



# Investment in Argentina

2025 edition

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# 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 as of January 31, 2025.



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## Chapter 1

# 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.

### Demography

The national population is made up of 47,067,641 inhabitants. According to the INDEC's estimations for this year, there will be 23,934,795 women and 23,132,846 men (i.e. for every 100 females there will be 96.65 males).

The population density in 2024 will account for 12.51 persons per square kilometer (Km<sup>2</sup>). INDEC's estimation of Argentina's annual population growth rate in 2023 was 0.9%. The proportion of people below the age of 15 is estimated to be at 23.6% for 2024, 64.2% between 15 and 65, and 12.2% for the age of 65 or older.

The population is not homogeneously distributed among the provinces: The Pampa region, with only 20% of the total surface, accounts for 64,9% of the population according to 2022 estimates. The City of Buenos Aires (Ciudad Autónoma de Buenos Aires) is the most densely populated city with 15,161 inhabitants/km<sup>2</sup> followed by Tucumán (with 76.7 inhabitants/km<sup>2</sup>), while the southern province of Santa Cruz only has 1.4 inhabitant/km<sup>2</sup>.



Argentina is highly urbanized, with 92% of the population living in urban areas (defined as those with 2,000 inhabitants or more).

Main urban areas by population (2022 Census)	Population
City of Buenos Aires and Province of Buenos Aires	13,971,006
Córdoba	1,505,250
Rosario	1,348,725
La Plata	768,470
Mar del Plata	667,082
Salta	627,704
Santa Fe	572,265
San Miguel de Tucumán	590,342

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.

In terms of development, the Human Development Index (HDI) published by the United Nations Development Program (UNDP) places Argentina among the countries in a very high human development category. In 2022, Argentina ranked second in Latin America and 48th in the world rank.

According to OECD, the population with tertiary education sits around 24%, below OECD's average (40%) but above most of the countries from the region. It is almost 30% for population between 25 and 34 years old, and 16% for population between 55 and 64. In comparison with Latin America, Argentina shows the best results in English proficiency and has an annual average of 125,000 college graduates and 15,000 postgraduates.

Regarding the educational system, in Argentina there are a total of 2,731 establishments engaged in vocational and technical education and 132 universities throughout the 24 provinces. A remarkable fact is gender distribution: 60% of college graduates are female.

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### Currency

On January 1, 1992, a new currency was introduced, the Peso (ARS), which currently remains as the legal tender 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 to 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 performance of business activities or 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 by 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, usually less than 3 months. There are many types of transitory visas. However, the most common for our country are the following: Digital nomad visa, technical visa, business visa and transitory work permit.
- 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.

Argentina has 39,320 kilometers of national routes. "National Roads" is an agency reporting to the Ministry of Public Works, which oversees Argentine routes maintenance and improvement. Through the Agency, it is possible to obtain information about Argentine routes and future public tenders. Such information is also available on the website of the Ministry.

Regarding air transport, the country has 50 airports- 21 of them are international. The most important are Ezeiza International Airport (Ministro

Pistarini) in the province of Buenos Aires and Jorge Newbery Airport in the City of Buenos Aires. The other relevant airports are in Mendoza, San Carlos de Bariloche in Río Negro, and Córdoba.

Currently, there are 8 provinces that connect Argentina with the rest of the world through airways: Buenos Aires, Córdoba, Santa Fe, Mendoza, Salta, Tucumán, Río Negro and Neuquén; the new air-routes requested will add Jujuy, San Juan, La Rioja, Corrientes, Misiones, Chaco, Catamarca, Chubut, Santa Cruz and Tierra del Fuego to that list.

Regarding water transport, Argentina has a total of 100 ports across the entire nation and 40 port areas along the Atlantic Ocean. There is one in the City of Buenos Aires that concentrates 62% of the cargo containers of the country. There are 25 in the province of Buenos Aires. In the south, the Patagonia region has 16 ports, which are mainly involved in the transportation of hydrocarbons and fish. In the province of Santa Fe, there are 33 ports mainly used for grain exports. Finally, there are 9 more in the Northeast region. Last year, 1.5 million containers and over 131 million tons were transported through Argentinian docks.

The National Government has made great progress in improving the quality of mobile communications and internet access in the country.

Argentina has one of the most dynamic mobile markets in Latin America, being the third largest in the region after Brazil and Mexico. Mobile penetration accounted for 125.5 accesses per 100 inhabitants during 2019. In terms of internet speed, Argentina is still a little behind, when compared to other neighboring countries, regarding fixed broadband (Argentina had a 9.9 Mbps average of fixed broadband speed vs. 15.7 Mbps in Latin America in 2018). Nevertheless, progress is being made to narrow the gap. In terms of mobile connections, Argentina is in line with the regional average (7.9 Mbps average speed vs. 8.0 Mbps Latin America Average in 2018). It is important to highlight that 93% of the population is covered by 4G network.

Regarding 5G technology, it is yet to make significant progress in the country and in the region as a whole (current adoption rate is around

2% of total connections) but it is expected to grow rapidly. In 2021, the regulation that introduced the conditions for its implementation was published, and only last year the tender for the sections of the radio spectrum was approved.

The country energy sources are mainly two: gas (54%) and oil (32%). The other 14% is integrated by hydropower, nuclear energy, mineral carbon, firewood, bagasse energy, vegetable oils, alcohol plants, wind and solar energy. The new Administration aims at giving the country's energy industry a big push with the approval of its Incentive Regime for Large Investments (RIGI, Spanish acronym), an initiative that includes tax, customs and exchange benefits for projects that ensure a minimum amount of US\$200 million. The regime is expected to have a big impact mainly on Oil and Gas projects, as well as mining.

## GDP and economic activity

Argentina is the 3rd largest economy in Latin-America in terms of GDP. In 2023, the GDP reached USD 640 billion and the GDP per capita approached USD 13,730.

In terms of sectors, Argentina has a highly diversified economy. The primary sector is internationally renowned for its high productivity levels and its use of advanced technologies. The country's well-developed industrial base showcases key sectors such as: agribusiness, automotive industry, pharmaceutical, chemical and petrochemical industries, biotechnology and design manufacturing. The service sector is the largest contributor to total GDP, accounting for over 52.78% at constant prices.

The country is a leading food producer. Argentina is the third worldwide producer of soybeans; the sixth worldwide producer of soybean oil, soybean meal and sunflower (seed, meal and oil); the fifth worldwide producer of corn; the tenth worldwide producer of barley; the eighth producer of sorghum and the thirteenth of wheat. Argentina ranks fourth in holding resources of shale oil and second in the case of shale gas. The country also possesses gold, copper, lead, zinc, lithium, natural borates, bentonite, clays and construction stones.



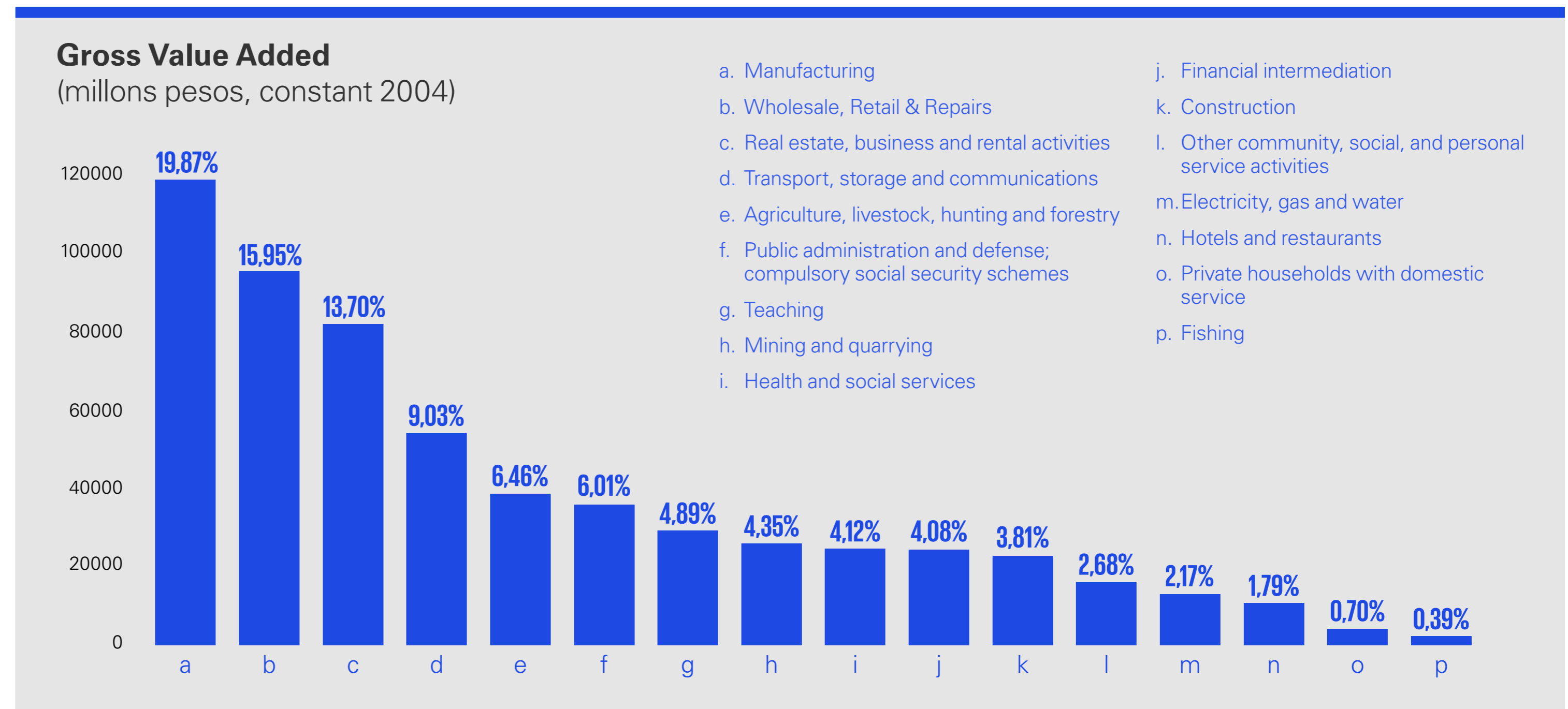
Argentina is a top manufacturing country in the region, the manufacturing value added in 2023 was USD 79,79 billion. The leading industrial sectors in terms of production gross value are food processing, beverages, chemicals, pharmaceuticals, motor vehicles and auto parts, coke manufacturing, oil refining and nuclear fuel. Nevertheless, the difference between Argentina’s investment opportunities in manufacturing and those in other Latin America’s countries is its human capital and its industrial tradition with a diverse supply network.

Argentina is endowed with valuable natural resources, spread along the territory. The most relevant sectors by region are as follows:

Region	Provinces	Sectors
<b>NORTHWEST</b>	Catamarca Jujuy Salta Santiago del Estero Tucumán	<b>Agricultural products:</b> soy, maize, sugar, cane, rice, citrus, industry, wood. <b>Mining:</b> gold, silver, lithium, potassium. <b>Renewable energy:</b> solar, gas. <b>Industrial:</b> textiles.
<b>NORTHEAST</b>	Chaco Corrientes Formosa Misiones	<b>Agricultural products:</b> rice, soy, maize, yerba mate, tea, tobacco. <b>Citrus Industry:</b> forestry (pulp and paper), aquaculture. <b>Mining:</b> precious and semi – precious stones. <b>ICT, software</b> (Misiones, Chaco).
<b>CUYO</b>	La Rioja Mendoza San Juan San Luis	<b>Mining:</b> gold, silver, cooper, lime. <b>Agricultural Products:</b> wine, dried fruit, olive. <b>Electronic appliances manufacturing.</b> <b>Renewable energy:</b> solar, wind. <b>ICT, Software</b> (Mendoza).

Region	Provinces	Sectors
<b>CENTER</b>	Buenos Aires Córdoba Entre Ríos Santa Fe	<b>Agricultural products:</b> soy, wheat, maize, sunflower, peanut, cattle raising, dairy. <b>Industrial:</b> automotive industry, agricultural equipment. <b>Petrochemical, Pharmaceutical, Real estate, Creative – Cultural industries.</b> <b>ICT</b> (Buenos Aires, Córdoba).

Region	Provinces	Sectors
<b>PATAGONIA</b>	Chubut La Pampa Neuquén Río Negro Santa Cruz	<b>Agricultural products:</b> fish, fruits, lamb. <b>Energy:</b> hydrocarbons / shale oil / shale gas. <b>Renewable energy:</b> wind. <b>Industrial:</b> Electronic manufacturing.



Source: KPMG based on INDEC



Last year has been difficult as far as the economic activity as a whole is concerned, mainly influenced by adverse macroeconomic conditions faced in the first months of the year, with soaring monthly inflation, heavy restrictions on the exchange market and the impact of measures taken by the new administration, including cuts in government spending. This caused the GDP to fall in both the first and second quarter of the year, by 2.1% and 1.7%. However, after a few months were economic activity started to weakly show signs of recovery, the GDP increased almost 4% in the third quarter of the year, compared to the prior year, and it is believed that now the economy has already reached the level it had before Milei's presidency.

## Foreign Trade

Argentina is a member of the World Trade Organization and MERCOSUR, a market of approximately 295 million consumers. The country has free trade agreements with Israel, Chile, Egypt, Peru and Bolivia, and preferential trade agreements with Brazil, Chile, Colombia, Cuba, Ecuador, India, Mexico, Paraguay, Uruguay, Venezuela, and the Southern Africa Customs Union.

Brazil is Argentina's main trade partner both in terms of exports and imports, accounting for 17% and 24% of total trade, respectively. Regarding exports, Argentina's other main trade partners are the United States and Chile, both representing around 8% of total exports, followed by China's 7%, whereas exports to the Eurozone accounted for almost 10%. In terms of imports, Argentina's other main trade partners are China and the United States, with 19% and 10%, respectively.

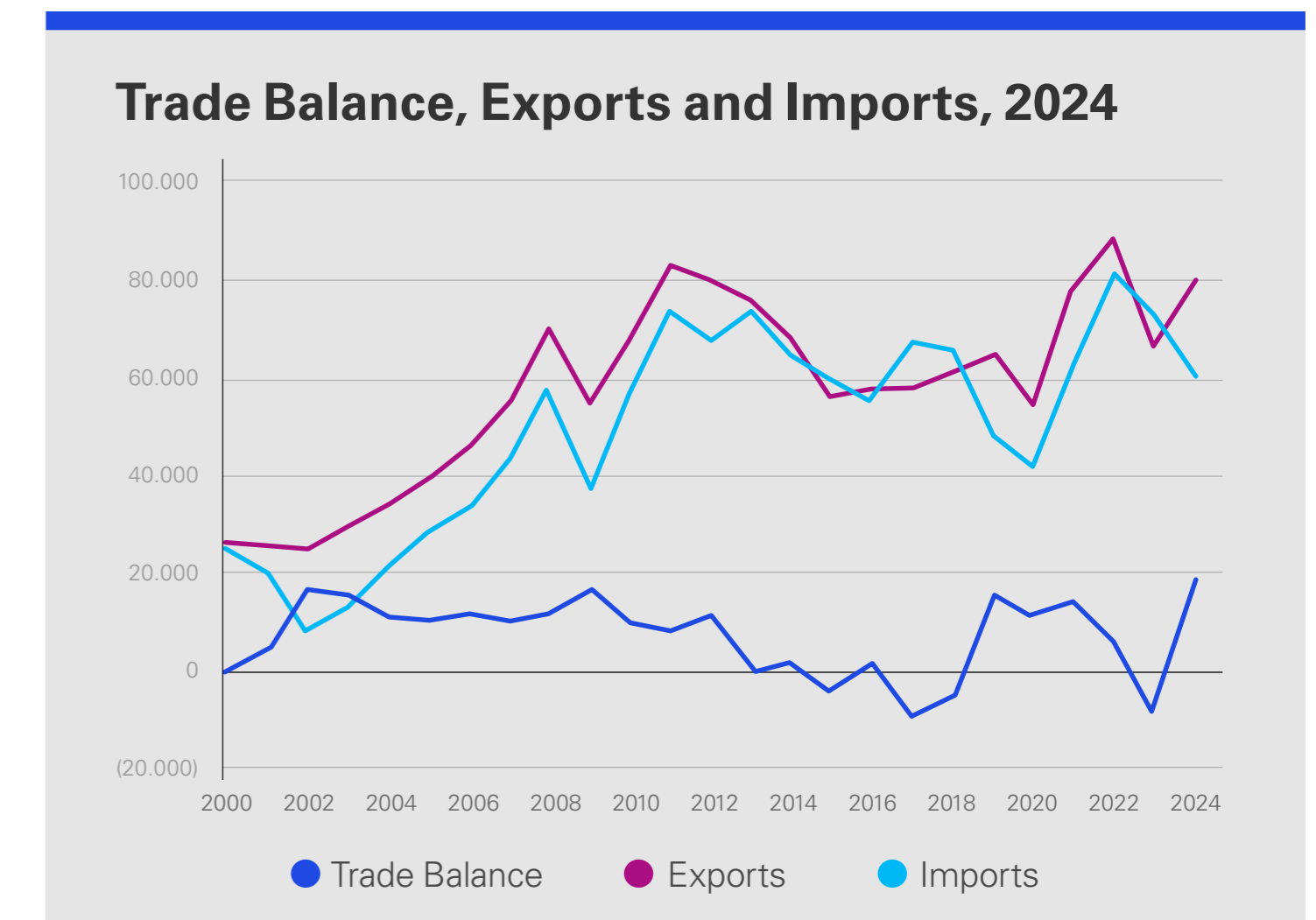
Argentinian exports were led by agricultural and industrial manufactures, representing 37.2% and 27.7% of total exports, respectively. They were followed by primary products (23%) and fuel and energy (12.1%). Sixty per cent (60%) of the products sent to Brazil are transport material and vegetable/crop products. The main products exported to China are soybeans by-products (almost 43%), while the items sent to the United

States are products from the chemical industry, the oil industry, and the like (37%), common metals and their manufacturing (23%).

As regards imports, four items represent around 65% of total imports: machinery and electrical, chemicals and allied industries, mineral products and transportation. For this last item, the vast majority comes from Brazil, Argentina's first trading partner, which accounts for 23% of total imports. China and the United States follow, representing 20% and 12% of total imports, respectively.

Year 2023 was the fourth year in this century in which Argentina's trade balance showed a deficit, being the second-to-lowest result in the same time span. The primary cause is a sharp decline in exports, due to both droughts and bad harvest, in addition to a fall in international prices and a real appreciation of the exchange rate. Accordingly, imports fell too, but not as much as exports.

However, 2024 showed a complete reversal of the trade balance, setting a nominal record surplus of over USD 22 million, despite a fall in the terms of trade. This surplus was explained by both a raise and a decrease of similar magnitude in exports and imports, respectively (around 20% each). This can be attributed to diverse factors, starting with the major devaluation that took place in December. For the case of exports, an increase in agricultural production (2023 production was heavily impacted by droughts) and exchange rate stability. For the case of imports, the significant economic recession the country went through in the first half of the year played a big role. This was not the case for the last two months of the year, in which imports increased at a higher rate amidst the removal of different restrictions and economic recovery.

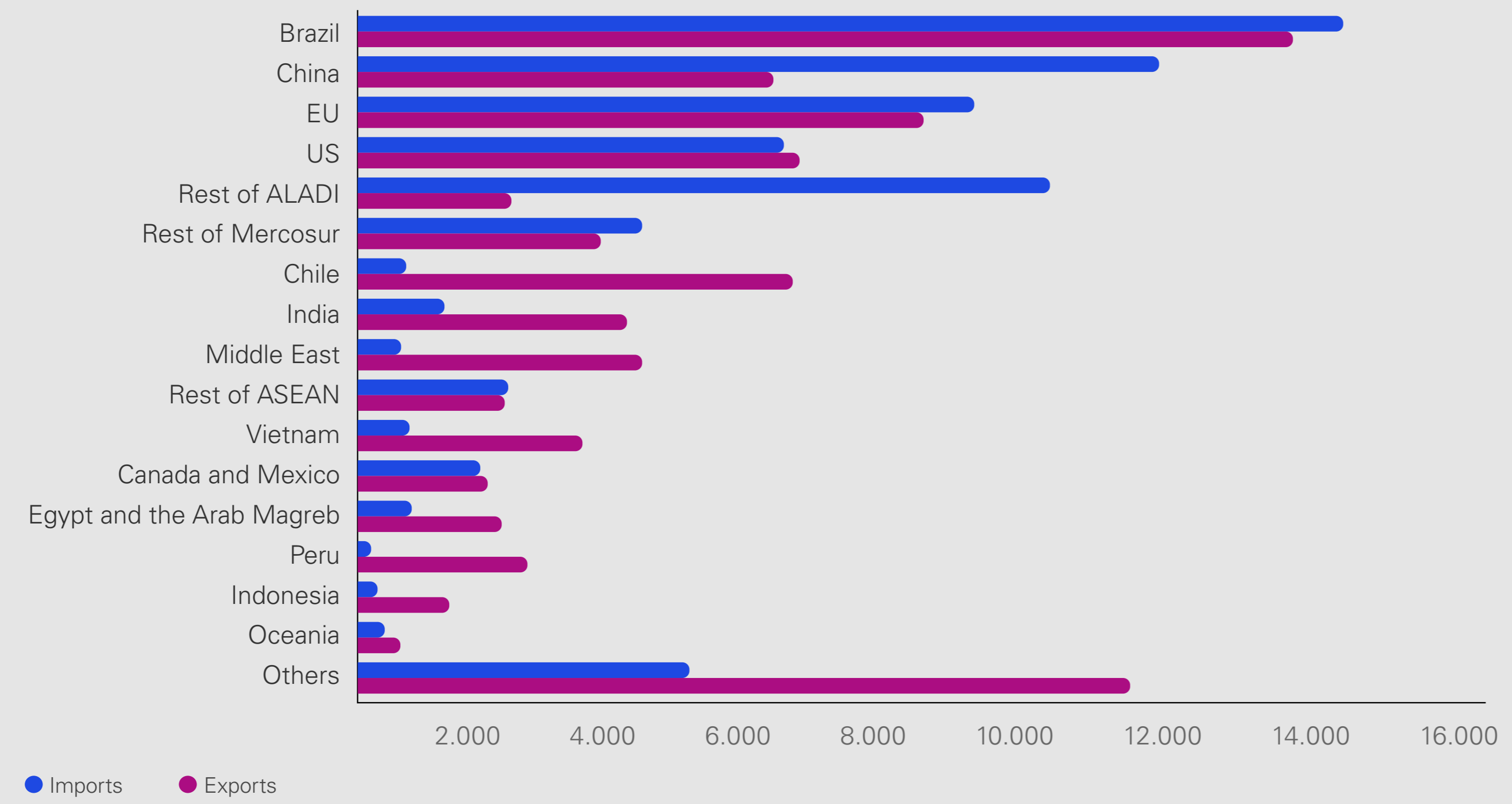


Source: KPMG based on INDEC





### Exports and Imports by Area of Destination, 2024



Source: KPMG based on INDEC

### Public Sector

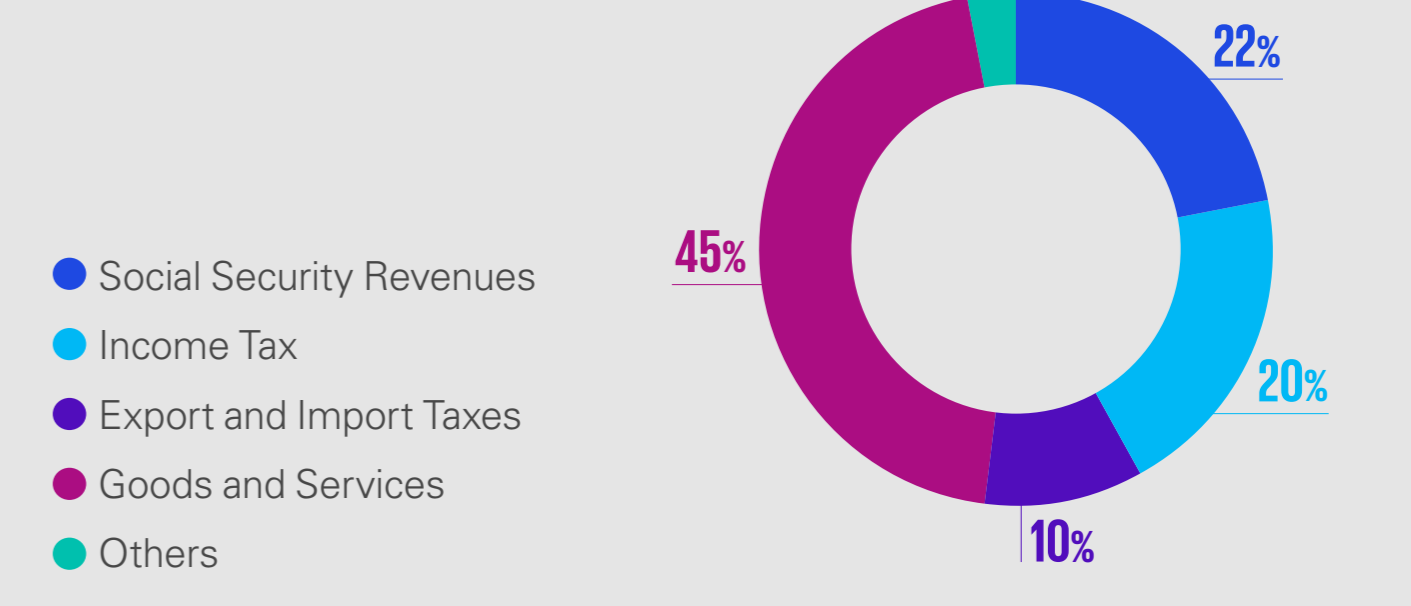
The National Government’s revenue was at around 22.78% of the GDP in 2023. More than two thirds of such revenue comes from tax collection, while one fifth relates to social security contributions. The rest is provided by property income, non-taxable income, current transfers and sales of goods and services.

On the other hand, the main national public expenditure share of GDP reached 23.6% in 2022. Around two thirds of the expenditure is concentrated in social services, most of which is explained by social welfare. The remaining third comprises spending on economic services, the functioning of the State and public debt, in that order.

The gross tax burden reached 27.8%, including national, provincial and municipal taxes (defined as the percentage ratio obtained between the total tax revenue and the capital gains and taxes from all state levels in terms of GDP).

Before the presidential election, Milei promised that, if elected, he would achieve the biggest fiscal adjustment in history, bringing down both taxes and government spending. What he and his administration have done so far since they took office regarding this matter is further described in the section “Macroeconomic Policy”.

### Taxes, share % 2023



Source: KPMG based on INDEC



## Macroeconomic Policy

Argentina's new administration took office by the end of 2023, amidst falling economic activity, a rising inflation rate and with both the fiscal accounts and the balance sheet of the Central Bank heavily deteriorated. To face this situation, the administration has carried out a stabilization program centered around austerity, accompanied by proposals for structural reforms.

The program implemented focuses on fiscal issues. Its primary objective was to achieve a fiscal surplus for 2024, particularly through a drastic cut in government spending. The main adjusted expenditure items were national public works, transfers to provinces and, more gradually, subsidies to transport and energy. Despite this contractive fiscal policy, the government stressed the importance of maintaining social spending as economic recession hits but emphasizing that it reaches out the beneficiaries directly and not through intermediaries. Despite some questions regarding its sustainability throughout the year, the government successfully achieved primary and financial surplus for the whole year, equivalent to 1.8% and 0.3% of the GDP, respectively.

In contrast with this aggressive attitude regarding fiscal matters, a more moderate approach has been taken to deal with the other major challenge faced, the removal of currency controls; after an initial devaluation of 54% and the implementation of a crawling peg regime with a 2% monthly devaluation rate back in December of 2023. As monthly inflation started to slowly converge to the latter, it decreased to 1% since February of this year.

Government officials described this last aspect of their program as a three-staged plan. The first, focused on the accumulation of reserves and stopping financing from the Central Bank to the Treasury, which is said to be accomplished. The second one consists of ending issuance resulting from the payment of interest-bearing liabilities. The third and final stage of the program is the removal of the foreign exchange restrictions, but it does not have a stipulated date. The original expectation was set by the end of the first half of 2024 and then, towards the end of such year.

At present, the path towards the complete normalization of the foreign exchange market still seems out of reach, while Milei has said that restrictions would be removed by 2026, depending on possible financial aid from the IMF.

As said, in addition to the stabilization program, the government aims at accomplishing major structural reforms, despite its very low political power. This is related to the constant criticism about the considerable weight of the State in the Argentine economy all over this century and its alleged inefficiency, voiced by Javier Milei and its party throughout the presidential campaign. These reforms focus on the deregulation of the economic activity and integration to the rest of the world and have been possible as a result of the Extraordinary Powers granted to the government.

The government's goal of ending inflation has made significant progress in the last months of 2024. After a peak in the monthly inflation rate above 20% in both December and January, the disinflation process was steady until June, then it found some resistance to fall below the 4% monthly rate, mainly due to the correction in relative prices. Such barrier was broken in September, and now the monthly inflation rate is approaching 2%. Meanwhile, slow signs of recovery in economic activity started to show halfway through the year and strengthened towards the end of it. According to some indicators, recovery seems to have already reached the level of Nov-23.

## Entrepreneurial Ecosystem

Despite the permanent economic and political instability that has characterized the country for decades, Argentina has a developed entrepreneurial ecosystem, outstanding at the regional level in some sectors and, above all, with a lot of potential to be exploited.

The Argentine Association of Private Capital, Entrepreneur and Seed (ARCAP) is a local organization which aims at promoting the development of the private equity industry in the country and boosting

the mobilization of local investment in companies with high economic, social and environmental impact. After four years, it organized, once again, its Argentine Investment Forum in 2024, with the support of the Argentine Investment Agency. Another existing public institution is the Bank of Investment and Foreign Trade (BICE), which grants financing to companies for productive investment projects and foreign trade operations and promotes the growth of SMEs with a focus on financial inclusion, technification of economic sectors and improvement of the competitiveness of the private sector.

In addition to this agency, the Argentine ecosystem has multiple initiatives and regimes of a state nature. Since 2007, the Law for the Promotion of the Development and Production of Modern Biotechnology and Nanotechnology has been in force, establishing benefits for research and development projects, as well as for the production of goods and services in these fields. In 2016, the Productive Recovery Program, also known as the MSME Program, was enacted, which gives tax benefits to micro, small and medium-sized enterprises, as well as recovered companies. In 2019, the Regime for the Promotion of the Knowledge Economy was created, which seeks to promote the development of economic and productive activities that make intensive use of technology and highly qualified human capital. These incentives are discussed in detail in The Argentine Tax System section of this report.

Finally, the Argentine ecosystem also has its own companies and Venture Capital funds. In 2022, Argentina had 35 funds and organizations of this nature, and in 2024 that figure reached 74. In the same way, the combined number of companies in the portfolio increased, from 539 to 630. Among the most relevant and active are Alaya Capital, Bridgelane, DC Ventures, Draper Cygnus, Kaszek Ventures and NXP Ventures.

Taking as a reference an ARCAP study in 2022, 2021 was considered a record year in terms of the number of transactions and in total amount invested, for both Latin America and the country. However, in 2022 the typical rounds (of less than USD 20 million) were record-breaking, in relative and absolute terms, demonstrating that the sector is "increasingly mature".



Although economic challenges are permanent and threaten the emergence of new ventures, they can also generate new opportunities, and this is the case in Argentina. This is one of the main reasons attributed to the great development of blockchain technology, with Argentina being one of the most mature and important industries in the world. The difficulties linked mainly to inflation encourage the search for alternative practices, and the adoption of cryptocurrencies has become a common practice. This in turn fosters a community of startups.

In addition to blockchain and the fintech sector, the ventures that have achieved the most significant development are technological ones. This is not exclusive to the local level, but rather regional and even global, partly as a result of the pandemic that accelerated the digital transformation of companies. In Argentina, the most emblematic cases to be mentioned are Mercado Libre in first place and Globant in second, but they are not the only ones.

The remaining sector that stands out above the rest in the country is biotechnology. In 2022, 43% of seed capital investments were directed towards biotech companies. By the end of the same year, there were 340 biotechnology companies in the country (33 of which are nanotechnology); thus, ranking tenth at a worldwide level.

The arrival of Javier Milei and the libertarian party to the presidency may be a turning point for the ecosystem. The new administration places special emphasis on technology and artificial intelligence as areas where the country can excel and become a regional and even global benchmark. In line with this vision, the President has held meetings with major figures in the U.S. business environment, such as Elon Musk, Tim Cook (CEO of Apple), and Sundar Pichai (CEO of Google).

At the same time, the economic deregulation and integration initiatives into the international scenario carried out by the new administration, together with the potential success of the stabilization plan, may open a window of opportunities for startups and local enterprises.

In this context, the so-called “Ley Bases,” aimed at modernizing the country’s economic structure, serves as an excellent starting point.

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Although it is not specifically targeted at this particular sector, it includes reforms that can foster the growth and development of new business initiatives. Specifically, it addresses labor issues by providing greater flexibility and legal certainty, and it simplifies tax matters, marking an initial step towards a more streamlined tax system.

### 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 Tuesday or Wednesday, it will be celebrated on the previous Monday. If the public holiday falls on 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 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.

Holiday	Date
New Year’s Day	January 1st (a)
Carnival	March 3rd and 4th (d)
Remembrance for Truth and Justice	March 24th
Malvinas Islands Day	April 2nd
Maundy Thursday	April 17th (c)
Good Friday	April 18th (c)
Labor Day	May 1st
Touristic Holiday	May 2nd (d)
Anniversary of the May Revolution	May 25th
Anniversary of the death of General Martín Miguel de Güemes	June 16th (d)
Flag Day	June 20th
Independence Day	July 9th
Touristic Holiday	August 15th (d)
Anniversary of the death of General José de San Martín	August 17th
Remembrance of Cultural Diversity	October 12th
Touristic Holiday	November 21st (d)
National Sovereignty Day	November 24th (d)
Feast of the Immaculate Conception	December 8th
Christmas Day	December 25th (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 2025.



## Leisure and Tourism

Buenos Aires offers entertainment options to suit all tastes. The city boasts numerous theaters, cinemas, and discos, as well as art and science museums. Teatro Colón, Argentina's premier opera house, is considered one of the best concert venues in the world. Both national and international sporting tournaments are hosted in various clubs and stadiums. Restaurants serving international cuisine—French, Italian, Mexican, Japanese, Indian, Chinese, and more—compete in excellence with those offering local dishes. Argentine restaurants are particularly renowned for their beef.

Argentina's diverse climates and stunning scenery make it a prime destination for tourism. The country features a variety of landscapes, including wide and beautiful beaches, the highest mountains in the Western Hemisphere, soft green hills in the central provinces, a wonderful lake region and ski paradises 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. Some restrictions apply to transfer prices and the deductibility of certain items.

The income tax at a 35% maximum rate is generally 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 national government imposes value added tax, excise taxes, wealth tax, 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 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 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. Shares traded in this market belong to 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 of which are traded on the Buenos Aires Stock Exchange. Foreign-owned companies may be listed on the Stock Exchange, provided they meet specific 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 Mercado de Hacienda de Liniers (Liniers Livestock Market) and Mercado de Cereales de Buenos Aires (Buenos Aires Grain Market).

## Foreign Exchange Regulations

In Argentina, exchange control regulations apply to transactions involving foreign currencies as explained below.

Argentine foreign exchange control regulations are outlined in rules of varying ranks, as follows:

1. Laws and regulations allowing only authorized entities to regularly perform foreign currency exchange transactions, currency exchange (canje) or currency arbitrage (arbitraje de divisas).
2. Obligations and restrictions derived from Decree 609/19, Decree 91/19 and related BCRA communications, of which the most important are contained in “Normas de Exterior y Cambios” (Foreign Exchange Regulations).

The regulations allowing only authorized entities to regularly perform foreign currency exchange transactions have been longstanding in Argentina. Unauthorized transactions are penalized under the Foreign Exchange Criminal Law.

Typically, banks and exchange entities are authorized to operate in foreign exchange. They must comply with the requirements of BCRA Communication “A” 6053 (as amended), among others.

*Arbitraje* (currency arbitrage) involves transactions in which instruments traded in the foreign exchange market, stated in different foreign currencies, are exchanged with the same counterparty. (e.g. receiving US Dollars and giving Euros).

*Canje* (currency exchange), in the context of these FX regulations, involves transactions in which two instruments traded in the foreign

exchange market, stated in the same foreign currency, are exchanged with the same counterparty (e.g. receiving US Dollars banknotes or checks from a person and transferring US Dollars in a bank account to the same person).

Based on the BCRA definitions, exchange transactions consist in “the purchase and sale of foreign coins and banknotes, gold coins or bars and traveler’s checks, money orders, transfers or similar transactions in foreign currency”.

The entities authorized to perform foreign exchange transactions operate in the official exchange market known as MULC) under conditions established by the BCRA. These conditions include significant intervention to determine the official exchange rate and a list of permissible transactions. Transactions not included in the list cannot be carried out through the MULC.

It is possible to legally obtain foreign currency using Argentine Pesos, or vice versa, outside the MULC through Blue Chip Swap (BCS) transactions. In Argentina, there are securities (public bonds, shares of Argentine or foreign companies, etc.) listed in both Argentine Pesos and US Dollars. The purchase and sale of these securities (Blue Chip Swap or BCS) are not considered foreign exchange transactions and are therefore not directly regulated by the BCRA but by other bodies such as the CNV.

Blue Chip Swap transactions involve buying a security with one currency (e.g. Argentine Pesos) and selling it for another currency (e.g. USD), which allows that an implicit exchange rate between the Peso and the USD be determined. The spread between the BCS and official rates (known as a “gap”) is an important indicator of the degree of macroeconomic stability (larger spread indicating greater instability).

Those who make certain transactions through the MULC (e.g. importers of goods or services that make payments abroad through the MULC) are subject to certain interdiction periods to perform BCS transactions and vice versa.

It is worth noting that during 2022 and 2023, payments abroad through the MULC faced significant delays and difficulties. During the period October, November and December of 2023, the MULC was nearly paralyzed for most international payments. Since December 2023, the MULC has been operating normally for payments related to new imports of goods and services, and the current administration is eliminating restrictions. Exchange controls are expected to be released by January 2026. The spread between the official and BCS rates has been at historic lows since July 2024.

For imports of goods and services before December 13, 2023 that could not be paid through the MULC, the BCRA issued a series of bonds (BOPREAL) that were fully subscribed by importers.

## Summary of 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.

→ ***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, except for the franchises provided by the regulations
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.
10. For the payment of debts through the foreign exchange market for the import of goods or services received before December 13, 2023.
11. 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 September 1, 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.

Payments that can be made through the MULC and do not need BCRA’s approval are the following among others:

1. Payment of imports of goods after 30 days of customs clearance.
2. Payment of import of services from third parties after 30 days of their completion.
3. Payment of import of services from related parties after 180 days of their completion

### **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.





## Chapter 2

## 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 statistical fee of 3%. However, such fee cannot exceed the following maximum amounts:

Customs value	Maximum statistical 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 statistical fee.

In addition, imports are subject to VAT. The VAT rate may range from 21% to 10.5%, depending on the classification of goods, and is calculated on an amount equivalent to the addition of the customs value, the import duties and the applicable statistical fee.

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). Additionally, the VAT and income tax withholdings/collections will not apply if the importer obtains specific tax exemption certificates, (currently, such certificates are suspended but there are some exceptions to this rule). The VAT advance rate is 20% or 10% (depending on the classification of 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 in almost all cases is 0%. The statistical 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.

Currently, importers must provide advance information regarding their import destinations for consumption through the Import Statistics System (in Spanish “Sistema Estadístico de Importaciones” “SEDI”). This representation will be valid for 360 calendar days, starting the date the “Exit” status is obtained.

When making the SEDI representation, the Tax & Customs Authority will analyze the taxpayer’s tax situation and their economic and financial capacity to carry out the intended operation, using the Economic and Financial Capacity System. This analysis occurs prior to the “OFFICIALIZATION” of the representation, based on the information available in the authority’s records.

Finally, General Resolution No. 1/2023 has eliminated automatic and non-automatic licenses. This measure is a positive initiative, as the former approval process for non-automatic licenses extended the timelines for imports.





## 2.2 Export regulations

### Export Duties on Goods

The Solidarity Act Law established limits on export duties: 33% of the FOB value for industrial products or services, and a maximum of 28% for other exports. However, most exports are exempt from these duties.

For agroindustry products from regional economies, export duties cannot exceed 5%.

Mining and hydrocarbon activities are subject to a maximum export duty of 8% of the FOB value.

### 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 the Tax Authorities General Resolution No. 4150/2017 (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 the Tax Authorities General Resolution No. 4197/2018 (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. Similarly, the procedure and requirements for applying for the AEO Program are clearly defined. It is important to note that applying for this program is both voluntary and free of charge.

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.

In April 2024, through General Resolution No. 5504/2024, specific procedures were established for the request of specific benefits stated in Resolution No. 5107/2021.

## 2.4 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 to gradually reduce import duties on trade among the four countries. The full implementation of this treaty began on January 1, 1995. Despite occasional discussions and unilateral measures by member countries, MERCOSUR has successfully promoted trade among its members. This trade agreement has become so vital to the participants that any future difficulties are expected to be resolved through negotiations. Additionally, a common duty has been established for imports from third-party countries, which accounts for a significant percentage of trade.

Chile and Bolivia signed free trade agreements with MERCOSUR. Additionally, 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. While NAFTA creates a free-trade zone, it does not provide for a common foreign tariff. The primary motivation for NAFTA member countries was to eliminate protectionist barriers among themselves, rather than to align their policies.

The MERCOSUR model follows the European Community model 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. However, progress has been good so far. 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.

## 2.5 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 LAIA are Bolivia, Brazil, Chile, Colombia, Cuba, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela. The LAIA fulfills its purpose through an economic reference area with a regional tariff preference, regional agreements and agreements between particular member countries. However, to date, LAIA has not had a significant impact 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).

## 2.6 Incentive Regime for Large Investments (RIGI)

The Incentive Regime for Large Investments, established by Law 27742, was created to promote large national and foreign investments in Argentina in the sectors of forestry, tourism, infrastructure, mining, technology, steel, energy, oil, and gas. Those who meet the requirements established by the applicable regulations may join the Regime and obtain significant tax, customs, and exchange benefits.

With regard to Income tax, the Regime offers benefits such as a flat tax rate of 25% (in contrast with the general regime, which has tax rates that range from 25% to 35% for companies). Additional advantages include the reduction of such tax on dividends, accelerated depreciation, and significant benefits related to losses (no temporary limits on their calculation, the possibility to transfer them, and inflation adjustment).

Additionally, it is established that the VAT can be paid with tax credit balances, and that the Tax on Debits and Credits in Bank Accounts can be used for the payment of the Income tax.

From a Customs perspective, imports under this Regime will not pay import duties or statistical fees in relation to new capital goods, spare parts, components and consumable goods. On the other hand, after three years, exports made by the beneficiaries of the Regime will be exempt from export duties.

In terms of foreign exchange control, it should be noted that those who are beneficiaries of the Regime will enjoy a progressive benefit in relation

to the obligation to bring and settle foreign currency through the official exchange market for the exports of goods.

Finally, it is important to highlight that the Regime provides mechanisms to ensure the legal certainty and stability of the benefits granted under the RIGI.





## Chapter 3

# 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 “Sociedad Anónima” (SA), “Sociedad de Responsabilidad Limitada” (SRL), and “Sucursal Argentina” (Branch), which are the most commonly used entities to do business in Argentina. Additionally, we will briefly describe “Sociedad por Acciones Simplificada (SAS), a business form set forth in Argentina in year 2017.

## 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 is as follows:

- i. 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. It should be noted that the transfer of shares is not required to be registered with the PR.
- ii. Foreign company as equity holder: as mentioned above, the ACL requires that, to hold an interest in Argentine companies (such as SA, SRL, or SAS), a foreign company shall be duly registered with the PR and with the Tax Authorities. We can provide further details on this matter and prepare a memorandum outlining the relevant requirements upon request.

iii. Corporate purpose: the ACL establishes that the company’s purpose must be accurately and specifically stated

iv. Corporate capital: the PR requires an initial minimum stated capital of ARS 30,000,000. In addition, if the capital is contributed in cash, at least 25% must be paid at the time of issuance, with the remaining 75% payable 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.

v. 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 2,000,000,000, the board of directors may be comprised of one regular director and one alternate director if no supervisory auditors are appointed. 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 2,000,000,000, etc.).

vi. Shareholders’ meetings: SA is governed through shareholders’ meetings. The shareholders are required to hold an annual 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 annual meeting, the shareholders may hold extraordinary meetings to consider any other matters (for instance, amendments to the by-laws or reorganizations).

- vii. 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.

"*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 requirements: (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.

## 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:

- i. Members: in this case, the ACL also requires a minimum of two members, 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.
- ii. Foreign company as member: please see our comments in section 1(ii) above, which also apply to SRL.
- iii. Corporate purpose: please see our comments in section 1(iii) above, which also apply to SRL.
- iv. 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).
- v. 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 in 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 2,000,000,000.

- vi. Meetings of members: the authority governing SRLs 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 2,000,000,000.

- vii. 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 2,000,000,000.

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

## 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, though it is governed by the laws of the place of organization of the Branch's headquarters. We can provide further details on the registration requirements upon request.



To conduct activities in Argentina, the Branch must maintain accounting records, keeping separate books from those of the headquarters to document local transactions. Accordingly, its legal representative shall prepare and file the annual financial statements with the PR.

Additionally, the Branch shall establish a legal domicile in Argentina and appoint a legal representative, who may or may not be an Argentine resident, but he/she must have an Argentine Tax I.D.

While the Branch may be allocated capital, this is not mandatory. The headquarters is responsible for all operations conducted by the Branch in Argentina.

Please note that the registration process with the PR typically takes around thirty working days from the date the relevant documentation is submitted.

## 4. SAS

A SAS is a business form set forth in year 2017 by means of Law No. 27349. The articles of incorporation and by-laws of the SAS shall also be registered with the 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 business form are as follows:

- i. Members: SASs can be organized with a minimum of one shareholder.
- ii. Foreign company as member: please see our comments in section 1(ii) above, which is also applicable to the SAS.

iii. Corporate capital: the minimum capital required for a SAS is twice the minimum wage required by law (currently, ARS296,832).

iv. Corporate purpose: the corporate purpose can comprise multiple activities that are not necessarily related to each other. I.G.J. provides a standard corporate purpose that includes multiple activities.

v. 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 for managers to be members of the SAS; however, at least one of them shall be resident in Argentina, and all managers shall have a Taxpayer Identification Number (in Spanish, Clave Única de Identificación Tributaria – CUIT or CDI). The legal representation of the SAS shall be vested in 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 domicile of choice in 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.

It is also worth mentioning that SASs shall maintain its corporate and accounting books and sign minutes digitally.

vi. Shareholder's meetings: SAS are governed through shareholders' 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.

vii. Financial Statements: SASs shall approve financial statements, but there is no need to file them with the PR.

viii. Restrictions: this corporate structure is not permitted for companies under permanent surveillance by the PR, as provided for by Section 299 of the ACL (such as government-owned companies, companies engaged in financial activities and/or companies that operate public concessions or public services). The same restriction applies to companies holding more than 30% of the SAS's share capital or having significant influence on the SAS in any manner whatsoever.

It is worth noting that SASs can be electronically registered within 72 hours since the time of filing the related documentation with the PR. However, the PR is currently experiencing some technical difficulties which might delay the registration of SAS. The PR also provides the company's Tax ID upon registration.

### Jurisdiction

The summary of the basic guidelines and aspects for each business form is aligned with the specific regulations of the Public Registry of the City of Buenos Aires. Depending on the jurisdiction in which the entity is established, certain requirements may change.



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## Chapter 4

# The Argentine Tax System

## 4.1 Main taxes

In Argentina, the tax system is structured across three levels: federal, provincial, and municipal. Different taxes are applied at each level, with specific regulations and competencies that vary depending on the jurisdiction.

At the federal level, different taxes are imposed: income tax, value added tax, wealth tax, excise tax, tax on debits and credits in bank accounts, and customs duties.

On the other hand, provincial and municipal jurisdictions collect other taxes, such as turnover tax, real estate tax, stamp tax, tax on vehicles, and public advertising tax, 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

In Argentina, taxpayers are required to file annual or monthly tax returns to report their taxable income, account for withheld or pre-paid amounts, calculate their tax liability, and pay any outstanding balance. This system is based on the principle of self-assessment, which places the responsibility on taxpayers to determine and fulfill their tax obligations.

Companies are required to make 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.

In Argentina, the tax year for individuals coincides with the calendar year.

Individuals with significant amounts of non-wage income, such as income from self-employment, are required to make advance payments towards their final tax liability. These payments are calculated as a percentage of the prior year's income tax. Resident individuals with non-wage income shall file an annual income tax return.

Those who earn only employment income are not required to submit an individual income tax return, as their employers withhold the corresponding tax on a monthly basis. This withholding is deemed final, eliminating the need for further filings.



Foreign taxpayers who are not residents of Argentina are not required to file a tax return. Instead, they are subject to withholding at source on their Argentine-source income, which is considered a one-time, final tax payment.

### Audits, Assessments and Appeals

The Tax Authorities (ARCA) 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 settlement 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.

### Determining Tax Liability

Tax calculations, made in accordance with the applicable legislation, rely on verifiable data, typically drawn from the taxpayer's financial records or supporting documentation. The Tax Authorities would only resort to legal assumptions in cases where the taxpayer has not provided sufficient information, failed to maintain proper accounting records, or when the information provided is found to be inaccurate or incomplete.

### 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 unpaid 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 7.47% 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. ARCA may, however, share information with the Customs Authorities, the Argentine Securities and Exchange Commission (Spanish acronym, CNV) and the BCRA. Moreover, a judge may request ARCA to disclose information at court's proceedings. However, on certain occasions, ARCA has 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 ARCA, 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.

## 4.4 Mandatory Disclosure Regime for International Transactions (RICOI)

The Tax Authorities have issued General Resolution 5306/2022 (published in the Official Gazette on December 27, 2022), whereby a new information regime (Spanish acronym, "RICOI" or "Régimen de Información Complementario de Operaciones Internacionales") has been established for certain international transactions.

This regime is of a supplementary nature, covering international transactions. Indeed, this is conceived merely as a reporting regime so that the Tax Authorities may obtain the information required for the analysis of transactions. It is worth noting that the filing of information under this regime does not imply any acceptance or rejection by the Tax Authorities of the tax treatment applied to the reported international transactions.



The regime shall be complied with by companies, nonprofit organizations, trusts, mutual funds, permanent establishments and entities organized or located in Argentina, in connection with the following transactions:

1. Transactions conducted with legal entities, specific-purpose estates, establishments, trusts, permanent establishments or other individuals/entities domiciled or located abroad, as long as they are related parties;
2. Transactions conducted with individuals/entities domiciled, organized or located in non-cooperative or null or low taxation jurisdictions, even when they are carried out through their permanent establishments abroad.

Those entities/individuals that, in ARCA's registration system, are classified as Tier I and II "micro, small and medium-sized enterprises" are not subject to this obligation. Tax and legal advisors are not subject to the regime, either.

The international transactions to be reported are, among others, the following: a) cases related to permanent establishment, b) events of international double non-taxation, c) situations where the asymmetries between the laws of two or more jurisdictions are used to favor the transfer of tax benefits to other jurisdictions, d) cases where there is any type of agreement, scheme or plan to exclude one or more individuals/entities from the obligation to report or to be reported under the standard for automatic exchange of account financial information between different jurisdictions, approved by the Organization for Economic Cooperation and Development (OECD) (Common Reporting Standard) or under the Foreign Account Tax Compliance Act (FATCA), e) business restructuring operations conducted with the aim of being excluded from the "country by country report" international information regime established by ARCA, f) sale by non-residents of shares or ownership interests in foreign entities that directly or indirectly hold assets or rights located in Argentina, where applicable, g) exploitation concession of any activity that involves a transfer of capital., h) international lease-purchase operations deriving in a finance lease.







Chapter 5

# 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 dividends.

#### Tax Rates

A tiered corporate income tax rate structure has been established for different earnings brackets, as shown in the following table:

Accumulated net taxable income		Fixed Amount in ARS	Tax	
From ARS	to ARS		Plus %	On the amount in excess of
0	101,679,575.26	0	25%	0
101,679,575.26	1,016,795,752.62	25,419,893.82	30%	101,679,575.26
1,016,795,752.62	forwards	299,954,747.02	35%	1,016,795,752.62

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

#### Taxation of resident Companies

Companies incorporated under Argentine law, as well as permanent establishments of foreign entities engaged in commercial, industrial, agricultural, mining, and other activities, are considered residents for tax purposes and must keep separate books and records in Argentina.

Resident companies in Argentina are subject to tax on their worldwide income, including that generated by foreign branches and subsidiaries. However, foreign subsidiaries' income is taxed only to the extent that dividends are actually paid, unless the subsidiary falls under the tax transparency regime (CFC rules explained below). In these cases, an advance recognition of income will be required, and the resident entity should attribute its allocable share of the foreign entity's income on an accrual basis, in accordance with the applicable regulations.

#### Gross Profit

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

#### Business Income

Business income includes various sources of revenue, such as proceeds from the sale of goods and assets of different types, dividends from non-resident companies, royalties, service fees, interest, among others.

Regarding gross profit, it is specifically defined for income derived from the sale of inventories, calculated as net sales minus the cost of acquiring or producing goods. For other types of business income, gross profit can be determined using appropriate and consistent accounting methods.

#### Capital Gains

Capital gains of a company are not taxed separately. Instead, they fall under the scope of the income tax and are subject to the same rate that applies to ordinary income.



## Net Operating Losses

Net operating losses may be carried forward to offset future taxable income for up to five years. It should be noted that carryback, the practice of applying losses to previous years' income, is not allowed.

## Specific Losses

Tax losses arising from the sale of stock, representative shares or deposit certificate shares, membership or equity interest, digital currency, 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 to reflect the effects of inflation up to March 1992.

Notwithstanding the paragraph above, 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*

Buildings used to generate taxable income can be depreciated at an annual rate of 2% of their cost. This depreciation expense must be adjusted for inflation from the month of acquisition or construction until the end of the fiscal year, but not beyond March 1992. Alternative depreciation rates may be applied if they are technically justified.

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. The resulting amount is then adjusted for inflation, following the same method as for buildings and improvements.

The 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.

As mentioned, 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.

### *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, 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 ARCA guidelines, and given the wide range of activities that may emerge, ARCA must determine the maximum amount of overdue receivables that can be classified as bad debts and deducted without 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.

### *Interest*

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, 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.

Moreover, any interest that could not be deducted in accordance with the preceding paragraphs, may be added to the interest 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 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 certain cases expressly indicated, including the situation in which it is evidenced through reliable means that the beneficiary of interest has actually paid tax on such income in accordance with the Income Tax Law. 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.

The limitation shall also not apply when, for a given fiscal year, reliable evidence shows that the ratio of interest subject to the limitation to net

income is equal to or lower than the ratio of liabilities with independent creditors to net income, as 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 the entity which 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.

### **Other Deductions**

Certain deductions are specifically addressed by current regulations:

- Taxes other than income tax are generally deductible.
- Extraordinary losses resulting from events 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 compensated otherwise.
- 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 compensated otherwise. Such losses must be proved 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.
- 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.

### **Integral Inflation Adjustment**

The integral inflation adjustment in a given fiscal period will be applicable provided that the variation in the consumer price index is higher than 100% for the 36-month period prior to the end of such fiscal period.



## Foreign Tax Credit

Resident companies may compute foreign income taxes as a credit towards the payment of 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 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, regardless of whether they share the same owner or are part of an 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 earned 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 circumstances under which an individual or legal entity is considered to be managing these entities are explicitly regulated.

- Foreign entities without tax personality: 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.

- Foreign entities with tax personality: 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 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 related entities; or -regardless of ownership interest- powers or attributes evidencing control), b) lack of substance or nature of 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

#### Dividends

It should be noted that the Equalization Tax mechanism has been eliminated for dividends or profits that correspond to accrued profits in fiscal years beginning on or after January 1, 2018, maintaining its application for the previous years. The purpose of the Equalization Tax

was to impose a 35% withholding on the excess between accumulated accrued profits and taxable profits, ensuring that shareholders did not benefit from tax reliefs intended for the company.

Profits generated in fiscal years starting on or after January 1, 2018, are subject to a new scheme of partial integration between corporate income and dividends, with a dividend withholding rate of 7%.

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

Interest is a deductible expense, subject to certain limitations. In cases where payments are made to beneficiaries abroad, the applicable withholding tax may vary depending on the nature of the payment and the parties involved, being the applicable domestic rates 15.05% or 35%.

### Royalties / Technical Assistance

The withholding rates applicable to royalty payments and technical assistance fees depend on the type of income and on whether the local registration requirements set forth by the transfer of technology regulations have been met. The applicable rates may be 21%, 28% or 31.5%.

The deductibility of payment to non-residents for the license of trademarks or patent rights 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).

## Reorganization of Companies

The Income Tax Law sets forth a regime for tax-free reorganizations—including mergers, spin-offs, and intra-group transfers—provided specific conditions are satisfied.



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.

On another note, it is 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.

## 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<sup>1</sup>, the transactions made with natural or legal persons, and other entities domiciled, incorporated or located in non-cooperative or low or null taxation jurisdictions<sup>2</sup> shall not be considered to be consistent with the arm's length principle.

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

It is worth mentioning that 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.

(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.

The Income Tax Law includes 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, ARCA 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.

On May 15, 2020, AFIP (now ARCA) 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, which includes both the transactions formerly reported through forms F.743/F.969 and forms F.867/F.741<sup>3</sup>.

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.

(3) Transfer pricing or international transactions forms applicable for previous periods.



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

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

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 as listed by Annex I to the General Resolution:

#### 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 Tax Authorities 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 subsequent to the fiscal year end, depending on the last number of the 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 ARCA 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<sup>4</sup>.

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 ARCA'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 systematic 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 ARCA's 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, local entities are also required to inform if the CbyCR was filed in the jurisdiction of the UPC.

The provisions of General Resolution 4130 (ARCA) 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 (ARCA 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 ARCA 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 ARCA have initiated audits in different industries. ARCA 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.

Additionally, the Tax Authorities are putting special attention to the analysis of services received from abroad, with the aim of verifying their operational need, corroborating that they are not duplicate services, and how the cost base is determined before applying mark-up.

In relation to transfer pricing analyses based on the use of independent comparable companies, the Tax Authorities have been quite reluctant to accept those companies that present operating losses, requesting exhaustive details to justify their inclusion. Lack of supporting information may cause the exclusion of the comparable company from the analysis by ARCA.

Finally, it is important to mention that another relevant issue for the Tax Authorities is the presence of international intermediaries in operations. Although these inspections are mainly initiated due to customs issues when price differences in exports and imports are detected, transfer pricing reports are very important to defend the reasonableness of cross-border operations.

As for penalties, in addition to the financial fines mentioned above, there are other operational sanctions that could be applied by the Tax Authorities, such as the suspension of special regimes, the blocking of imports, among other issues.

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



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.

## COVID-19

In May 2021, the Tax Authorities published suggestions for comparability analyses during pandemic-affected periods, aligned with OECD's December 2020 document. They recommended using contemporaneous information of comparables and discouraged multi-annual financial averages to avoid distortions.

Additionally, General Resolution 5010/21, published on June 18, 2021, granted an exceptional extension for filing the Transfer Pricing Report and forms F. 2668 and F. 2672 for fiscal years ending between December 31, 2020, and December 31, 2021, until the ninth month following the fiscal period end.

Finally, the same resolution established an optional International Operations Simplified Regime, fulfilled by filing the new form "F. 2672 - International Operations Simplified Regime," with specific conditions and information requirements.

## RIGI - VPU

On July 8, the Argentine Official Gazette published Law 27742 "Bases and Starting Points for the Freedom of the Argentine People". Title VII includes the Incentive Regime for Large Investments (RIGI, Spanish acronym). This law encompasses many procedural aspects typically regulated by Executive Decree, aiming to provide foreign investors with enhanced assurances of regulatory stability.

Chapter II of the law defines the covered entities. Articles 169 to 174 specify that eligible entities are referred to as Single Project Vehicles (VPU or VPUs, Spanish acronym). These include corporations, branches of foreign companies or temporary unions, established solely to present

and, if approved, develop one or more phases of a single long-term project qualifying as a Large Investment under the law.

Based on General Resolution 5590/24, published by the Argentine Official Gazette on October 22, 2024, the procedures and formalities that VPUs shall comply with in relation to Transfer Pricing were established. Although these procedures refer to the general transfer pricing regulations for cross-border operations, it is important to highlight that this new regime also establishes the obligation to review the transfer prices of operations carried out by VPUs with local related companies and other local resident entities covered, in addition to other specific aspects different from the general transfer pricing regulations.

In this regard, VPUs are required to submit, for the operations they carry out with resident entities in the country, an "Annual Operations Report" as described in Annex VI, up to the sixth month subsequent to the fiscal year end, depending on the last number of the CUIT.

## 5.1.3 Value Added Tax

### Scope

The value added tax (VAT) is a general consumption tax applied within Argentina. It is imposed on:

- a. the sale of movable property situated in Argentina;
- b. 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;
- c. definitive imports of movable property;

d. 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;

e. 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 (termination of service or payment, whichever first). The payment thereof will be used as a VAT credit.

Notwithstanding the abovementioned, when services are destined to carry out both taxable and non-taxable activities, VAT on these services from abroad may only be paid on the amount attributable to taxable activities

It should be noted that, for continuous services, the taxable event arises on a monthly basis.

Real estate transactions are generally outside the scope of VAT, except for some specific cases.



On the other hand, certain transactions are exempt, such as sales of shares and securities. Entities performing these activities may not recover input VAT.

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.

#### **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%. However, different rates may apply in specific cases.

For example, a rate of 27% applies to electricity, natural gas and water supplied to business activities.

The rate of 10.5% is applied, among others, to the following activities:

- The construction industry only with respect to the construction of dwellings (houses).
- Interest and commissions paid on loans granted by financial institutions. Borrowers must be registered taxpayers.

- 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.
- Certain capital goods, whether imported or manufactured. A list of HS codes for goods covered by this regime may be consulted.
- Soy and soy-related products.

#### **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.

Traditionally, invoices issued to final consumers or VAT-exempt purchasers did not require the segregation of VAT and other indirect taxes, as the total price was displayed instead.

However, the invoicing regime has recently been modified by incorporating the obligation to specify, in issued sales invoices, the itemized amount of value-added tax and other national indirect taxes that affect transaction prices (“Fiscal Transparency Regime for Consumers”).

The implementation of this new modality will be carried out gradually based on taxpayer segmentation.

#### **Administration**

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

#### **Transfer of VAT Credits**

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 Debits and Credits in Bank Accounts

Competitiveness Law 25413 has created a tax on debits and credits in bank accounts opened in Argentine financial institutions, except for those expressly excluded. In general, the financial institutions act as collection agents.

The absence of an Argentine bank account does not automatically relieve the taxpayer of the liability for this tax, though it would eliminate the means of collection.

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 certain transactions that are subject to a 12 (twelve per thousand) 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 applies to the sale, transfer, or import of specific products, not being applicable to exported products.

It is generally based on the invoiced amount, and the rates vary depending on the items covered. These items include, among others, tobacco and tobacco products, alcoholic beverages, soft drink concentrates and soft drinks, diesel engines and cars, cellular phone services, electronic products, and insurance premiums.

## Tax on the purchase of foreign currency for hoarding, tourism and travel services abroad

The Tax on the purchase of foreign currency for hoarding, tourism and travel services abroad (PAIS, Spanish acronym) applicable to certain transactions in foreign currency has been recently eliminated, after being in force for a term of five years.

Despite the foregoing, the Tax Authorities have introduced a new reverse withholding regime replacing the previous one related to the PAIS tax for income tax and wealth tax.

This reverse withholding is applied on certain transactions involving the purchase of foreign currency, such as:

- a. Purchase of foreign currency and banknotes by residents in the country for saving purposes or without a specific purpose.
- b. Payment of goods and/or services acquired abroad, settled through credit, purchase, and debit cards, or any other equivalent means of payment, including purchases made through online platforms or virtual marketplaces.
- c. Payment of services rendered by non-residents, settled through credit, purchase, and debit cards, or any other equivalent means of payment.
- d. Acquisition of services abroad purchased through travel and tourism agencies—whether wholesale and/or retail—established in the country.

- e. Acquisition of passenger transportation services by land, air, or water to destinations outside the country.

The reverse withholdings under this regime, applicable at the rate of 30%, will be considered as a credit towards the payment of the subsequent income tax and wealth tax.

## 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, among other activities, for mining, research and development, the software industry, investment in capital assets and infrastructure works, modern biotechnology and large investments. Below the main regimes are summarized.



# RIGI

## Incentive Regime for Large Investments – RIGI (Law 27,742)

### Definition and Objectives

RIGI is the Spanish acronym for Incentive Regime for Large Investments, the purpose of which is the following:

- i. Encourage large domestic and foreign long-term investments in the following sectors:
  - Industrial forestry
  - Infrastructure
  - Mining
  - Energy
  - Technology
  - Tourism
  - Oil and gas
  - Steel industry
- ii. Generate conditions of predictability, stability and legal certainty for these investments, guaranteeing compliance with the rule of law through special protection in the event of deviations and/or non-compliance by the federal public administration.

### Tax Incentives

#### Income Tax

Among the benefits, we can mention the following:

- Corporate income tax rate of 25%.
- 3.5% WHT on dividends distributed after seven years from the date of adhering to the regime.
- Accelerated depreciation: Movable property: 2 years. Infrastructure works, mines, quarries, forests and the like: useful life reduced by 60%.
- Absence of time limits (five years in the General Regime) in the computation of prior-year tax loss carryforwards.
- In addition, after five years, unused tax loss carryforwards can be transferred to third parties (this is not allowed under the General Regime).
- Inflation adjustment to tax loss carryforwards (not applicable in the General Regime).

#### Other Federal Taxes

- VAT. The granting of tax certificates to pay the VAT credits associated with certain purchases and imports in order to reduce the financial impact derived from the accumulation of tax credits.
- The tax on debits and credits in bank accounts can be used (100%) for the payment of income tax.



### Customs

- Capital goods, parts, components, spare parts and certain consumables imported by the VPU shall not be subject to customs duties, statistical fees, verification rates or provincial and national withholding taxes on imports.
- No export duties after 3 years from the date of adhering to RIGI.
- No import and export restrictions, including the prohibition of mandatory quotas in the local market.

### Foreign Exchange Incentives

#### Proceeds from exports:

Entities under RIGI are exempted in the percentages described below from the obligation to bring the foreign currency proceeds of exports (goods or services) to Argentina and convert them into Argentine Pesos:

- 20% after two years from the date of the VPU's start of operations;
- 40% after three years from the date of the VPU's start of operations;
- 100% after four years from the date of the VPU's start of operations.

These funds, in the aforementioned percentages, will be unrestricted.

### Financing and funding:

Proceeds from financing will not be subject to restrictions as to their free availability.

The RIGI project will have access to the official exchange market to repay loans and interest and/or to repatriate capital contributions and dividends as long as such loans and/or capital contributions have been previously brought into Argentina through the official exchange market.

### Strategic Long-term Export Projects

These are export projects considered strategic with investments in excess of USD 1 billion, which have additional benefits under RIGI.

#### Proceeds from exports:

More accelerated exemption regarding the obligation to bring the foreign currency proceeds of exports (goods or services) to Argentina and convert them into Argentine Pesos:

- 20% after one year from the date of the VPU's start of operations;
- 40% after two years from the date of the VPU's start of operations;
- 100% after three years from the date of the VPU's start of operations.

### Income Tax – WHT:

- 0% WHT on amounts paid by the VPU to non-resident persons for marine leases or charters, for international transportation services for exports and for services included in engineering, procurement and construction management contracts.
- 10.5% WHT on other payments made by the VPU to non-resident persons (unless a lower WHT is applicable according to the domestic law or double taxation conventions). Grossing-up is not applicable.

### RIGI Requirements

Submission of an application for inclusion in the RIGI:

- Presented by a Single Purpose Vehicle (VPU, Spanish acronym).
- The VPU shall be the owner of an investment project in the sectors included in the RIGI.
- The project shall qualify as a “large investment”. The minimum investment amount depends on the sector:
  - Oil & Gas offshore exploitation: USD 600M
  - Exploitation of gas for export: USD 600M
  - Oil & Gas transport and storage: USD 300M
  - For other sectors, the minimum investment amount is USD 200M.



# RIGI

- Investments shall be made in “computable assets” as from the RIGI’s coming into force with the following characteristics:
  - Investments in “computable assets” are those investments destined to the acquisition, production, construction and/or development of assets that will be involved in the activities of the sectors included in the RIGI, excluding financial and/or portfolio assets and inventories.
  - 40% of the investment shall be made during the first and second year after project approval. The remaining investment shall be made within the term defined by the investor according to reasonable guidelines.
  - A project is considered long-term if it has a ratio of no more than 30% between, on the one hand, the present value of expected net cash flow (excluding investments) during the first three years after the first capital disbursement and, on the other, the net value of proposed investments during the same period. The enforcement authority is entitled to modify this ratio.
- The application should contain details of the project, such as investment schedule, description of financing, production and export estimates, description of permits and authorizations obtained, etc.
- Technical analysis of non-distortion of the local market: A sworn statement, supported by a technical analysis, stating that the VPU will not distort the local market, and a plan for the development of local suppliers shall be submitted. The competent authority may reject projects that, in its opinion, distort the local market.

- “Buy Argentina” clause: At least 20% of the total investment amount shall be acquired from local suppliers, both in the construction and operation stages. This condition will be applicable to the extent that the supply is available and under market conditions in terms of price and quality.
- Registration of “Local Suppliers”:  
Importers that supply goods and services to the VPU may register in the RIGI exclusively to obtain import tax exemptions on those goods used to provide such goods and services to the VPU.

### **RIGI Guarantees**

Tax and customs incentives and the special regime of foreign exchange regulations cannot be modified by more burdensome legislation during the 30 years following the approval/commitment of the project under the RIGI.

In the case of local taxes (turnover tax), it is necessary for the provinces and municipalities to adhere to the RIGI so that such protection also covers these taxes.

Large Investments carried out under RIGI are declared to be of federal interest.

In the case of tax increases or new federal taxes, the burden of proof that the legal modification does not increase the tax burden rests with the tax authorities.

In all other cases, the burden of proof that the statutory modification or administrative treatment violates the RIGI rests

with the taxpayer. There is the possibility for entities under RIGI to compute overpaid taxes as a tax credit.

RIGI does not exclude the possibility of benefiting from a reduction in the tax burden if new laws or regulations are enacted.

Special customs procedure whereby entities subject to RIGI will self-declare the taxes due on an import or export.

If the VPU submits a claim for violation of the stability regime in relation to exchange control regulations, the Central Bank may not initiate an infraction procedure until the claim is definitively resolved (including court appeals).

Any dispute relating to the RIGI may be submitted, at the option of the RIGI beneficiary entity, i) under the Special Customs Procedure (PCA, Spanish acronym) rules; ii) under the arbitration rules of the International Chamber of Commerce; iii) under the International Center for Settlement of Investment Disputes (ICSID, Spanish acronym) rules.



## 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 shall 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 shall 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). Initially, General Resolution 4428/2019, issued jointly by the Tax Authorities (ARCA) and the Mining Bureau, established the procedure for mining companies to request the refund of taxes that have affected tax stability. Such resolution was replaced with the currently in force General Resolution 5205/2022 issued by the same agencies.

- 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:  
Initially, royalties charged by the provinces are limited to 3% of the value of the mineral extracted and transported prior to any transformation process (the value at the mine mouth).

However, Law 27743 enabled the provinces to receive as royalties a percentage not exceeding five percent (5%) of the “mine mouth” value of the mineral extracted, with respect to mining projects that have not started construction related to the exploitation stage.

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 shall 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, as amended by Law 27487 of 2019)

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.

In addition to these benefits, if the establishment is located in one of the provinces adhering to the Law of Investments for Cultivated Forests, it will be exempt from stamp tax for activities covered by Law 25080.

## 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.

## 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

(Law 27506, as amended by Law 27570 and Decree 679/2022)

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 tax credit bond 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. Under certain circumstances, the bond can be transferred to other beneficiaries of the same regime.

- 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.

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

(Law 27191)

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 a 20% of electricity should be generated from renewable sources by the end of year 2025.

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.

- *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.

From a provincial tax perspective, Law 26190 invites all Argentine provinces to adhere to the regime enacting local regulations with tax benefits aimed at promoting and encouraging the production of electric energy through renewable sources.

The renewable energy promotion regime is currently in its final stage of validity in Argentina. All the players of renewable energy in Argentina are working on its renewal, but there are no known bills at this time that would extend the validity of this regulation.



### Modern Biotechnology

(Law 26270, as amended by Law 27685)

The purpose of this law which will be in force until December 31, 2034 is to promote the development and production of modern biotechnology and nanotechnology throughout the national territory.

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.

In turn, for legal purposes, nanotechnology encompasses any technological application involving the study, manipulation, and controlled production of materials, substances, and devices at nanometric dimensions.

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 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.

Resident individuals and legal entities incorporated in Argentina that submit a research and development project based on the application of modern biotechnology or nanotechnology will also have the benefit of a credit certificate for 50% of the technical assistance, 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 - MiPyME, Spanish acronym - (Law 27264)

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 debits and credits in bank accounts 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 as amended by Decree 209/2022)

This regime is applicable to legal entities that manufacture certain capital goods and have an industrial facility located within the national territory.



To access the regime, capital goods manufacturers must register in a Registry. For this purpose, they must be in compliance with their tax and social security obligations and meet various requirements. Additionally, they must certify certain data through accounting and engineering certifications.

The benefits are as follows:

- Reduction of social security contributions, equivalent to 90% if the beneficiary proves to be a MiPyME, for all employees on its payroll, and 70% in other cases, only for those employees engaged in the manufacturing of goods, as well as in the provision of services directly related to their design, engineering, installation, and assembly.
- Tax credit bond calculated based on different parameters, which may be used by beneficiaries for the payment of amounts related to income tax, value added tax, and excise tax. In the case of import transactions, the tax credit bond may be used for the advance payment of income tax and value added tax, including their withholdings and reverse withholdings.

Among others, tax credit bonds may be requested for an amount equivalent to the following concepts:

- 40% of the value resulting from multiplying the total amount of income tax determined in the fiscal year immediately preceding the one in which the request is made by the percentage of turnover of the sale of the goods manufactured on their own account in the National Territory.
- 80% of the amount of the investments made in Research and Development for up to 2% of the turnover of the sale of the goods manufactured on its own account in the National Territory (2.5% may apply in certain specific cases).

→ 60% of the export refunds authorized for products included in certain tariff positions of the Common Nomenclature of Mercosur

The sum of the benefits granted annually for all the concepts may not exceed 10% of the total invoicing for the same period.

The regime will remain in effect until December 31, 2027, inclusive.

## 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, Qatar, Turkey and China. Other treaties were signed –not yet in force– with Japan, Luxembourg, and Austria.

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 levy a tax on the turnover (revenues) of businesses. Tax rates vary depending on the type of activity and jurisdiction (there are 24 jurisdictions, including the City of Buenos Aires). Additionally, within each jurisdiction, differentiated rates apply based on the activity type. For example, commerce and services are generally subject to a rate between 3% and 5%, while other activities, such as primary, industrial, and

financial intermediation, are usually subject to different rates. These rates are applied to the total amount of gross earnings accrued.

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

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

### 5.2.2 Stamp Tax

Stamp tax is a provincial tax that applies, in general, to public and private instruments, being the taxable basis equivalent to the economic value of those instruments.

The tax shall not only be levied on documented legal acts and agreements signed in a given local jurisdiction, but also on contracts or instruments executed in foreign jurisdictions, provided they involve assets located in Argentina or have effects in Argentina (for example, depending on the specific provincial regulations, this situation could arise when they involve the creation, modification, transfer, preservation, or destruction of rights in a local jurisdiction).

The average rate is 1%; however, the applicable rate will depend on the type of transaction documented in the instrument and the regulations corresponding to the provincial jurisdiction applying the tax (rules differ depending on each jurisdiction).

### 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 2,038,752 or ARS 8,488,486 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 1.603% to 8.191%, depending on the taxable basis and the relationship with the decedent or the donor.

## 5.2.5 Tax Incentives



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.

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 (ABL, Spanish acronym) 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 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 promotion regime established by Law 19640 provides an exemption for activities and operations carried out in the National Territory of Tierra del Fuego, as well as for assets located within this territory. In general, the exemption applies to all national taxes though, in some cases, the benefit may consist of a reduction in rates. It is to note that the regime also provides significant customs-related benefits.

It is important to mention that in order to claim the tax exemption, activities need to be performed in the National Territory of Tierra del Fuego, considering that the aim of these measures is to promote the establishment of companies in the referred province and, therefore, encourage its inclusion, development and competitiveness.

The promotion regime has been extended until December 31, 2038, subject to certain conditions. Furthermore, should specific requirements be met, the regime may be further extended for an additional 15-year term, starting on January 1, 2039.

Notwithstanding the foregoing, it is important to note that certain changes are currently being introduced to the regime, indicating a more restrictive approach towards the access to incentives for companies currently benefiting from the regime.





## Chapter 6

# 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 only exception is the American Depositary Receipt "ADR" related to Argentine companies which must be taxed considering the capital gain in Argentine pesos).

The sale of financial products under the supervision of the Argentine Securities and Exchange Commission (CNV, Spanish acronym) 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 2024:

Deductions 2024	
Non-taxable income	ARS 3,503,688.17
Spouse	ARS 3,299,771.52
Each dependent child (under 18 years of age)	ARS 1,664,086.82

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 14,014,752.69 in FY 2024 and to ARS 15,665,073.50 in FY 2025 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 7,007,376.34 in FY 2024 and to ARS 7,832,536.74 in FY 2025. Also, a special deduction will apply for employees in connection with their Argentine source income (ARS 16,817,703.23 in FY 2024 and ARS 18,798,088.20 in FY 2025, regardless of whether the individual stays or not in Argentina for more than six months).

### Rates

Year 2024 general rates applied to residents and non-residents with permanent presence in Argentina range from 5% to 35% as follows:

From ARS	To ARS	Taxable basis in ARS	Plus %	On the ARS amount in excess of
-	1,360,200.00	-	5%	-
1,360,200.00	2,720,400.00	68,010.00	9%	1,360,200.00
2,720,400.00	4,080,600.00	190,428.00	12%	2,720,400.00
4,080,600.00	6,120,900.00	353,652.00	15%	4,080,600.00
6,120,900.00	12,241,800.00	659,697.00	19%	6,120,900.00
12,241,800.00	18,362,700.00	1,822,668.00	23%	12,241,800.00
18,362,700.00	27,544,050.00	3,230,475.00	27%	18,362,700.00
27,544,050.00	41,316,075.00	5,709,439.50	31%	27,544,050.00
41,316,075.00	-	9,978,767.25	35%	41,316,075.00

### 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 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.

### Wealth Tax – Special Regime for Advance Payment (REIBP, Spanish acronym)

On 28 June 2024, Argentina's Congress approved Law 27743/2024 that introduced modifications to the country's wealth tax. It created a Special Regime for Advance Payment of Wealth Tax, which allowed taxpayers who are tax residents –as well as certain non-residents– to make one advance payment and avoid future tax return filings and tax payments (until fiscal period 2027).

This Law also establishes fiscal stability regarding assets until 2038. Essentially, taxpayers who decide to adhere to the REIBP will benefit from fiscal stability concerning the wealth tax and any other national taxes, whether currently existing or created in the future, until 2038.



Their tax burden on asset taxes cannot be increased, and the rate cannot exceed 0.5 percent until 2027 or 0.25 percent for the following 10 years.

**Wealth Tax - Compliant taxpayer's benefit**

Furthermore, article 65 proposes a benefit for compliant taxpayers. Those who have fulfilled all their obligations regarding the wealth tax for the fiscal periods 2020 to 2022 may claim a 0.5 percent reduction in the tax rate for the periods 2023, 2024, and 2025.

**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 1,025,482,377.13 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 (tax rate is 0,5%) by the referred companies.

**Fiscal Year 2024 (and onwards) – Tax Returns Due in 2025**

The minimum amount of assets and tax rates for resident individuals (who are not subject to benefit of compliant taxpayer) in Argentina will be as follows:

Fiscal year	Amount in excess of	Tax rate	Asset Location
2024	ARS 292,994,964.89	0.5% to 1.25%	Worldwide

The minimum asset amounts and tax rates for resident individuals in Argentina, who are not eligible for the compliant taxpayer benefit, will be as follows:

Fiscal year	Amount in excess of	Tax rate	Asset Location
2024	ARS 292,994,964.89	0.25% to 0.75%	Worldwide

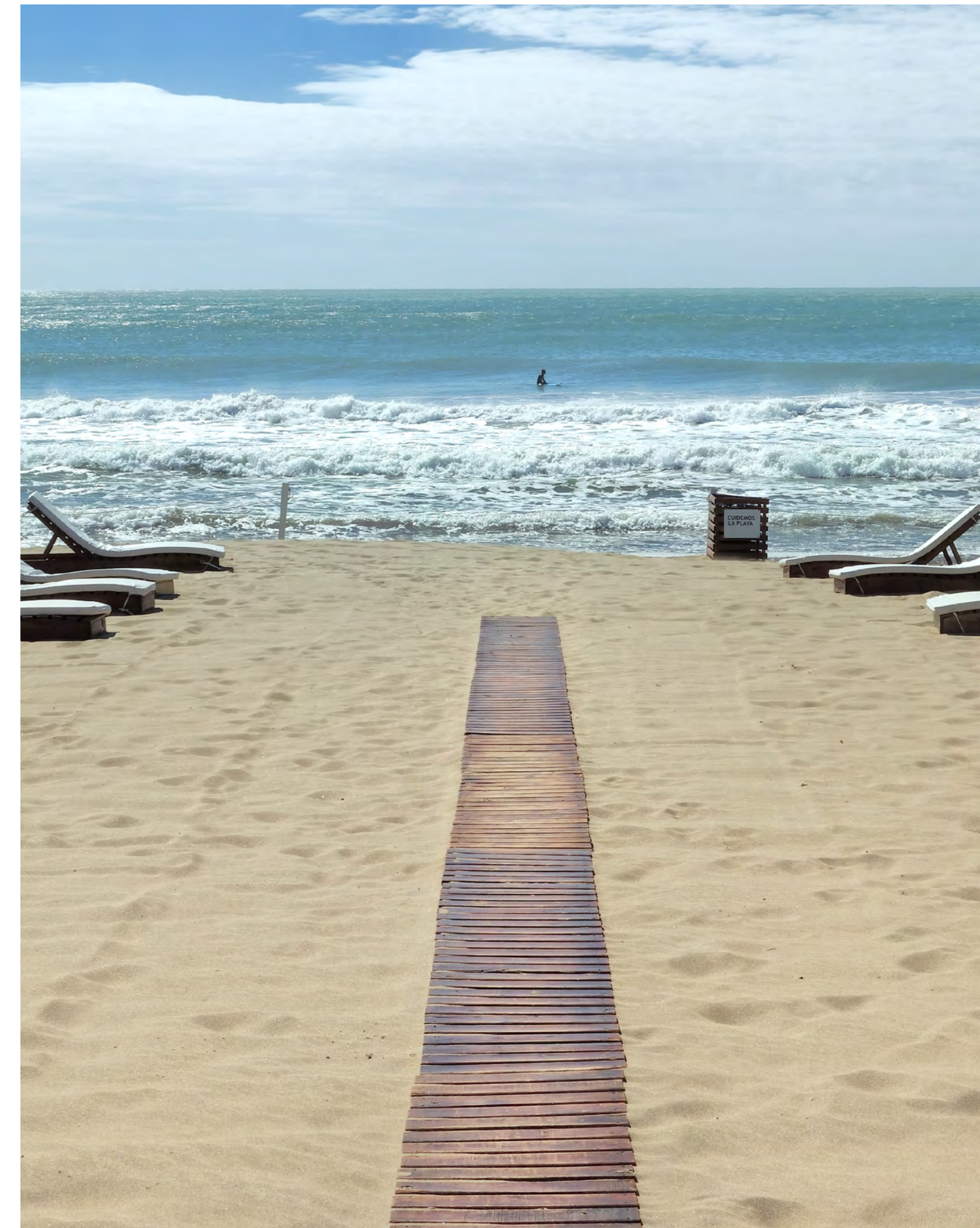
A tax credit is allowed for similar taxes paid abroad, limited to the Argentine wealth tax payable on the assets located abroad.

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.







## Chapter 7

# 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, progressive rates ranging from 25% to 35% are applied to taxable income. The distribution of earnings is taxed in the same manner 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. Below is outlined the tax treatment applicable to certain situations that commonly arise in practice:

#### Income from Imports

Income derived from imports into Argentina is not deemed Argentine-source income, provided that the ownership of goods is transferred abroad, and that the local buyer handles the customs clearance with the Argentine Customs Authorities.

#### Dividend / Portfolio Income

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

Proceeds from the sale of shares of local companies are subject to tax at a 13.5% rate on the gross sales price, or at a 15% rate on the net capital gain amount (optional).

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 on stock exchanges or stock markets under the supervision of the

Argentine Securities and Exchange Commission (CNV, Spanish acronym).

- Interest income and capital gains on the sale of public securities, debt securities from financial trusts and mutual fund units placed in a public offering, 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:

- 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.
- 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 seller of shares has, 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.

### Summary of Domestic Withholding Rates

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.

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%).

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 (2)	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	7.527
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 ARCA'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%.

(3) Proceeds from the sale of shares of local companies are subject to tax at a 13.5% effective 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 Argentine Securities and Exchange Commission (CNV, Spanish acronym), 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.



### Maximum Withholding Tax Rates under Double Taxation Conventions

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

(a) 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%.

(b) Copyright royalties are taxed at 10%.

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

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

(e) 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%.

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

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

(h) 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.

(i) 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.

(j) 3% for the use of news; 5% for the use of copyright of literary, musical or other artistic or scientific work; 10% in all other cases.

(k) Exemptions: interest on certain commercial debt claims; interest on loans of any nature granted on preferential terms for a period of at least three years by a bank; interest paid to the other State and its subdivisions or to an institution owned or controlled by the State listed in the Protocol;

interest paid out of loans guaranteed or insured by the institutions mentioned in the Protocol.

(l) 3% for the use of news; 5% for the use of copyright of literary, artistic or scientific work; 7 % for the use or containers; 10% in all other cases.

(m) 5% on dividend payments to institutions owned or controlled by the other State (listed in the Protocol).





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## Chapter 8

# 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 neither apply to household and government employees, whose work conditions are covered by separate statutes, nor to services contractors, agency workers and all those regulated under the Civil and Commercial Code.

### Workforce

Argentina has a skilled labor force.

Currently, Argentina has an unemployment rate of 6.9% (Third quarter of 2024)<sup>1</sup>.

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 of them 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.

(1) National Statistics and Censuses Institute.

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.

### 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.).

### 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:

- a. Employers' contributions rate: As from 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.
- b. 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 ARS10,000 monthly.
- c. 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.
- d. 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.

- e. 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 February 2025: ARS 2,989,160.00)<sup>2</sup>. There is also a minimum taxable base which is currently established at the amount of ARS 91,975.48.

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

Services 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

(2) This cap is adjusted on a monthly basis.



registered as an employer shall be directly included in the Family Allowances System<sup>3</sup>. By virtue thereof, family allowances shall be paid directly by the Argentine Social Security System (ANSES, Spanish acronym).

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 2,011,633 or ARS 4,023,266 considering the family group since February 2025 (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 2,989,160 (since February 2025)<sup>4</sup> 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 (SUAF, Spanish acronym).

(4) This cap is periodically adjusted every year in March, June, September and December.

#### 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 (2024).

	Employer (I)%	Employer (II)%	Employer (III)%
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)
	<b>24.00</b>	<b>26.40</b>	<b>17.00</b>

Ref.:

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

(II) Commercial and services 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 2,011,633 –since February 1, 2024– (taxable monthly salary), whichever lower. This cap is adjusted on a monthly basis.



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 the Argentine System of Self-Employed Individuals (*Régimen Nacional de Trabajadores Autónomos*) ranges from ARS 47,763.70 to ARS 210,157.48 (since January 1, 2025), depending on the annual gross revenues.

Both directors of corporations and legal representatives shall contribute to the Argentine Social Security System as self-employed individuals, even if carrying out activities under a labor relationship. Contributions to the Argentine 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 273,086.50. On the other hand, the monthly maximum retirement payment is established at the amount of ARS 1,837,613.63.

## 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, Israel, 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.

### 13th-month Salary

Employees are entitled to receive a 13th-month salary, known as “Aguinaldo”. 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 1,608,453 per employee (as from February 2025).

## 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 ARS 292,446.00 as from February 2025 for monthly salaries, and ARS 1,462.00 for hourly salaries. Actual salaries, however, are higher.

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

### **Labor Contracts**

The Employment Contract 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 a severance pay.

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.

As from 2020, the remote working practice has been implemented in the country. In case employers decide to adopt this practice, 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 severance pay 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 work or task assigned or cessation of the cause giving rise to the contract), no severance 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 (REPSAL, Spanish acronym) – Law 26940

The REPSAL was created by the Ministry of Work, Employment and Social Security (MTEySS, Spanish acronym). Such Registry will include the final sanctions imposed by the MTEySS, ARCA, the provincial authorities as well as the authorities of the city of Buenos Aires, the National Registry of Agribusiness Workers (RENATEA, Spanish acronym), the Workers Compensation Insurance Regulator (SRT, Spanish acronym) 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.

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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