable assets, shares or real estate; income from dividends other than from resident companies; interest; royalties and fees; and foreign exchange gains. The only type of business income for which the law specifically defines "gross profit" is that derived from the sale of inventories; it is defined as net sales less the cost of acquisition or production.

Other gross profit may be determined by any appropriate, technically sound and consistently applied accounting procedures.

Capital Gains
A company's capital gains are not subject to a specific tax. They are included in the scope of income tax and, consequently, are subject to the same rate applicable to ordinary income.

Net Operating Losses
Net operating losses may not be carried back but may be carried forward for a maximum of five years.

Specific Losses
Tax losses arising from the sale of stock, representative shares or deposit certificate shares, membership or equity interest, bonds or other securities in Argentine companies can only be offset against income arising from similar source and nature. Same treatment applies to losses incurred in derivative transactions (excluding hedge transactions). Losses from activities producing foreign-source income may be offset only against foreign-source income.

Valuation of Assets
Tax regulations generally provide for valuation of assets in such a way that current values are usually reached.

Inventory
Specific methods of inventory valuation must be used, depending on the nature of the inventory.

Goods held for resale and raw materials must be valued at the price of the latest purchase made during the last two months before the end of the year. If no purchase was made in that period, the last prior purchase must be considered.

For manufactured products, companies that can determine their production costs are allowed to use them for tax purposes. Indirect costs must be included. If a company cannot determine its production cost, it must value its inventories at selling price less direct selling expenses incurred and net profit margin realized in the last two months before the end of the year. If no sales were made in that period, the last prior sale must be considered.

Fixed Assets
Fixed assets are valued at cost less accumulated depreciation - calculated according to law - and adjusted for the effects of inflation up to March 1992.

Notwithstanding the abovementioned, fixed assets purchased as from January 1, 2018 may be adjusted for inflation, in order to determine the related depreciation and their computable cost in the event of sale or transfer.

Deductions
Business Expenses
Companies may deduct from gross profit all ordinary and necessary expenses incurred to obtain, maintain and keep taxable income. If an entity's income is partially taxable and partially non-taxable, its expenses must be allocated proportionately to taxable income.

Depreciation and Amortization
Depreciation of buildings used to generate taxable income may be deducted at a 2% annual rate on the cost of the buildings. Such depreciation expense must be indexed to inflation occurring between the month of acquisition or construction and the end of the tax year but not beyond March 1992. Other depreciation rates may be used if they are technically supported.

Annual depreciation of all other depreciable assets used to generate taxable income is determined by dividing the acquisition cost of the asset by its estimated years of useful life and then indexing the result to inflation in the same manner as for buildings and improvements.

Tax law does not provide standard depreciation rates.

Other depreciation methods, such as those based on units of production or sum of the years, may be used if they are technically supported.

Amortization of goodwill, trademarks and similar intangible assets is not deductible.

At the taxpayer's option, organization costs may be deducted either in the year in which they are incurred or capitalized, and then amortized over a period not exceeding five years.

Fixed assets purchased as from January 1, 2018 can be adjusted for inflation in order to determine depreciation.

Reserves
Write-offs and allowances for bad debts, in reasonable amounts and in accordance with prevailing practices, are deductible. However, the criteria for the deductibility of bad debts are somewhat restrictive.

Other Deductions

The general rule for deduction of expenses is that they must be related to business and deemed necessary to earn income.

Interest expense on loans, plus related exchange losses, may be considered for deduction. In addition, expenses incurred in obtaining, renewing and settling loans are deductible. Loans granted by a foreign home office or affiliate must comply with the arm's length principle. Furthermore, limitations to interest and exchange losses deductibility must be considered.

Taxes other than income tax, are generally deductible.

Extraordinary losses resulting from casualties (such as a fire or storm), theft or force majeure involving assets that generate taxable income are deductible to the extent they are not covered by insurance or otherwise indemnified.

Losses derived from crimes committed by employees against business property which contribute to the generation of taxable income are deductible to the extent they are not covered by insurance or otherwise indemnified. Such losses must be proven to the satisfaction of the Tax Authorities.

Fees paid to resident directors are deductible up to a maximum of 25 % of book earnings or an amount established by law, whichever higher.

Fees to non-resident directors are deductible up to 12.5 % of book earnings if all of them are distributed as dividends. If no dividend is distributed, the maximum is 2.5 %. If a dividend is distributed between these two limits, the maximum deduction must be calculated proportionally according to the lowest limit.

Representation expenses are deductible up to a maximum of 1.5 % of the salaries paid during the calendar year.

There are limits imposed by law on the deduction of depreciation and other expenses related to automobiles.

Expense deductibility as a result of payment (instead of accrual) is established for Argentine-source expenses paid to a foreign related party or a party located in a low or null taxation jurisdiction.

Payments for technical assistance from abroad are deductible up to 3 % of the sales on which the fees are based or 5 % of the investment made as a result of the assistance.

Expenses incurred or contributions made to personnel for purposes of sanitation, education and cultural improvement are deductible. In general, all payments made by an employer to the benefit of employees and their dependents, such as annual bonuses paid to employees prior to the filing of the employer's annual tax return, are deductible.

Deductibility of amounts reserved for retirement plans established by the company for its employees would depend on the specific plan features.

Contributions to certain retirement plans managed by authorized entities are also deductible, up to fixed amounts established by the tax law.

Research and development expenses may be deducted as they are incurred or may be capitalized and subsequently amortized over a period not exceeding five years at the taxpayer's option.

Bad Debts

A deduction of bad debts is generally allowable when the debts are determined to be uncollectible based on uncollectibility events. Some of the uncollectibility events established by law include bankruptcy, presumption of death from absence, legal actions, and statute of limitations.

The actual or presumed suspension of payments is excluded from the uncollectibility events considered to determine bad debt deductions.

In addition, in relation to receivables that are "not material" in accordance with the guidelines of the AFIP, given the wide range of activities that may emerge, the AFIP must decide, by considering each activity type, the maximum amount of overdue receivables that are not material and can be deducted as bad debts without the need to implement mandatory collection efforts.

In the case of secured receivables, they may be deducted in the amount secured, only if the related judicial sale has been ordered.

Limitations to interest deductibility

The expenses incurred by Argentine Companies in favor of a related party located abroad that constitute Argentine-source income for such foreign beneficiary (in this case, the interest on the loan), can only be deducted in the year of accrual if they are paid until the due date established for filing the Income Tax return. Otherwise, they will be deductible upon payment.

Additionally, a limit has been established for the deduction of interest on financial debts owed to related parties (whether Argentine residents or otherwise). Such limit is equal to 30% of the net taxable income (before deducting interest,

adjustments, exchange differences and depreciation) or an annual amount set by the Argentine Executive Branch, whichever higher. The abovementioned annual amount has been fixed in ARS 1,000,000.

It is important to highlight that the term interest will also include exchange losses and -where appropriate- any adjustments arising from principal, provided the inflationary adjustment is not applicable.

The excess accumulated during the preceding three (3) fiscal years may be added to the aforementioned cap amount, when, in any of such years, the interest actually deducted is lower than the applicable cap amount, as long as such excess had not been previously used in accordance with the procedure established herein. In other words, the limit will be increased by the amount related to the unused deduction capacity in the prior three years.

Any interest that could not be deducted in accordance with the preceding paragraphs may be added to the interest subject to limitation accrued in the following five (5) fiscal years, in which case the cap amount referred to above will be applicable.

The foregoing implies that -unlike previous regulations, in which the interest paid on liabilities in excess of the ratio was permanently non-deductible- if certain interest is not deductible due to the limitations established by the law, it can be carried forward for five years.

The limit to deductibility will not be applicable in the following cases:

1. entities governed by Law 21526, as amended;

2. financial trusts created in accordance with sections 1690 to 1692 of the Argentine Civil and Commercial Code;

3. companies whose main business is the execution of lease-purchase agreement, and whose secondary business consists exclusively in financial activities;

4. when the interest amount does not exceed the amount of interest income (active interest income);

5. when, for a given fiscal year, it is evidenced through reliable means that the ratio between the interest subject to the limitation and the net income is equal to or lower than the ratio between liabilities to independent creditors and net income determined for such fiscal year by the economic group to which the entity belongs. An entity is part of an economic group when, at least, 80% of its equity belongs -either directly or indirectly- to the same owner, whether or not a resident in the country, provided that ownership is maintained during the period in which such entity owes the amounts generating interest and similar deductible items. The ratio shall be supported by a special report to be issued and signed by an independent public accountant;

6. when it is evidenced through reliable means, that the beneficiary of the interest has actually paid tax on such income in accordance with the Income Tax Law;

7. when the beneficiary is not a resident in the country, the exclusion referred to above will be applicable to the extent interest paid is subject to a one-off withholding tax, even when the withholding is limited or not applicable due to double taxation conventions. It is important to highlight that the exclusion is not applicable to exchange losses incurred in relation to foreign currency debts not subject to the withholding tax (i.e., the exchange losses are always subject to limitation).

Integral Inflation Adjustment

Argentine tax legislation sets forth an adjustment for inflation. However, although these rules have not been repealed, their application has been suspended, and no inflation adjustments for tax purposes have been permitted since April 1, 1992.

Law 27430 and Law and 27468 have reinstated the comprehensive adjustment for inflation procedures based on the general consumer price index, for fiscal years beginning on or after January 1, 2018. Such adjustment will be applied whenever inflation calculated from the beginning until the end of each of the first three fiscal years of application exceeds 55 %, 30 % and 15 %, respectively.

According to such regulations, the (positive/negative) adjustment for inflation for the first three years had to be recognized as follows: one third, in the first fiscal year, and the remaining two thirds, over the next two fiscal years on a pro rata basis.

However, the Tax reform established by Law 27541 has set forth a new treatment of the calculation related to positive or negative adjustment for inflation corresponding to the first and second fiscal years beginning on or after January 1, 2019. It determines that only one-sixth (1/6) of the inflation adjustment will be computed in the fiscal year of the adjustment calculation, and the remaining five-sixths (5/6), computed in equal parts, will apply in the five immediately following fiscal years.

The provisions described in the previous paragraph do not preclude the calculation of the remaining thirds relating to the prior periods.

As regards fiscal years beginning January 1, 2021, it should be verified whether the variation in the consumer price index is higher than 100 % for the 36-month period prior to the end of such fiscal period. If the requirements are met, taxpayers will apply the integral inflation adjustment, computing 100 % of its effects.

Foreign Tax Credit

Resident companies may compute foreign income taxes as a credit towards their Argentine tax liability, up to the amount of the increase in their tax liability that results from including foreign-source income in the taxable base. This credit includes foreign withholding taxes where the Argentine entity is considered the payer, even if the foreign payer of the income is a third party. The foreign tax credit cannot be carried back but may be carried forward for a period of up to five years.

Treatment of Groups of Companies

Group Returns

Consolidated filing is not permitted. Each entity, irrespective of whether they belong to the same owner or affiliated group, shall file a separate tax return.

Foreign-source Dividends - CFC Rules

The tax transparency test consists in validating whether the entity abroad meets the conditions required to be eligible for the purposes of the tax transparency regime.

- **Revocable Trusts and similar vehicles:** income obtained by trusts, private foundations and entities of any similar nature organized, domiciled or located abroad whose main purpose is the management of financial assets, shall be allocated by the resident managing them to the fiscal year or period in which the fiscal year of such entities ends.
  The situations in which an individual/legal entity will be regarded as managing these entities are expressly regulated.

- **Companies not legally registered for tax purposes in the foreign jurisdiction:** income earned by local residents as a result of their ownership interest in companies or other legal entities organized, domiciled or located abroad, shall be allocated by shareholders residing in Argentina to the fiscal year or period in which the fiscal year of such companies or legal entities ends, pro rata to their ownership interest.

- **Companies legally registered for tax purposes in the foreign jurisdiction:** income earned by local residents as a result of their direct or indirect ownership interest in companies or other legal entities organized, domiciled or located abroad, shall be allocated by shareholders residing in Argentina to the fiscal year or period in which the fiscal year of such companies or legal entities ends, provided always that these requirements (among others) are met: a) controlling interest (interest equal to or higher than 50 % in the equity, the P&L or voting rights of the non-resident entity, individually or jointly with certain relatives; or -regardless of ownership percentage- faculties or attributes evidencing control), b) substance or nature of the income (in general, passive income accounting for at least 50 % of income for the fiscal year), c) low taxation in the foreign jurisdiction (below 75 % of the tax that would have been levied under applicable Argentine tax law).

Income allocated according to the abovementioned provisions shall receive in relation to the individual/ legal entity residing in Argentina the same treatment that should have been given in the event such income had been earned directly.

Distribution upon Liquidation

In general, a company distributing property at the time of final liquidation must recognize the gain or loss that would have resulted from selling such property at fair market value. In most cases, gains earned by the owners from the company's liquidation could be taxed as a dividend.

Dividends, Interest and Royalties Paid to Foreign Affiliates

It should be noted that the Equalization Tax mechanism has been eliminated for dividends or profits that correspond to accrued profits in fiscal years started as of January 1, 2018, maintaining its application for the previous ones. The purpose of the Equalization Tax was to subject to withholding the excess that would be verified between accumulated accrued and taxable profits.

The profits generated in years beginning in January 1, 2018 will be subject to the new scheme of partial integration between the corporate income and the dividend.

Therefore, in order to define the treatment applicable to dividends, the time of accrual of the distributable earnings must be considered following a FIFO methodology.

Interest is a deductible expense -with certain limits- and is subject to withholding tax when paid to foreign beneficiaries at the rate of 15.05 % or 35 %.

Royalties and technical assistance fees are deductible and subject to withholding tax. The withholding rate depends on the nature of the service and the local legislation on the transfer of technology. The applicable rates may be 21 %, 28% or 31.5 %.

The deductibility of royalties is limited to 80% of the gross payment made to non-resident entities. As regards technical assistance fees, the deduction cannot exceed 3 % of sales or 5 % of investment (should the advice be related to an investment).

Foreign companies are taxed only on Argentine-source income. They are generally imposed withholding taxes at different rates, depending on the nature and source of income.

Reorganization of Companies

Tax losses and exemptions can be transferred from the former company to the surviving company.

However, it is required that the owner/s of the former companies hold(s) at least 80 % of their ownership interest during a period no shorter than two years prior to the reorganization date.

This requirement shall not be in force when the former company or companies offer(s) shares in equity markets for the same period.

It is still mandatory for the owner/s of the former company and during two years after the reorganization date to keep at least 80 % of its ownership interest to that date or offer shares in equity markets for the same period.

Non-resident Companies

Foreign companies are taxed only on Argentine-source income. They are generally imposed withholding taxes at different rates, depending on the nature and source of income.

Import-related Income

Income earned by a foreign company from imports into Argentina is not taxable, provided that the ownership of goods is transferred overseas and that the local purchaser clears the goods through the Argentine Customs Authorities.

Portfolio Income

Dividends paid by resident companies (corporations, limited liability companies or branches) are subject to a withholding tax. The withholding rate is 7 %.

Proceeds from the sale of shares of local companies are subject to tax at a 13.5 % rate on the gross amount, or at a 15% rate on the net amount (at the taxpayer's option).

However, foreign beneficiaries -provided they do not reside in and the funds do not come from non-cooperative jurisdictions- will be exempt in relation to the following:

- Income derived from the sale of shares that are publicly traded in stock exchanges or stock markets under the supervision of the Argentine Securities and Exchange Commission (CNV).

- Interest income and capital gains on the sale of public securities, corporate bonds and certificates of deposit of shares issued abroad that represent shares issued by entities domiciled or located in Argentina (i.e., ADRs provided the underlying asset is an exempted share authorized for public offering in Argentina). It is worth clarifying that in the case of ADRs, the source of income is determined by the place in which the original issuer of the shares is located.

LEBACS (Central Bank notes) do not fall within this exemption.

The Income Tax Law also provides for the indirect taxation of shares. A non-resident is deemed to obtain Argentine-source income from the sale of shares or any other right representing the capital or equity of an entity domiciled or located abroad, when the following conditions are met:

1. The market value of shares at the time of the sale or in any of the twelve (12) months prior to the sale, accounts for -at least- 30 % of the value of the assets owned by the foreign entity -either directly or through the intermediation of other entities- in Argentina.

2. Shares, interests, units, securities or rights sold which, at the time of the sale or in any of the twelve (12) months prior to the sale, account for -at least- 10 % of the foreign company's equity that owns, either directly or indirectly, the assets indicated above.

Argentine-source income is determined only as the proportion of the interest that the assets in the country represent in the value of the shares sold. Note that indirect transfers within the same economic group are not taxable. It is understood that a transfer is carried out within an economic group when the sellers of shares have, either directly or indirectly, a joint interest in or over 80% of the capital stock of the purchaser, or vice versa; or when one or more entities have, either directly or indirectly, a joint interest, in or over 80% of the capital stock of both the seller and the purchaser. Interests mentioned above shall be held for, at least, two immediate prior years to the date of transfer.

Additionally, it is worth mentioning that taxation will only apply to interests in foreign entities acquired after January 1, 2018.

Partnerships, Limited Liability Companies and Joint Ventures

Taxable income of individuals, who are partners in a general partnership organized under Argentine law, is first computed for the partnership as a whole and then, it is generally allocated to the partners in accordance with their

capital or profit-sharing agreement. Each partner is subject to income tax on his or her own allocated taxable income.

Limited liability companies are taxed in the same manner as corporations.

For joint ventures, taxable income is allocated among the joint venture members, whether companies or individuals. Each joint venture member is then subject to income tax on its allocated taxable income under the rules applicable to the related member (whether company or individual).

Tax losses are also allocated to partners and joint venture members.

5.1.2. Transfer Pricing

Overview of the Transfer Pricing Regime

Argentine regulations on transfer pricing require that prices in transactions between related companies abroad be consistent with prices that would have been charged in similar transactions performed on an arm's length basis.

Additionally, pursuant to the provisions of sections 9 and 17 of the Income Tax Law[1], the transactions made with natural or legal persons, and other entities domiciled, incorporated or located in non-cooperative or low or null taxation jurisdictions[2] shall not be considered to be consistent with the arm's length principle.

Even though Argentina is not an Organization for Economic Co-operation and Development (OECD) member, local transfer pricing rules are based on the main concepts of OECD Guidelines.

It is worth mentioning there is no hierarchy for the application of the OECD accepted methods. The selection of the appropriate transfer pricing method in Argentina depends, primarily, on the availability of information and the number and significance of adjustments necessary to achieve comparability.

The Income Tax Law incorporated the following methods to evaluate controlled transactions of any type:

- Comparable uncontrolled price
- Resale price
- Cost plus
- Profit split, and
- Transactional net margin
- Other

Taxpayer Considerations

To collect taxpayer's information relevant to transfer pricing, the AFIP requires that supplementary transfer pricing returns be filed, disclosing the amounts related to the different intercompany transactions, including:

- Tangible goods
- Royalties
- Loans
- Insurance
- Advertising
- Freight
- Services
- Other transactions

Taxpayers are required to file supplementary transfer pricing / international transactions returns. **For fiscal years beginning prior to January 1, 2018:**

Form	Due date
Annual form F.969	15 days after the income tax deadline.
Annual form F.743	Eight months after the fiscal year end.
Semi-annual form F.742	On the eleventh month of the fiscal period.
Annual form F.867[3]	Seven months after fiscal year end.
Semi-annual forms F.741[4]	On the eleventh month of the fiscal period (first half of the year), and five months after fiscal year end (second half of the year).

On May 15, 2020, the AFIP released for publication General Resolution 4717/20 introducing a single annual form –F.2668 (International transactions form)– **for fiscal years beginning on or after January 1, 2018,**

(1) On December 29, 2017, a comprehensive tax reform, approved by the Argentine Congress, was published in the Official Gazette. Such law includes several changes in the Argentine Income Tax Law and in the tax system in general (Law 27430/17).

On December 27, 2018, Regulatory Decree 1170/18, issued by the Argentine government, was published in the Official Gazette. Such Decree included comprehensive regulations related to the last tax reform introduced in Argentina with the enactment of Law 27430/17.

(2) In accordance with Regulatory Decree 589/2013. In addition, pursuant to General Resolution 3576, the list of non-cooperative countries as from January 1, 2014 came into force.
Countries, domains, jurisdictions, territories, states or other special tax regimes are deemed to be cooperative for the purposes of tax transparency whenever they have signed with the government of the Republic of Argentina a tax information exchange agreement or a double taxation convention, including a broad information exchange covenant, provided that the exchange is effectively fulfilled.
It is worth mentioning that Income Tax law Regulatory Decree 862/2019 provides an updated list of non-cooperative jurisdictions.

(3) Imports from, and exports to, unrelated parties abroad of tangible goods, with the exception of commodities, with non-related parties, provided that the amount exceeds ten million Argentine pesos (ARS) during the fiscal year.

(4) Imports/exports of commodities with third parties.

which includes both the transactions formerly reported through forms F.743/F.969 and forms F.867/F.741.

According to General Resolution 4717, form **F.2668** due date is on the 23rd and the 27th days of the sixth month subsequent to the fiscal year end, depending on the last number of the CUIT.

Taxpayers will be bound to file form **F.2668** provided:

- Imports and exports of tangible goods with third parties located in cooperative jurisdictions exceed ARS 10,000 million.

- Transactions with related parties abroad or third parties located in non-cooperative or low / null taxation jurisdictions exceed ARS 3,000,000 in whole or ARS 300,000 individually.

On the other hand, regulations also state that it is mandatory to file, together with the annual returns mentioned above, a transfer pricing analysis report containing specific information.

For fiscal years beginning on or after January 1, 2018, General Resolution 4717 included more information requirements for the local report as described in the Annex I:

• Section A – Specific content of the TP Report:

1. Regarding the Group of Multinational Companies to which the taxpayer belongs:

   a) The updated group's chart, with a detail of the role performed by each entity.

   b) The partners or members of each company, indicating their capital share (percentage).

   c) The place of residence of each of partner and member of the group, except for the capital share portion placed through public offering in stock exchanges and markets.

   d) Name of the president or who has held an equivalent position in the last THREE (3) years within the economic group, indicating the place of residence.

   e) Contracts on transfer of shares, increases or decreases in capital, redemption of shares, merger and other, which may directly or indirectly involve the local individual/entity.

   f) Transfer pricing adjustments that have been made or would have been made to the group's companies in any of the last THREE (3) years. In turn, it must be reported if any of them is under a transfer pricing audit at the expiration dates of the terms to file, respectively, the annual return and the annual income tax return including the balance payable.

   This item will not be informed when the Master File filing provided for in Annex II is mandatory, to the extent that such master file contains the information requested in item 1 mentioned above.

2. The taxpayer's activities and functions.

3. The risks assumed and the assets used by the taxpayer in such activities and functions.

4. Assets, risks and functions developed by the individuals/entities that have the capacity as intermediaries, related to or located in non-cooperative or low or null taxation jurisdictions, including the way in which the related intermediary accrues income derived from the performance of functions, the ownership of assets or the control over risks inherent to the tested transaction and the other transactions supplementary to it.

   Likewise, in the case of export operations of commodities tested with the comparable uncontrolled price method, it must be stated if a) the main activity of the intermediary consists of the generation of passive income, or intermediation in the commercialization of goods from or to the Republic of Argentina; and if b) its international trade operations between the group's entities constitute the main activity of the total operations of purchase or sale of goods in the fiscal year under analysis.

5. In the case of business restructuring, an economic analysis that assesses the situation and determines the value of the compensation that would have been due had it been carried out between unrelated parties under comparable conditions.

6. A detail of the elements, documentation, circumstances and facts to which a price has been assigned for the purpose of transfer pricing analysis.

7. A detail and the amounts of the transactions conducted that fall within the scope of this General Resolution.

8. A detail of the characteristics of the financing operations.

9. Identification of the foreign individuals/entities with which the reported transactions were carried out, their CUIT in the country of tax residence, tax domicile and country of residence.

10. In the case of provision of services, what is considered in section 12 of this General Resolution must be reported.

11. In the case of operations with intangible assets:

    a) The description of the risks assumed, assets used, and functions performed;

    b) Compliance with the provisions of section 229 of the Regulatory Decree of the tax law;

    c) In relation to the expenses incurred in "marketing", advertising and sales promotion made by the local individual/entity, the comparison of this level of expenses with that made by unrelated entities;

    d) When applicable, the justification of the taxpayer's compensation for the contribution to the creation of value of intangible assets.

12. If applicable, the segmentation of the accounting information of the tested party.

13. Method used in support of the transfer pricing, with a description of the reasons and grounds for considering it to be the best method for the transaction involved.

14. Detailed technical and economic justification of the need to use other methods, and detail of the calculations and the reference to verifiable sources of information and other information required.

15. Identification of each comparable company selected to justify the transfer pricing applied, documenting the selection, acceptance and rejection criteria.

16. Identification of the sources of information from which the comparable companies were selected.

17. A detail of the comparable companies selected and subsequently discarded with an indication of the reasons.

18. A detail of the amounts and method applied to make the necessary adjustments to the selected comparable companies.

19. The criteria used to choose the profit level indicator, when appropriate.

20. Determination of the median and the inter-quartile range.

21. Transcription of the statement of income of the comparable taxpayers for the fiscal years necessary for the comparability analysis, with an indication of the sources of such information.

22. Description of the corporate activity and the characteristics of the business carried out by the comparable companies.

23. Conclusions.

• Section B – Specific information for cross-border financial transactions.

In all cases, compliance with the limits for the deductibility of the interests defined by subsection a), section 85 of the Income Tax Law (2019), as amended, must be proved.

a) Regarding the debtor and creditor of financial loans:

1. Identification information and geographical location of the debtor and creditor of financial loans.

2. Evidence obtained from public information sources or certification that the creditor has enough financial capacity to grant the loan and assume control over the related risks.

3. Evidence obtained from public information sources or certification that the debtor has the financial capacity to repay the principal and interest on the agreed maturities as well as, if applicable, the capacity to obtain guarantees and fulfill any other obligations.

4. Evidence of the income tax rate at which the interest paid in the jurisdiction receiving the income is taxed, in case the transaction is governed by a Double Taxation Convention.

b) Planned use of funds received.

c) Regarding financial operations:

1. Amount of principal and currency of transaction.

2. Nature: commercial credit, merger, acquisition, mortgage, etc.

3. Expiration date or payment schedule.

4. Interest rate, specifying whether it is fixed or variable.

5. Presence or absence of a fixed payment scheme.

6. Existence or not of interest payment.

7. Right to enforce payment of principal and interest.

8. The existence of financial guarantees and other guarantees.

9. The source of interest payments.

10. Penalty clause or course of action in case of default of payment of the alleged debtor on the due date or upon request for deferment.

11. Other characteristics that may be of interest.

The transfer pricing report shall be electronically filed, attached to form F.4501, accompanied by an independent accountant's attest report, on an annual basis. F.4501 shall bear three digital signatures (i) the taxpayer's, (ii) that of the independent accountant involved, and (iii) the one of the representatives of the professional association where the independent accountant has been licensed.

According to General Resolution 4717, form F.4501 due date is on the 23rd and the 27th days of the sixth month subsequent to the fiscal year end, depending on the last number of the CUIT.

Taxpayers will have to prepare and file the local transfer pricing report provided:

- Transactions with related parties abroad:
  - Exceed ARS 30,000,000, or
  - Exceed ARS 3,000,000 in whole or ARS 300,000 individually, for those taxpayers that are bound to file the CbyC Report or the Master File.
- Transactions with third parties located in non-cooperative or low / null taxation jurisdictions:
  - Exceed ARS 3,000,000 in whole or ARS 300,000 individually.

It should be noted that through Resolution 5010/21 released for publication in June 2021, the abovementioned threshold was modified by the AFIP for fiscal years ended on or after December 31, 2020 as follows:

- Transactions with related parties abroad:
  - Exceed ARS 3,000,000 in whole or ARS 300,000 individually.
- Transactions with third parties located in non-cooperative or low / null taxation jurisdictions:
  - Exceed ARS 3,000,000 in whole or ARS 300,000 individually.

Finally, **for fiscal years beginning on or after January 1**, 2018, General Resolution 4717 introduces content requirements for the Master File:

1. Structure and organization of the group

   a. Chart illustrating the Multi-National Enterprise (MNE) group's legal ownership of the capital, as well as the geographical location of operating entities, even if no operations were performed with the entities.

2. Description of MNE group´s business(es)

   a. Description of the main activities of the MNE group and the main sources of business profits.

   b. Description of the supply chain for the MNE group's five largest products and/or services in terms of turnover plus any other products and/or services amounting to more than 5% of MNE group's turnover.

   c. Reference to the main geographic markets for the MNE group's products and services.

   d. A list and brief description of important service arrangements between members of the MNE group, other than research and development (R&D) services, including a description of the capabilities of the principal locations providing important services and transfer pricing policies for allocating services costs and determining prices to be paid for intra-group services.

   e. Functional analysis describing the principal contributions to value creation by individual entities within the MNE group, including changes from the previous fiscal period.

   f. Description of important business restructuring transactions, acquisitions and divestitures occurring during the fiscal year.

3. MNE group´s intangibles

   a. Description of the MNE group's overall strategy for the development, ownership and exploitation of intangibles, including location of principal R&D facilities and location of R&D management.

   b. List of intangibles or groups of intangibles of the MNE group that are important for transfer

pricing purposes and which entities legally own them.

c. List of important agreements among identified associated enterprises related to intangibles, including cost contribution arrangements, principal research service agreements and license agreements.

d. Description of the MNE group's transfer pricing policies related to R&D and intangible assets.

e. Description of any important transfers of interests in intangibles among associated enterprises during the fiscal year concerned, including the entities, countries, and compensation involved.

4. MNE group´s intercompany financial activities

a. Description of how the group is financed, including important financing arrangements with unrelated lenders.

b. Identification of any members of the MNE group that provide a central financing function for the group, including the country under whose laws the entity is organized and the place of effective management of such entities.

c. Description of the MNE group's general transfer pricing policies related to financing arrangements between associated enterprises.

5. MNE group´s financial and tax positions

a. MNE group's annual consolidated financial statements for the fiscal year concerned.

b. List and brief description of the MNE group´s existing unilateral advance pricing agreements (APAs) and other previous agreements or any tax rulings relating to the allocation of income among countries.

The Master File has to be filed in Spanish, in pdf format and signed by the taxpayer's legal representative or responsible person. **Master File** due date is on the 23rd and the 27th days of the twelfth month after the fiscal year end, depending on the last number CUIT.

Potential Penalties

In case of noncompliance with the formal obligation of filing the returns, the transfer pricing analysis report and the statutory financial statements at due date, taxpayers will be imposed a fine of ARS 10,000 for locally owned entities and a fine of ARS 20,000 for foreign owned entities.

Additionally:

- The failure to provide the information requested by the AFIP to audit international transactions is subject to a fine ranging from ARS 150 to ARS 45,000.

- The transfer pricing tax adjustment is subject to a fine that ranges from two to six times the unpaid tax amount[5].

In turn, **General Resolution 4130** (AFIP), published in the Official Gazette on September 20, 2017, introduces, on the one hand, an information regime –Country by Country Report (Title I)– which consists of an annual filing of a Country by Country Report (CbyCR) regarding entities belonging to MNE groups.

- Resident entities' information regime is open to be completed through the AFIP's web service known as "Régimen de Información País por País", obtaining form F.8097 as a proof of filing.

- While the report is intended to cover ultimate parent companies (UPC) of MNE groups with residence in Argentina, it also imposes the obligation for local taxpayers being part of a MNE group to comply with the CbyCR information regime if either of the following is observed: (i) there is no obligation to comply in the jurisdiction of the UPC, (ii) there is a lack of competent authorities agreement with the UPC jurisdiction, which allows the Argentine authorities to automatically obtain the CbyC Report, or (iii) there are systematical failures of the UPC jurisdiction to submit the CbyC Report to Argentine authorities.

- The regime will not apply to those MNE groups whose total consolidated annual revenues attributable to the fiscal year prior to the fiscal year to be reported are less than € 750,000,000 or its equivalent amount converted into the local currency of the fiscal jurisdiction of the UPC.

- The CbyCR shall be filed annually, until the last business day of the twelfth month immediately following the UPC fiscal year end to be reported.

On top of that, an information regime (Title II of General Resolution 4130) has been introduced for resident entities of a MNE group to submit information about their UPC and the MNE group, among others, with a deadline on the third month after the fiscal year end of the UPC.

- The resident entities information regime –Title II– is open to be completed through the AFIP's

(5) An exhaustive detail of penalties is found in the Argentine Tax Procedure Law enacted in November 2003.

web service known as "Régimen de Información País por País", obtaining form F.8096 as a proof of filing.

- When more than one entity integrating a MNE group resides in the country, one of them may be designated to give the notification referred to in Title II, without prejudice to the penalties imposed on the parties bound by the current regime in case of non-compliance of the designated entity.

- Moreover, two months after the CbyCR filing deadline[6], local entities are also required to inform if the CbyCR was filed in the jurisdiction of the UPC.

The provisions of General Resolution 4130 (AFIP) are applicable to fiscal years beginning on or after January 1, 2017.

CbyC Reporting penalties

The Tax Procedure Law includes a new section where material penalties in relation to lack or deficiencies in complying with the CbyC Reporting rules adopted in Argentina (AFIP General Resolution 4130/17). The most relevant, among others, are:

- Local CbyCR filing failure – Penalties range from ARS 600,000 to ARS 900,000.

- Local CbyCR related notifications failure – Penalties range from ARS 80,000 to ARS 200,000.

Other Considerations

In terms of audits and transfer pricing scrutiny, there is an increasing tendency for the AFIP to challenge transfer prices for taxpayers that present systematic losses beyond a specific fiscal year, mainly among resellers. There are no particular types of transactions under scrutiny and the AFIP have initiated audits in different industries. The AFIP do pay special attention to the analysis criteria applied to the different fiscal years, mainly with respect to the use of multi-year periods for the tested party. They also require that financial information used in the analysis of comparable companies is checked against the relevant data sources.

Lack of supporting information may cause the exclusion of the comparable company from the analysis by the AFIP.

In the context of the OECD/G20 BEPS Project, it should be mentioned that, on June 7, 2017, Argentina took part in the signing ceremony for the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS held during the annual OECD Week.

(6) CbyCR filing deadline in the jurisdiction of the reporting entity.

COVID-19

In May 2021, the AFIP published on its institutional Website a note with suggestions for comparability analyses during pandemic-affected periods quite aligned with the document published by the OECD in December 2020 in this regard. It is worth mentioning that the tax authorities recommended the use of comparables' contemporaneous information, and they discouraged the use of multi-annual financials averages to avoid any distortions during the analysis process.

Additionally, through General Resolution 5010/21 published in the Official Gazette on June 18, 2021, the AFIP granted an exceptional extension of the due date to file the Transfer Pricing Report and forms F. 2668 and F. 2672 for fiscal years ended between December 31, 2020 and December 31, 2021, both dates inclusive, until the ninth month following fiscal period-end, starting on the 23rd day for CUIT ending in 0-1 and so on.

Finally, through the abovementioned resolution (5010/21), an optional International Operations Simplified Regime was also established. Such regime is fulfilled by filing the new form "F. 2672 - International Operations Simplified Regime" This regulation includes some conditions to qualify for this regime and specific information requirements.

5.1.3. Indirect Taxes

Value Added Tax

Scope

The value added tax (VAT) is a general tax on consumption within the Argentine territory. Value added tax shall be levied on:

1. the sale of movable property situated in Argentina;

2. works, contracts for services and service provisions included in section 3 of the VAT Law and taking place within the Argentine territory. Notwithstanding the foregoing, the services provided from Argentina and economically used abroad qualify as "export of services", and are subject to tax at a zero rate;

3. definitive imports of movable property;

4. services provided abroad, but actually used or exploited in the country, to the extent that the service recipients are VAT taxpayers in connection with other taxable events as well as VAT registered;

5. the digital services provided by a legal entity/ individual residing or domiciled abroad, but actually used or exploited in the country, to the extent that the service recipient does not fall within the scope of d) above.

Under the VAT system, the tax is levied at each stage of the manufacturing and distribution process on a non-cumulative basis. The accumulation of tax is avoided through the deduction of VAT invoiced to the entity. The entity pays VAT on the total amount invoiced by it in each monthly tax period, but it is entitled to recover the input VAT that was invoiced to the entity during the same period. If in any tax period, the credit arising from input VAT is higher than the amount of VAT due on output, the entity is not entitled to a refund (unless the refund is related to exports or the purchase of fixed assets); rather, the excess is used as a credit towards the payment of future VAT liabilities.

In the case of services provided abroad to be used in Argentina ("import of services"), the applicable tax should be self-assessed by the local taxpayer on the amount payable to the foreign provider and paid to the Tax Authorities within 10 days after the taxable event arose. The payment thereof will be used as a VAT credit.

Real estate transactions are outside the scope of VAT, except for the lease of commercial buildings exceeding the amount of ARS 1,500, which is taxable. On the other hand, certain transactions are exempt, such as sales of shares and securities. Entities performing these activities may not recover input VAT.

Since June 5, 2001, the amounts paid on the purchase, import, or lease (including lease agreements) of automobiles may be claimed as a tax credit, only if the cost of acquisition, import or market price is equal or less than ARS 20,000 (net of VAT). If the value exceeds that limit, the tax credit can be only claimed up to this limit. When the automobiles are inventory or a key operating fixed asset for the purchaser, this limitation will not be applicable. The restriction on computing the tax credit related to maintenance, repair and use of automobiles, which can be deductible with no limit, has also been lifted.

Taxable Basis

The VAT basis is the net price of the goods or services, or interest on loans, including the following items:

- Readjustments, interest and financing charges on deferred payments of services or sales of goods, including compensatory interest accruing during the corresponding monthly period, and

- CIF (cost, insurance and freight) value of imports or customs value plus customs duties.

Rates

The general rate is 21 %.

A higher rate of 27 % is applied to electricity, natural gas and water supplied to business activities.

The rate of 10.5 % is applied to some activities. For example, to the construction industry only with respect to the construction of dwellings (houses).

A special rate of 10.5% applies to interest and commissions paid on loans granted by local financial institutions. The same rate applies to loans granted by a bank located in a country, whose central bank or equivalent body has adopted the international standards on banking supervision set forth by the Basle Committee. Borrowers must be registered taxpayers.

Capital goods, whether imported or manufactured, are subject to a regime under which a VAT rate of 10.5% is applied. A list of HS codes for goods that will be considered under this regime is available. Taxpayer's credits originated as a consequence of these transactions may be refunded under certain limits.

A 10.5 % rate also applies to soy and soy-related products.

There are special reduced rates of 5% and 10.5% on the rental of certain advertising spaces. The rate applicable depends on the activity (digital journalistic editions of online information or editorial production) and the invoiced amount in the previous twelve months.

Services related to the distribution, classification, and/ or return of newspapers, magazines and periodicals provided to taxpayers engaged in editorial production are subject to a 10.5 % rate.

Documentation

If the purchaser is a VAT-registered taxpayer, the invoice must segregate the price of the sale or service from the VAT amount. Such invoice allows the purchaser to determine and compute the related VAT credit.

If the purchaser is a final consumer or is VAT exempt, VAT need not be segregated in the invoice. The seller shall, therefore, include the VAT in its selling price. As a consequence, only 82.64% of the total invoicing is revenue for the seller because 17.36% (21% of 82.64%) is a tax liability.

Administration

The VAT is reported and paid monthly, based on a system designed by the Tax Authorities.

Transfer of VAT Credits
Under the provisions of Section 24 of the VAT Law, VAT credits arising from direct payments may be transferred to other taxpayers according to the provisions of Section 29 of Law 11683 (Tax Procedure Law).

Refunds of VAT credit balances:

- Exports of goods and services are included within the scope of VAT, but they are taxed at a zero rate. This means that VAT is not levied on output, but the VAT paid on inputs may be recovered through tax refunds, which shall be requested by the taxpayer.

- VAT credit balances (input VAT) derived from the purchase or importation of fixed assets (except automobiles) which, after a period of six consecutive months, have not been absorbed by VAT debits (output VAT) will be refunded by the Tax Administration.

  Within a term of 60 months, the taxpayer must (i) apply such funds to pay VAT on domestic supplies or (ii) demonstrate that it would have had the right to reimbursement pursuant to the Exporters Regime. If the taxpayer fails to comply with these requirements, it will have to repay the amounts in question to the Tax Administration, plus interest.

5.1.4. Other Federal Taxes

Wealth Tax

Technically, the wealth tax is a tax on the net assets of individuals; however, there is a substitute taxpayer system when the shareholder of a local entity, organized under Law 19550, and most local trusts, is a foreign entity.

At present, domestic companies shall pay the tax as substitutes for their shareholders. Such tax is equivalent to 0.50% of the equity of the local entity annually, in proportion to the respective participation of each shareholder. Local companies responsible for paying the tax will be entitled to be reimbursed by their foreign shareholders.

Tax on Financial Transactions

Competitiveness Law 25413 (Argentine Official Gazette, March 26, 2001) has created a tax on debits and credits in bank accounts opened in Argentine financial institutions, except for those expressly excluded, as well as on the following transactions:

- The transactions carried out by financial institutions, in which a demand deposit account is not used, no matter how they are named, the mechanisms used to carry them out and their implementation for legal purposes.

- All transactions or release of owned or third party's funds –even in cash– that any individual or entity –including financial institutions– may carry out in their own accounts or in the account of another and/or on behalf of other parties, no matter the mechanisms used to carry them out, how they are named and their implementation for legal purposes. This paragraph includes the transactions necessary to credit funds to merchants operating with the credit card system, except for the transactions or release of funds related to the payroll deposit service for employees.

The taxable event will take place:

- Bank account debits and credits: at the time of making the debit or credit to the related account.

- Other: at the moment of making payments, crediting the amounts or making funds available. In the case of drafts and transfers, when they are issued.

The general tax rate is 6 ‰ (six per thousand) for credits and 6 ‰ (six per thousand) for debits, except for transactions involving collection management, report of receipts from, and payments to, merchants within the credit card system-when the amounts collected and receipts and payments are not credited to accounts opened in the name of the beneficiaries of the checks or issuers of the management, receipt or payment order- as applicable, in which case, the tax rate to be levied will be 12 ‰ (twelve per thousand).

Cash withdrawals, except with respect to accounts held by individuals and entities qualifying as micro and small enterprises, are subject to this tax at a 12 ‰ rate.

Holders of bank accounts levied with the general rate of 6 ‰ can compute, as a tax credit, 33 % of the tax paid for both credits and debits.

Such amount will be considered as a credit towards the payment of income tax.

Excise Taxes

The excise tax is imposed by the federal government on the sale, transfer or import of specific products, based, in general, on the amount invoiced. Main items subject to this tax are tobacco and tobacco products, alcoholic beverages, soft drink concentrates and soft drinks, diesel engines and cars, cellular phone services, electronic products and insurance premiums.

This tax does not apply to exported items. Excise tax rates vary depending on the item.

Tax for an Inclusive and Supportive Argentina (PAIS)

This tax has recently been established as an emergency tax for the term of 5 periods. It is applied to a) transactions for the purchase of foreign currency without a specific purpose, b) exchange of currencies for the purchase of goods and services abroad, including cash withdrawals, and paid by credit, purchase and debit cards, c) purchases made online in foreign currency, and d) acquisition of services abroad purchased through travel and tourism agencies, including payments in cash if access to the foreign exchange market to buy foreign currency is needed to pay the foreign service vendor. The acquisition of land, air and water transport services for passengers outside the country (except land passenger services to neighboring countries) is also taxed to the extent that in order to pay for the transaction it is necessary to exchange Argentine pesos to purchase the corresponding foreign currencies.

The tax will be assessed by applying the rate of 30 %, except for the purchase of digital services which is subject to an 8 % rate.

Estate and Gift Taxes

Transfers of property upon death and inter vivos are not subject to any special tax at a federal level and are considered income tax exempt.

5.1.5. Tax Incentives

Incentives are available for mining, research and development activities, the software industry, investment in capital assets and infrastructure works, the biofuel industry, modern biotechnology and the bioethanol industry.

Mining Promotion (Law 24196)

Several tax incentives are granted to resident individuals and legal entities organized or established in Argentina. For them to be eligible, they must develop mining activities in Argentina, or create an establishment in Argentina for that purpose, and register with the applicable authorities.

Individuals or entities rendering mining services as well as state-owned organizations engaged in mining activities are exclusively eligible for benefits relating to import duties exemptions on capital assets and equipment.

The incentives are granted for the prospecting, exploration, development, preparation, extraction and certain processing of minerals subject to the Mining Code.

In order to be eligible, the project must be located in the territory of the provinces under the incentive scheme.

Hydrocarbons, the industrial production of cement, the industrial production of ceramic, the extraction of sand and quarrying are not eligible activities.

Eligible projects receive, among others, the following tax benefits:

Tax stability:

Except for VAT and social security contributions, the total tax burden may not be increased during 30 years from the filing of feasibility studies. This benefit covers taxation at federal, provincial and municipal levels (i.e. provinces and municipalities under the scheme).

In February 2019, General Resolution 4428 was jointly issued by the Argentine Tax Authorities (AFIP) and the Mining Bureau. By means of such resolution, the procedure for mining companies to request the refund of taxes that may have affected the tax stability was established.

Special rules regarding deductibility and depreciation:

- double deduction for exploration expenses;
- accelerated depreciation of fixed assets;
- refund of VAT paid in mining investments;
- special ARO allowance.

Royalties:

Royalties charged by provinces are limited to 3% of the value of the mineral extracted and transported before any transformation process (the pithead value).

The administration and control of the scheme is the responsibility of the Mining Bureau. In order to obtain the benefits, it is necessary to be registered with the Mining Bureau. This authority must issue a certificate stating the taxes and charges (whether national, provincial or municipal) applicable to the project at filing date and send a copy of that certificate to the Tax Authorities.

Forestry Regime (Law 25080)

Through the Forestry incentive regime, the following benefits are granted to both new projects and expansion of the existing ones:

- Fiscal stability for 30 years. Such period may be extended for 20 additional years.
- Accelerated depreciation for equipment, construction, and infrastructure.
- VAT refund applicable to the purchase of assets, services and imports destined to the forestry investment required by the project.
- Certain companies may receive a non-refundable financial aid.

Argentine companies may obtain a "tax credit certificate" of up to the lower of 10% or ARS 5 million of certain eligible expenditures in research, development or technological innovation. Such certificates will be creditable against federal taxes. The Executive Branch will assign and fix the annual amount of tax credit that may be granted under this regime.

Tax Credit Regime for Institutions (Law 22317)

A tax credit is granted on qualifying gifts or expenses incurred by large companies destined to support either certain training institutions or micro, small or medium-sized enterprises that are part of their value chain. The tax credit may not exceed 0.8% of the annual payroll. In the case of micro, small or medium-sized enterprises that destine funds to train their own personnel, the tax credit cannot exceed 30% of the salaries related to the last twelve months. The tax credit is granted, upon request, by the applicable government agency and it may be used to pay any federal tax (e.g. income tax, VAT). Expenses or gifts originating the tax credit are not deductible for income tax purposes. The tax credit may be granted only once a year. The property acquired with the expenses relating to the tax credit is subject to certain limitations (e.g. with respect to its transfer).

Tax Credit on Research and Development Projects (Law 23877)

Argentine companies may obtain a "tax credit certificate" of up to the lower of 10% or ARS 5 million of certain eligible expenditures in research, development or technological innovation. Such certificates will be creditable against federal taxes. The Executive Branch will assign and fix the annual amount of tax credit that may be granted under this regime.

Knowledge-based Economy Promotion Regime

The law establishing a knowledge economy promotion regime has been in force since January 1, 2020. Law 27506 (amended by Law 27570) creates a special regime that will be effective until December 31, 2029.

Such regime is applicable to companies engaged in the following activities: software development and related activities, audio-visual productions, biotechnology, geological services, electronic and communication services, professional services qualifying as exports, nanotechnology, aerospace industry, artificial intelligence and robotics, research and development activities, medical developments, among others.

To be eligible for the benefits under this regime, companies shall meet the following requirements:

- 70 % of their business shall consist of promoted activities.
- Inexistence of tax, labor, union or social security debts.
- Registration with a special registry.
- Compliance with –at least– two of the following requirements: a) research and development in promoted activities (3% of sales, for large companies) or personnel training (5% of total salaries of individuals engaged in promoted activities, for large companies), b) exports related to promotional activities (13% of total invoicing for large companies) or c) meeting certain quality standards.

Benefits include:

- Benefits stability while the regime is in force.
- Income tax rate reduction, which will be applicable to income derived from the promoted activity only (20 % reduction for large companies).
- A non-transferable tax credit of up to 70 % of the employer's contributions effectively paid, derived from the registered employees assigned to the promoted activities. This tax credit can be used over a 24-month term to pay primarily VAT. The benefit calculation will be limited to up to 3,745 employees. The tax credit will amount to 80% of the employer's contributions effectively paid when hiring women; transvestite, transsexual and transgender individuals; professionals with postgraduate studies in engineering, exact and natural sciences; people with disabilities; people residing in unfavorable areas or with less relative

development, and people who before being hired were beneficiaries of the so-called social plans.

- Exemption from VAT withholdings and collections (only for exporters).

- Beneficiaries may consider as an expense deductible for income tax purposes the amount resulting from any other similar taxes paid or withheld abroad as a result of the income obtained from promoted activities.

- Export duties. This benefit does not appear in Law 27506 (amended by Law 27570) but was introduced by Decree 1034/2020. All those registered with the National Registry of Beneficiaries of the Knowledge Economy Promotion Regime will be subject to a 0% rate on the export duties that must be paid for the export of services performed. It is important to highlight that Export duties on services have been definitely repealed for all taxpayers from January 1, 2022 onwards.

Beneficiaries that enroll at the registry must revalidate the registration requirements every two years. In addition, companies shall increase the percentage required by additional requirements at every revalidation process.

Notwithstanding the foregoing, it must be annually proved that the beneficiary maintained and/or increased their payroll with respect to the number of employees hired at the time of applying for the registration. For such purposes, only dismissal without cause will be considered as actually reducing the payroll.

Finally, the following payments shall be made to be registered with the National Registry of Beneficiaries of the Knowledge Economy Promotion Regime:

- FONPEC contribution: 3.50 %.

- Audit rate: 2 %.

In both cases, the amount to be paid is calculated based on the tax benefits obtained, which arise from the law in force, even if they were not used or were subject to subsequent adjustments.

Renewable Energy Regime

By the end of 2015, Law 27191 was enacted for the purpose of fostering the generation of electricity from renewable sources.

The Law defines that an 8 % of electricity should be generated from renewable sources by the end of year 2017 and 20% by the end of year 2025. Goals shall be progressively met in accordance with the following schedule:

- 12/31/2017: Minimum consumption 8 %

- 12/31/2019: Minimum consumption 12 %

- 12/31/2021: Minimum consumption 16 %

- 12/31/2023: Minimum consumption 18 %

- 12/31/2025: Minimum consumption 20 %

Main benefits are as follows:

- *VAT*: Early tax refund in the construction stage.

- *Income tax*:
  - Accelerated depreciation of personal property and infrastructure works.
  - Tax losses can be computed for a term of 10 years.

- *Minimum presumed income tax*: exemption up to the eighth year subsequent to start-up, on property involved in the project subject to the promotion regime (nevertheless, this tax was abrogated by Law 27260 as from 01/01/2019).

- *Tax certificate*: equivalent to 20 % of the amount of the Argentine-source component (60% of Argentine-source component shall be evidenced, which can be reduced up to 30% to the extent that no local production is evidenced). The certificate can be granted only once.

- *Import duties*: exemptions only for some specific goods (e.g. solar panels and WEC).

- *Loans from Banco de la Nación Argentina*: Short-term loans will be granted at a special interest rate to finance the payment of VAT by the beneficiaries of the regime during the development of the project until it becomes operative.

- *Treatment under the Companies Law*: For the purposes of section 94, subsection 5 and section 206 of the Companies Law, interest and exchange losses arising from the financing of the project subject to the promotion regime may be excluded from the company's losses. They may be disclosed for accounting purposes in an explanatory note. For tax deduction purposes, the provisions of the Income Tax Law (general treatment) shall be applied.

In 2019, General Resolution 4437 regulated the procedure to enable accelerated depreciation of investments to be authorized.

Modern Biotechnology (Law 26270)

The law defines "modern biotechnology" as the technology application based on rational knowledge and scientific principles derived from biology, biochemistry, microbiology, bioinformatics, molecular biology and genetic engineering, which uses live organisms or part of them for the production of goods and services or for the substantial improvement of production processes or products.

The preferential regime is available to resident individuals and legal entities incorporated in Argentina that submit a research and development project based on the application of modern biotechnology, and also to individuals and legal entities filing or executing application projects of modern biotechnology for the production of goods and/or services. Eligible individuals/entities shall be registered with the relevant regulators.

Tax benefits available under this regime, which shall be in force for 15 years (as from 2007), are the following:

- Accelerated depreciation of fixed assets, equipment and parts thereof for income tax purposes;
- Early refund of VAT on purchases of such assets. This credit will be used towards the payment of other national taxes, and
- A credit certificate for 50 % of the social security contributions paid. This certificate can be used as a credit towards the payment of national taxes, e.g. VAT, income tax, income tax advances.

Resident individuals and legal entities incorporated in Argentina that submit a research and development project based on the application of modern biotechnology will also have the benefit of a credit certificate for 50% of the research and development expenses incurred with qualified institutions (as defined by law).

Credit certificates are effective for 10 years from project approval.

Micro, Small and Medium-Sized Enterprises Regime (in Spanish, MiPyME)

Law 27264 and other rules provide MiPyME with several tax benefits. Such benefits include the following:

- Micro and small-sized enterprises may compute 100 % of the tax on bank account debits and credits effectively paid as a credit towards income tax. Medium-sized enterprises related to the manufacturing industry may offset 60 % of such payments.
- Micro and small-sized enterprises may pay the VAT balance on the due date corresponding to the second month immediately following its original maturity.
- Further tax benefits are provided for those MiPyME making productive investments and those that contribute to the development of the manufacturing industry.
- Law 27440 has established the electronic credit invoice as a financing instrument for MIPyMEs.
- Exporting MiPyMEs are exempt from export duties in certain cases.

In order to obtain the abovementioned benefits, companies must register with the Registry of MIPyMEs.

Tax Credit for Capital Goods, IT and Telecommunications (Decree 379/2001 and Decree 196/2019)

Under this regime, local manufacturers –by means of a tax certificate– are reimbursed an amount that is equivalent to a percentage of the sales of capital goods. Such certificate can be used to pay federal taxes. For requests related to invoices issued until December 31, 2021, the certificate will be issued for an amount equivalent to 50% of the sum of the following items:

1. 6 % of the sales price of the goods, less the value of the related components added to such goods, imported with a 0 % duty.
2. 8 % of the sales price of the goods, less the value of the related components added to such goods, imported with a duty other than 0 %.

For MIPyMES, the certificate will be issued for an amount equivalent to 60 % of the sum of the items detailed in 1) and 2) above.

Finally, the tax reimbursement may be increased by 15 %, provided beneficiaries can evidence the existence of investments in the improvement of productivity, quality and innovation.

Decree 1051/2020 extended the promotion regime for capital goods, IT and telecommunications investments (originally established by Decree 379/2001) to December 31, 2021. The deadline for applying for the benefit is established on March 31, 2022, also contemplating a maximum period of one year for the issuance of the related invoices, counted retroactively at the time of filing.

5.1.6. Double Taxation Conventions

Argentina has valid double taxation conventions signed with the following countries: Australia, United Kingdom, Chile, Denmark, Germany, Belgium, France, Italy, Sweden, Canada, Bolivia, Brazil, Finland, Norway, Spain, Switzerland, the Netherlands, Russia, Mexico, United Arab Emirates, and Qatar. Other treaties were signed –not yet in force– with China, Japan, Luxembourg, Austria and Turkey.

In addition, a number of treaties concerning income tax exemption for international transport are in force.

5.2. Local and Provincial Taxes

5.2.1. Turnover Tax

Local governments impose tax on the turnover (revenues) of businesses. Tax rates vary depending on the type of activity and jurisdiction (there are 24 jurisdictions). In general, farming and cattle raising, mining and other primary activities are taxed at a rate ranging from 0 % to 0.75 %; industrial activities, at a rate from 0% to 1.5 %; commerce and services in general, at a rate from 2.5 % to 5 %; and financial and intermediation activities, at a rate from 5.5% to 8%. Rates are applied to the total amount of gross receipts accrued in the calendar year.

To avoid multiple taxation, a multilateral treaty exists for the distribution of the taxable basis among the different tax jurisdictions.

In general, exports of goods and services are tax exempt.

5.2.2. Stamp Tax

Stamp tax is levied on the execution of public or private instruments. It is payable in the jurisdiction in which the economic transaction is documented, but it may also be applicable in the jurisdiction in which it has effects.

Documents subject to this tax include, among others, all types of contracts, deeds, invoices confirmed by a debtor, promissory notes and negotiable instruments. In general, the taxable basis is the economic value of the agreement.

In general, the applicable rate is 1 % or 1.2 %, though it can vary depending on the type of deed and on the legislation of the jurisdiction imposing this tax. In the case of real estate sales, the rates may range, in general, between 2.0 % and 3.6 %.

5.2.3. Real Estate Taxes

Local governments assess the value of local real estate and levy a progressive real estate tax on the assessed values. The applicable rates vary from one jurisdiction to another.

5.2.4 Estate and Gift Taxes

On September 23, 2009, Law 14044 was enacted in the Province of Buenos Aires, whereby a tax on the transfer of assets for no valuable consideration was created in that jurisdiction. This tax levies all increases in equity for no valuable consideration, such as:

- Inheritances;
- Legacies and devises;
- Gifts;
- Inter vivos gifts; and
- Any other event resulting in an increase in equity for no valuable consideration.

It is worth noting that this tax is levied on assets located in the province (even though the owner is not domiciled in that jurisdiction) and/or transferred to individuals or legal entities domiciled in the province.

In addition, the transfer of assets for no valuable consideration is exempt when the aggregate value is equivalent to or lower than ARS 468,060 or ARS 1,948,800 in the case of parents, children or spouses. When the value of assets is in excess of the referred amount, all the assets transferred for no valuable consideration will be levied with the tax.

This tax shall be paid at a rate ranging from 1.6026 % to 9.5131 %, depending on the taxable basis and the relationship with the decedent or the donor.

The tax is effective as from January 1, 2010.

5.2.5. Tax Incentives

Technological District (City of Buenos Aires)

The Regime for the Promotion of Information and Communication Technologies is created to promote the economic development of a geographic area of the City (Technological District of the City of Buenos Aires) by granting tax benefits to those who develop certain activities therein.

Benefited activities include, among others, software development, computer services, technological consulting and outsourcing, robotics, biotechnology, hardware production, Software services (SaaS), Hardware services (HaaS), Infrastructure services (IaaS), Platform services (PaaS), Cloud computing services (cloud computing).

For the granting of benefits, registration with a registry is required.

Income derived from the development of promoted activities, carried out within the District by the beneficiaries definitively registered with the aforementioned registry is exempt from turnover tax, whereas the beneficiaries with a provisional registration may defer the payment of turnover tax for two years. If the definitive registration is finally obtained, the payment obligation ceases.

The beneficiaries that are provisionally registered will be required to maintain their location and their activities within the District for a minimum period of five years counted as from the date on which the definitive registration has been obtained.

Those beneficiaries who, at the time of requesting their provisional registration, are not registered for turnover tax purposes in the City of Buenos Aires will be granted a transferable credit equal to 50% of the value corresponding to the investments destined to set up the benefited activities in the District.

The Regime for the Promotion of Information and Communication Technologies is created to promote the economic development of a geographic area of the City (Technological District of the City of Buenos Aires) by granting tax benefits to those who develop certain activities therein.

Among other benefits, there is a stamp tax exemption in relation to certain documents for both definitively and provisionally registered beneficiaries. Real estate tax and public lighting, sweeping and cleaning (in Spanish, ABL) service charge exemptions are also granted to beneficiaries with a definitive registration.

The promotional regime established by this law will be in force until January 31, 2035.

Knowledge-based Economy Promotion Provincial Regimes

Following the federal law 27506 already mentioned in section 5.1.5 (that set forth several benefits from a federal taxation perspective), many provinces/ jurisdictions also issued their own Knowledge-based Economy Promotion regimes.

Those regimes mostly require companies to:

- be registered with the Federal Knowledge-based Economy Promotion regime; and/or,
- develop a knowledge-based business / have a physical presence in the specific provincial territory.

Since every provincial regime differs from each other, a case-by-case analysis should be run for every company. However, some of the most common benefits granted by each jurisdiction are:

- tax stability for a certain lapse of time;
- turnover tax exemption/reduction applicable to the knowledge-based business revenue obtained in the specific jurisdiction;
- stamp tax/real estate tax exemption/reduction.

Industrial Promotion Regime (National Territory of Tierra del Fuego)

The industrial promotion regime ruled by Law 19640 states that activities and operations carried out in the National Territory of Tierra del Fuego, or assets existing in this territory, are exempt from all national taxes (in the case of some specific taxes, reduced rates may apply).

Regarding customs duties, the benefits include the exemption or reduction in taxes that levy the imports and exports of movable property.

Decree 751/2012, published on May 16, 2012, removed tax and customs benefits, as previously provided for by Law 19640, for activities relating to the production and export of oil, gas, and certain mineral resources. By means of Decree 1049/2018, the tax benefits for new oil and gas projects in Tierra del Fuego have been reinstated.

It is important to mention that in order to claim the tax exemptions, activities need to be performed in Tierra del Fuego's territory.

The aim of this regime is to promote the establishment of companies in the referred province and, therefore, encourage its inclusion, development and competitiveness.

06. Taxation of Individuals

Territoriality

Individuals residing in Argentina are subject to tax on their income arising from both Argentine and foreign sources. Non-residents are taxed only on Argentine-source income.

Residence

Individuals who reside permanently in Argentina (having obtained a permanent residence or having remained in the country for 12 months) are considered residents. If double residence situations are verified, permanent residence of an individual is determined by reference to matters such as location of home, location of spouse and dependents, personal property, economic interests and social ties. Foreign individuals with no permanent migratory residence, working in Argentina under duly evidenced working contracts for periods of five years or less are not considered residents, but non-residents with permanent presence in Argentina. As such, these individuals may be taxed as residents on their Argentine-source income, but are not subject to tax on their worldwide income.

Non-residents working less than six months are subject to a 24.5 % withholding tax on the compensation for services rendered.

Taxation of Residents

Income Subject to Tax

For income tax purposes, income in Argentina is classified into four categories:

- Income from real estate.
- Income from capital gains.
- Business income.
- Compensation for services rendered.

Capital Gains

Residents are taxed on their worldwide investment income.

As a result of several exemptions being re-established (Argentine sovereign bonds, corporate bonds issued by Argentine entities, fixed-term deposits made in local financial institutions in ARS, among others), individuals obtaining income from financial products are taxed as follows upon the sale (as applicable):

- A 15 % rate will apply to income derived from indexed or foreign currency-denominated securities and other financial income from trading (sale) operations. Currency exchange gains will not be subject to taxes in those instances.

The sale of financial products on the Argentine National Securities Commission (CNV) is exempted.

Dividends, Interest and Rental Income

Dividends distributed by foreign companies to residents, interest and rental income are taxable at regular income tax rates (up to 35 %).

Dividends distributed by local companies are taxable at a 7 % rate.

Compensation

As a rule, it can be stated that all types of compensation and benefits received by an employee for services rendered in Argentina constitute taxable income, regardless of where they are paid.

Additionally, Argentine residents' compensation received for services rendered outside the country will be taxable for income tax purposes.

Deductions upon Computing Taxable Income

As a rule, expenses incurred to obtain or maintain taxable income may be deducted. In addition, certain deductions that may be claimed are exhaustively described and capped by the law.

Personal Deductions

Personal deductions are available to individuals who stay more than six months in Argentina.

The following deductions are available for fiscal year 2022:

Deductions 2022	
Non-taxable income	ARS 252,564.84
Spouse	ARS 235,457.25
Each dependent child (under 18 years of age)	ARS 118,741.97

A special deduction from compensation for services rendered is available. The applicable deduction would be the non-taxable income (minimum amount not subject to tax). However, the amount to be deducted will increase to ARS 419,196.02 in FY 2021 and to ARS 631.412,12 in FY 2022 as long as the individual is deemed to be new professional/entrepreneur. If such taxpayer is new but is not considered as professional/ entrepreneur, the amount to deduct would be ARS 335,356.79 in FY 2021 and to ARS 505,129.66 in FY 2022. Also, a special deduction will apply for employees in connection with their Argentine source income (ARS 804,856.34 in FY 2021 and ARS 1,212,311.24 in FY 2022, regardless of whether the individual stays or not in Argentina for more than six months).

Rates

General rates applied to residents and non-residents with permanent presence in Argentina range from 5 % to 35 % as follows:

FY 2022 - Accumulated net taxable income		Base tax in ARS	Tax	
From ARS	to ARS		Plus %	On the ARS amount in excess of
0.00	97,202.00	0.00	5	0.00
97,202.00	194,404.01	4,860.10	9	97,202.00
194,404.01	291,606.01	13,608.28	12	194,404.01
291,606.01	388,808.02	25,272.52	15	291,606.01
388,808.02	583,212.02	39,852.82	19	388,808.02
583,212.02	777,616.02	76,789.58	23	583,212.02
777,616.02	1,166,424.03	121,502.50	27	777,616.02
1,166,424.03	1,555,232.07	226,480.66	31	1,166,424.03
1,555,232.07	forwards	347,011.16	35	1,555,232.07

Foreign Tax Credit

A tax credit is allowed for similar taxes paid abroad up to the increase in the Argentine tax due to the foreign-source income. Foreign taxes may not be carried back but they may be carried forward up to five years.

Treatment of Losses

Tax losses may not be carried back but they may be carried forward for a maximum of five years. Tax losses resulting from foreign sources may be offset only against foreign-source income.

Tax losses derived from the purchase and sale of shares, bonds and other securities may be offset only against income of the same nature and source.

Wealth Tax

This tax is imposed on all assets owned at the end of the calendar year. Argentine residents (for Income Tax purposes) are taxed on assets located in Argentina and abroad (on foreign assets there is an exceptional rate, unless the individual decides to bring to Argentina 5 % of such foreign assets) in excess of the amounts established by law. Individuals that are non-residents for income tax purposes, including non-residents with permanent presence in Argentina, are taxed only on assets located in Argentina. For instance, expatriates residing in Argentina on international assignments for a period that does not exceed five years are considered to be non-resident for wealth tax. Thus, they are taxed only on their personal assets located in Argentina.

Assets Exempt from Wealth Tax

Deposits in Argentine financial institutions – except for checking accounts- are not included in the taxable base.

Dwelling destined to be permanent abode with a value not exceeding ARS 30,000,000 will not be subject to tax, either.

In addition, the wealth tax exemption is currently applicable to:

- Securities, bonds, and other negotiable instruments issued by national, provincial and municipal governments and the City of Buenos Aires, regardless of the date of acquisition.

- Securities issued by the BCRA.

The tax to be levied on shares or interests in the capital stock of companies incorporated under Law 19550 and most local trusts, which are held by individuals and/or undivided estates located in the country or abroad, should be calculated and paid by the referred companies.

Fiscal Year 2021 (and onwards) – Tax Returns Due in 2022 (and onwards)

The minimum amount of assets and tax rates for individuals domiciled in Argentina will be as follows:

A tax credit is allowed for similar taxes paid abroad, limited to the Argentine wealth tax payable on the assets located abroad.

A 0.5 % fixed rate will apply to non-residents, who continue to be taxed only on the assets located in Argentina at the end of each year.

Taxation of Non-residents

Withholding Taxes

Foreign individuals and entities that do not have a permanent establishment in Argentina are subject to a withholding tax on income received from Argentine sources. A 35% withholding tax is applied to presumed net income, which is a fixed percentage of the gross amount received. The net taxable presumed income varies depending on the type of income, and the effective withholding rates vary accordingly. See the discussion below regarding taxation of foreign beneficiaries.

Fiscal year	Amount in excess of	Tax rate	Asset Location
2021 & onwards	ARS 6,000,000	0.50% to 1.75%	Argentina
2021 & onwards	-	0.70% to 2.25%	Abroad

07. Taxation of Foreign Beneficiaries

Taxation of Branches of Foreign Companies

Foreign companies that have set up a branch office in Argentina are taxed in exactly the same way as local companies. Accordingly, for corporate income tax purposes, the applicable fixed rate is 30% on taxable income; the distribution of earnings is taxed in the same way as dividends.

Taxation of Foreign Companies

Foreign companies earning Argentine-source profits are subject to a withholding tax that, in many cases, is based on an assumed net profit percentage on the gross amount paid. Listed below are the main cases of assumed net profit percentages, the resulting effective tax rate on gross amount, and the same rate in case of grossing up, should the tax be assumed by the Argentine taxpayer. The existing double taxation conventions may stipulate lower percentages, which will be applicable in the case of payments to beneficiaries in the relevant countries.

Type of payment	Assumed net profit (%)	Effective tax rate on gross amount (%)	Same rate in case of grossing up (%)
Loan Interest (if not exempt) or	43	15.05 or	17.716
Loan Interest (if not exempt)	100	35 (2)	53.846
Fees on technical assistance	60	21	26.582
Royalty payments	80	28	38.889
Royalty payments/Technical Assistance (if not complying with Transfer of Technology Law)	90	31.5	45.985
Copyrights (if registered locally)	35	12.25	13.960
Lease of goods	40	14	16.279
Lease of real estate (1)	60	21	26.582
Sale of assets located in Argentina (1)	50	17.5	21.212
Insurance	90	31.5	45.129
Reinsurance	10	3.5	3.627
Exploitation of images and sounds	50	17.5	21.212
Benefits, in general, paid to foreign residents	90	31.5	45.985
Dividends	N/A	7/13	7.527/14.943
Sale of shares	90/100 (3)	13.5/15 (3)	15.607/17.647

(1) The beneficiary may choose to pay 35% on actual net profit, which shall be computed subject to the AFIP´s approval.

(2) Loans granted by banks located in a country that has either (a) not been considered a low-tax jurisdiction, or b) signed a treaty providing for the exchange of information with Argentina and has no local restrictions regarding such exchange between the Tax Authorities of both countries: 15.05%. If the borrower is a local financial institution, the rate is always 15.05 %. In the case of imports of depreciable movable equipment, except for vehicles, the rate is always 15.05 %. For all other loans: 35 z.

(3) Proceeds from the sale of shares of local companies are subject to tax at a 13.5 % rate on the gross amount, or at a 15 % rate on the net amount (at the taxpayer's option).

In general, an exemption for foreign beneficiaries is applicable to the sale of shares that are publicly traded on stock markets or stock exchanges under the control of the CNV (Argentine Securities and Exchange Commission), interest income and capital gains on the sale of public securities or corporate bonds and certificates of deposit of shares issued abroad that represent exempted shares issued by entities domiciled or located in Argentina.

Such exemptions will only apply if the foreign beneficiaries do not reside in, and the amounts do not come from, a non-cooperating jurisdiction.

Artists, technicians, professionals, sports persons and the like, working for less than 6 months a year in Argentina, are assumed to earn a net taxable income of 70 % on the gross amounts collected (effective tax rate of 24.5 %). Non-resident artists engaged by the Argentine government or by tax exempt entities for less than 2 months a year are taxed on 35 % of their receipts (effective tax rate of 12.25 %).

Maximum Withholding Tax Rates under Double Taxation Conventions

Country	Interest %[a]	Royalties %[b]	Dividends %[c]
Australia	12	10[d]	10[f]
Belgium	12	10[h]	10[f]
Bolivia	[g]	[g]	[g]
Brazil	15	10[j]	10[f]
Canada	12.5	10[h]	10[f]
Chile	4,12,15[k]	10[i]	10[f]
Denmark	12	10[h]	10[f]
Finland	15	10[h]	10[f]
France	20	18	15
Germany	10,15[l]	15	15
Italy	20	18[e]	15
Mexico	12	10[d]	10[f]
The Netherlands	12	10[h]	10[f]
Norway	12	10[h]	10[f]
Qatar	12	10	10[f]
Russia	15	15	10[f]
Spain	12	10[h]	10[f]
Sweden	12	10[h]	10[f]
Switzerland	12	10[h]	10[f]
U.K.	12	10[h]	10[f]
United Arab Emirates	12	10	10[f]

(a) Interest paid to non-residents or foreign loans granted by banks located in a country that has either a) not been considered a low-tax jurisdiction, or b) signed a treaty providing for the exchange of information with Argentina and has no local restrictions regarding such exchange between the Tax Authorities of both countries - it is subject to a final withholding tax of 15.05 % of the gross payment. Interest on foreign loans to finance imports of depreciable movable equipment, except for vehicles, is subject to a withholding tax of 15.05 %. All other loans are subject to a 35 % rate. The domestic rate applies if it is lower than the treaty rate. Please note that the rates listed are the most usual ones, however, certain double taxation conventions also provide for certain exemptions, which may include interest paid to or by governments or credit sales of machinery or other equipment.

(b) The rate shown is the effective rate for patent royalties. Film royalties are taxed at an effective rate of 17.5 %, all other copyright royalties are taxed at 12.25 %. The effective rate for technical assistance, engineering and consulting fees is 21 %, if technology is not available locally, and 28 % for other license fees. Otherwise, the rate is 31.50 %.

(c) Dividends are subject to withholding tax at a 7 % rate, which will be increased to 13 % in 2021.

(d) Copyright of literary or artistic works, use of industrial or scientific equipment, or supply of scientific, technical, or industrial knowledge are taxed at 10%; otherwise, the withholding is reduced to 15 %.

(e) Copyright royalties are taxed at 10 %.

(f) If the receiving company owns 25 % or more of the distributing company; otherwise, the rate is 15 %.

(g) Income is only taxed in the state where income is sourced.

(h) This rate applies to patents, trademarks and similar royalties. The rate is 3 % for the use of news. It is 5 % for copyright royalties (excluding film royalties). Otherwise, the rate is 15 %.

(i) This rate applies to patent, trademark and similar royalties. The rate is 3 % for the use of news. Otherwise, the rate is 15 %.

(j) 15 % on royalties arising from the use or the right to use trademarks. 10 % in other cases.

(k) 4 % applicable to interest on a sale on credit for machinery and equipment; 12 % applicable to interest on a loan granted by a bank or insurance company or derived from certain bonds or securities; 15% in other cases.

(l) 10 % applicable to interest on a sale on credit of industrial, commercial or scientific equipment or on a loan granted by a bank in order to finance public works; 15 % applicable to other interest.

08. Labor and Social Security Legislation

A general Employment Contract Law, complemented by additional laws and statutes related to specific activities and collective bargaining agreements regulates employment conditions throughout the country.

The Employment Contract Law does not apply to household and government employees, whose work conditions are covered by separate statutes.

Workforce

Argentina has a skilled labor force.

Currently, Argentina has an unemployment rate of 8.2 % (Third quarter of 2021)[1].

Methods of recruiting employees vary depending on the qualifications required, from hiring directly at the employer's facilities to using specialized private employment agencies. Agencies are used especially in recruiting managerial and technical positions. Many are located in the city of Buenos Aires and its surroundings, where the labor force is highly concentrated.

Employment contracts are not required in writing – except for fixed term and temporary employment contracts– and, in practice, they are not usually used.

Executive Compensation

Executives receive various fringe benefits in addition to salaries. Foreign companies usually provide such benefits in accordance with the parent company's policies. The most common benefits are employer-provided automobiles and bonuses.

If the employer agrees to pay all income tax and social security contributions on salaries, executive compensation may constitute a significant cost to the employer. This kind of agreement is common for expatriates, but not for local employees.

Salaries and Wages

Salaries and wages for office and industrial workers are not the same in all the regions of the country. Minimum salaries for employees included in the collective bargaining agreement are generally established by the collective bargaining agreement itself, but supply and demand usually have great influence on determining the salaries of the best qualified workers.

Further, during the last years, labor unions have bargained new salary ranges.

Advance Notice

Employer shall give notice of the termination of the labor relationship to the employee no later than 15 days, in case the employee is working under probationary period; one month, when the employee has worked for the employer for a period that does not exceed 5 years; and two months for employees with more years of service.

The employee shall give notice of his/her intention to terminate the employment contract 15 days in advance.

During the notice period, the employee is entitled to take two hours off each day to search for new employment. He/she may also accumulate these hours in one or more full working days.

Should employer or employee fail to give proper notice of termination, the party at fault shall pay the other party compensation in lieu of notice equal to the salary that the employee would receive during that period.

Notice must be served in writing and is effective as from the day following service of notice.

If termination of the employment contract takes place without advance notice and the termination date is other than the last day of the month, employee is entitled to an additional compensation equal to the salary for the remaining days up to the end of the month.

(1) National Statistics and Censuses Institute.

Severance Pay – Compensation for Years of Service

If an employee or worker is dismissed, without having committed an act of gross misconduct or a criminal offense, severance pay is due, equivalent to one month's salary for each year of service or period higher than three months. For such purposes, the calculation basis is the highest monthly regular and habitual compensation received during the last year or during the length of service, if this period were shorter.

In conformity with the law in force, such basis shall not exceed the equivalent to three times the average monthly salary established by the respective collective bargaining agreement.

The minimum severance payment is equivalent to one month's salary currently received by the employee.

With regard to the already mentioned limit –three times the average monthly salary established by the respective collective bargaining agreement–, it should be noted that the Supreme Court of Justice (in re Vizzoti, Carlos Alberto vs. AMSA S.A.) stated that the application of the severance cap described above (i.e. three times the average monthly salary established by the applicable collective bargaining agreement) should not result in more than a 33 % reduction of the highest monthly compensation received by the employee during his last year of service. Otherwise, the referred cap will be considered unconstitutional, and the compensation will be calculated on the basis of an amount equivalent to 67 % of the employee's highest salary.

Compensation amounts may increase under special circumstances (e.g. dismissal of sick or injured employees, pregnant women, women with a newborn child, recently married employees, etc.).

By virtue of the public emergency in labor matters, dismissals without just cause, should include an additional payment equivalent to 75 % of the applicable amount during January and February 2022, 50 % from March 1st to April 30th and 25 % from May 1st to June 30th.The additional severance payments have a maximum cap of ARS 500,000.

Labor Union Organizations

Most office and industrial workers are unionized. The political influence of unions decreased during the 1990s but has increased in recent years.

Payroll Taxes

The main social security contributions are listed below. Other minor payments apply under certain circumstances, mainly according to collective bargaining agreements and provincial taxes.

The main characteristics of the Argentine social security tax system are the following:

1. **Employers' contributions rate**: as of December 2019, there are two different social security employer contributions' rates: 18 % or 20.4 %. The first one is applicable to employers engaged in industrial activities (among others) and 20.40 % applies to certain employers engaged in the commercialization and provision of services.

2. **Exemption Limits**: there is an exemption limit applied to employers' social security contributions. This exemption limit is ARS 7,003.68 per employee.
   In addition, employers that have up to 25 employees on their payroll can deduct an additional amount of ARS 10,000 monthly.

3. **Tax credit for VAT** purposes: employers can compute a portion of the employer contribution actually paid as a tax credit for value added tax (VAT) purposes.

4. **Special regimes**: some laws establish special pension systems, which, basically, reduce the statutory years of service and/or the eligibility age, so that the coverage may extend to the different situations that may be faced by any employee over his/her years of service, for example, unhealthy environment or unfavorable conditions. The activities falling within the scope of special regimes are oil and gas, transportation, and air transportation, among others. In these cases, employers shall pay an additional contribution of 2 % of the compensation of the employees involved, without any limit.

5. **Additional benefits**: there is a reduction of contributions for new employees in some provinces in the northern area of the country for specific activities.

In the case of expatriate technicians not residing in the country for more than two years, exemption from this contribution may be requested, if the expatriate enters the country with a temporary visa not exceeding two years.

a) Pension Fund

Employees of most industrial and service/commercial enterprises make contributions to the pension fund equivalent to 14 % of all their earnings in cash or in kind (such as schooling or housing) received as salaries, wages, commissions or profit sharing up to the limit established (since March 2022: ARS 357,166.98)[2].

(2) This cap is periodically updated in March, June, September and December of every year.

There is also a minimum taxable base which is currently established at the amount of ARS 10,989.91.

Employers contribute 10.77 % of their employees' compensation without any limit.

Service and commercial companies whose total sales exceed certain limits established by the Department of Entrepreneurs and Small- and Medium-Sized Enterprises contribute 12.35% of their employees' salaries without any limit.

b) Family Allowances

Employers contribute 4.70 % (5.40 % in case of commercial or service activities abovementioned) of all compensation to a family allowance fund.

In this respect, it should be noted that, as from November 2005, any person, whether an individual or an entity, from the private sector registered as an employer shall be directly included in the SUAF[3]. By virtue thereof, family allowances shall be paid directly by the National Administration of Social Security (in Spanish, ANSES).

Allowances consist of gradual amounts depending on the employees' salaries, usually very small, paid for each child, for marriage and for the birth or adoption of a child.

However, there is no family allowance for employees whose salaries exceed ARS 105,139 4 or ARS 210,278 considering the family group since December 2021 (except for maternity and disabled children).

Allowances are adjusted periodically.

c) Unemployment Fund

Employers are required to contribute 0.94% of all compensation to an unemployment fund. For service and commercial companies abovementioned, the contribution amounts to 1.08 % of their employees' remuneration.

d) Medical Care Contributions

Employees contribute 3 % of their earnings or the monthly limit of ARS 357,166.98 (since March 1, 2022) for medical care. The amounts paid are allocated to several organizations that provide healthcare assistance. The employer also contributes 6 % of employee earnings without limit since November 2008. The government, through a public fund named ANSSAL, takes a percentage from medical care contributions and withholdings. This percentage varies from 10 % to 20 %, depending on the healthcare assistance category and the monthly salary.

(3) Family Allowances System (in Spanish, *Sistema Único de Asignaciones Familiares*).

Employers are required to contribute 0.94% of all compensation to an unemployment fund. For service and commercial companies abovementioned, the contribution amounts to 1.08 % of their employees' remuneration.

e) Workers Compensation Insurance

In July 1996, a new Workers Compensation Insurance Law came into force.

Workers Compensation Law prescribes that a mandatory insurance policy be taken from an authorized Workers Compensation Insurance Company. The policy shall cover salaries, the cost of medical care, professional rehabilitation, prostheses and orthopedic elements, burial assistance and indemnities for partial or total disability and death as a consequence of occupational accidents and diseases.

Companies can directly afford (without taking out an insurance policy) the costs of these services and/or indemnities, provided that they periodically give evidence of their financial stability. It should be highlighted that, in general, companies take out insurance through insurance companies.

In principle, pursuant to what the Workers Compensation Law explicitly provides for, in the case of taking out an insurance policy, employers are exempt from any civil liability for their employees and their heirs.

Contribution to Workers Compensation Insurance Companies is composed of a fixed amount per employee and a variable percentage calculated on the amount of the salary applied as calculation basis by the employer's contribution to Pension (without any cap) plus non-wage items (not including compensatory items in case of termination).

The insurance premium is calculated taking into consideration a percentage of the employees' remuneration and varies according to the company's activity, the number of employees and the compliance with security standards.

The average range varies from 0.50 % to 15 % of the taxable salary of each employee.

Summary of Employer and Employee Contributions

The following table summarizes the main employer and employee contributions (2022).

	Employer (I) %	Employer (II) %	Employee %
Pension fund	10.77 (1)	12.35 (1)	11.00 (3)
Pensioners' healthcare fund	1.59 (1)	1.57 (1)	3.00 (3)
Family allowance fund	4.7 (1)	5.40 (1)	-
Unemployment fund	0.94 (1)	1.08 (1)	-
Private health insurance	6.00 (2)	6.00 (2)	3.00 (3)
	24.00	26.40	17.00

(I) Employers of all activities, except for commercial and service mentioned below.

(II) Commercial and service activities whose total sales exceed certain limits established by the Department of Entrepreneurs and Small- and Medium-Sized Enterprises.

(1) These percentages apply to the total remuneration without any limit. However, the exemption limit of ARS 7,003.68 per employee applies. In addition, employers that have up to 25 employees on their payroll can deduct ARS 10,000 monthly.

(2) In principle, these percentages apply to the total remuneration without any limit since November 2008.

(3) These percentages apply to the total remuneration or to the monthly limit of ARS 357,166.98 –since March 1, 2022– (taxable monthly salary), whichever lower. This cap is periodically updated in March, June, September and December of every year.

From such employer contribution, a percentage that varies depending on the geographical area where the employees are located can be computed as a VAT credit. For example, in the so called "Greater Buenos Aires" (which includes the city of Buenos Aires and some surrounding cities), the percentage computable as a VAT credit is 0 % on the same taxable basis used for contributions' calculation, whereas in Gran Salta it is 7.30 % and 1.45 % in Greater Córdoba.

Self-Employed Individuals

Workers who do not have an employer are required to make a contribution to a specific pension fund. The assessment of the amount payable will depend on the activity and category established according to the laws in force. This category is established based on the worker's activity and a taxable reference income.

In this respect, it should be noted that in the case of directors of corporations or legal representatives of foreign companies, the contribution to National System of Self-Employed Individuals (in Spanish, *Régimen Nacional de Trabajadores Autónomos*) ranges from ARS 11,722.40 to ARS 25,789.18 (since March 15, 2022), depending on the annual gross revenues.

Both directors of corporations and legal representatives shall contribute to the Social Security System as self-employed individuals, even if carrying out activities under a labor relationship. Contributions to the Social Security System as employees are not mandatory for them.

Scope of Benefits

Except for the case of certain multinational and local leading companies, in Argentina, it is not customary for companies to provide additional pension benefits to employees over and above the official pension payment.

Medical care benefits cover most of the employee's needs satisfactorily. In contrast, pension payments at retirement are very small, which has contributed to the increasing development of private pension plans.

Some measures have been taken in order to attenuate the effect of pension payments at retirement. Individuals older than 60 years (women) and 65 years (men) are entitled to a guaranteed monthly payment of ARS 32,630.40. On the other hand, the monthly maximum retirement payment is established at the amount of ARS 219,571.69.

Social Security Agreements

Argentina has entered into reciprocal social security agreements with Mercosur countries (Brazil, Paraguay and Uruguay), the Ibero-American Convention on Social Security (Bolivia, Brazil, Chile, Dominican Republic, Ecuador, El Salvador, Spain, Paraguay, Peru, Portugal and Uruguay) as well as agreements with Chile, Slovenia, France, Greece, Italy, Peru, Colombia, Portugal, Belgium, Luxembourg, and Spain.

Whether the provisions of these agreements should apply, they shall be analyzed in each case, since many

of the abovementioned agreements were signed prior to the amendments introduced to the pension system in force in each country.

Other Employee Benefits

Argentine labor laws are distinguished for the protection they provide to employees. Regulations cover labor contracts, forms of wage and salary payments, women and minors in employment, and many other matters. Some of the main regulations are detailed below.

Annual Complementary Salary

Employers shall pay a complementary annual bonus equal to an extra monthly salary. It shall be paid on June 30 and December 18 each year.

It amounts to one-half of the highest monthly salary paid to the employee during the previous semi-annual period.

Paid Vacation

Providing an annual paid vacation is compulsory. The vacation period ranges from 14 to 35 consecutive days, depending on the number of years of service. To be entitled to a vacation period, an employee must have worked at least half of the working days in the calendar year. Employees hired during the second half of the calendar year are entitled to one day of vacation for every 20 days of effective work.

Vacations shall be taken and cannot be exchanged for cash payments, for which employees may be penalized.

Illness

The payment of remuneration shall be maintained in case of illness or accident (not labor related) for 3-6 months, if the employee has been providing services to the company up to 5 years or more. These periods will double if the employee has dependents.

Life Insurance

It is mandatory for employers to take out insurance coverage of ARS 181,500.00 per employee (as from March 2022).

Unemployment

Industrial and office workers are included in a government system of compensation for unemployment. Under certain conditions, they are entitled to receive monthly payments for a period from 2 to 12 months on the basis of variable percentages of the highest monthly salary earned in the 6-month period prior to unemployment. Such payments derive from a fund formed with a portion of social security contributions.

Unemployed individuals are also entitled to receive medical care for three months.

Overtime

A 48-hour working week is the norm, with a limit of 9 hours per day (6 hours per day for hazardous occupations). Office working hours are usually less. Twelve hours must elapse between consecutive working days. Night work is limited to a seven-hour shift.

Overtime work is permitted with certain restrictions.

Overtime on weekdays and Saturday mornings is paid at time-and-a-half. Double time is paid for Saturday afternoons, Sundays and holidays.

Overtime is typically limited to personnel subject to collective bargaining agreements. It is mandatory for salaried workers.

Decree 484/2000 established a limit of 200 hours overtime per year and 30 hours overtime per month.

Minimum Wage

A single general minimum wage is established for all industrial and office workers. It amounts to approximately ARS 33,000.00 as from February 2022 for monthly salaries, and ARS 165.00 for hourly salaries. Actual salaries, however, are higher.

Collective bargaining agreements establish more realistic minimum salary tables, which are generally used.

Labor Contracts

Labor law allows for unwritten contracts for an indefinite term of time (traditional contracts).

In accordance with Argentine laws, employment contracts are for unspecified terms to promote the permanence principle.

This principle ceases to be applicable if a) the term of the contract has been set in writing, and b) the activity justifies the exception.

Employment contracts for unspecified terms are understood to have been entered into on a trial basis for the first three months.

During the probationary period either party may terminate the relationship without specifying the cause but by giving notice. This termination will not give right to payment of indemnity.

Other types of contracts are part-time contracts (working hours are less than two thirds of the normal working day) and seasonal contracts (when the relationship between the parties generated by the normal course of business or exploitation is limited to certain months of the year, subject to repetition in each business cycle as a result of the nature of the activity).

Other hiring methods accepted by Argentine labor legislation, which are exceptions to the general unspecified term principle, include fixed term contracts and temporary employment contracts.

As these are exceptions to the general principle, their applicability shall be analyzed taking into account the provisions of the Employment Contract Law on a case-by-case basis.

Recently, the remote working practice has been implemented in the country. In case employers decide to adopt this practice to the remote work terms and conditions as well as the working hours shall be accepted by the employees in writing.

a) Fixed Term Contracts

These contracts require that the term be stated explicitly and in writing. In addition, there should be justified reasons to choose this contracting method based on the type of business or activity.

The contract is in effect until the end of the term agreed, which must not exceed five years.

Use of successive contracts exceeding the above term turns them into contracts for unspecified term.

The parties must give notice of termination; otherwise, the contract will become an unspecified term contract.

If the contract is fulfilled and notice is given, and the duration of the contract is less than one year, severance pay will not be required. However, if the contract term exceeds one year, the worker is entitled to claim severance pay equivalent to half the amount established for ordinary termination by the employer without just cause contemplated in the general regime.

Dismissal without just cause before the end of the contract term entitles the worker to claim damages in addition to the indemnity due to contract termination.

b) Temporary Employment Contract

Employment Contract Law establishes that this method is adopted in connection with extraordinary services or extraordinary and temporary needs of a company, without a specified termination date.

If the purpose of the contract is to supply extraordinary market demand, the duration of the cause giving rise to the contract cannot exceed six months a year and up to one year every three years. The cause giving rise to the contract must be accurately stated.

If the contract is terminated for the same reason for which it was entered into (conclusion of works or task assigned or cessation of the cause giving rise to the contract), no indemnity will be paid. Otherwise, the regulations established by the general regime will be applicable.

c) Other

The law currently in force provides for the possibility of recruiting personnel through internship systems for a

definite period. The main object of this system is the training of the intern. The amount paid as internship pay is not subject to social security contributions.

Special Requirements for Foreign Nationals

In principle, there would be no restrictions on employment of foreign nationals, nor are quotas established.

In general, no particular employee functions are required to be performed solely by Argentines. However, the reasons for hiring an expatriate in lieu of a local employee must be given by the local employer in a presentation to the Immigration Authority at the time the expatriate files an application for a temporary visa.

Compliance with Immigration Law is required.

Expatriates may qualify for an exemption from pension fund contributions or for the benefits of a social security agreement.

They can also receive various fringe benefits in addition to salaries, which are usually collected in their home country. Foreign companies usually provide such benefits in accordance with the parent company's policies. Employers are used to grant employer-provided automobiles, housing and bonuses.

For each case, the social security, labor and tax treatment to be given to the abovementioned benefits shall be analyzed taking into consideration the current laws in force since, under certain circumstances, the whole package of benefits is taxable in our country.

Public Registry of Employers with Labor Sanctions (in Spanish, REPSAL) – Law 26940

The REPSAL was created by the Ministry of Work, Employment and Social Security (in Spanish, MTEySS). Such Registry will include the final sanctions imposed by the MTEySS, the AFIP, the provincial authorities as well as the authorities of the city of Buenos Aires, the National Registry of Agribusiness Workers (in Spanish, RENATEA), the Workers Compensation Insurance Regulator (in Spanish, SRT) and the National Labor Courts on employers who fail to register or report employees in compliance with all the formal requirements set forth by the applicable laws.

The REPSAL is a public, fee-free registry that is regularly updated by the MTEySS.

Expatriates may qualify for an exemption from pension fund contributions or for the benefits of a social security agreement.

They can also receive various fringe benefits in addition to salaries, which are usually collected in their home country.

Non-complying employers will remain registered in such registry for a maximum period of 3 years; and they will be removed from it once they have paid the related fine, remedied the situation for which they were sanctioned, and once the applicable term has lapsed, which will depend on when the fine is paid and on when the undue registration or report of employees is remedied (with a minimum 60-day term).

Consequences for employers registered in the REPSAL:

- They are not eligible for national government programs, aid or stimulus plans, benefits or subsidies.
- They are not eligible for credit lines offered by banking institutions.
- They are not eligible for the benefits set forth by this law.

In case of recidivism within a 3-year term counted as from the date on which the first sanction imposed becomes final, employers who are registered in the Simplified Regime for Small Taxpayers will be excluded from such regime by operation of law.

In addition, taxpayers registered in the General Tax Regime may not deduct personnel-related expenses from income tax as long as they remain registered in the REPSAL for recidivism.

This law was regulated by Decree 1714/2014 and came into force on September 1, 2014.

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