

GMS Flash Alert

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Argentina – Tax Reform Brings Changes for Individuals and Employers’ Social Contributions

A comprehensive tax reform was adopted in Argentina in December 2017, with its impact felt in fiscal year 2018 and beyond.¹

The changes discussed in this *GMS Flash Alert* include taxability of financial operations (which were exempt before) and new income tax on real estate capital gains and on termination payments (both under certain circumstances). Also covered are changes to social security contributions.

WHY THIS MATTERS

There are significant changes in the social contributions to which employers are subject. In some cases, this might represent savings with respect to the assignment of employees to Argentina.

International assignment program managers will need to decide if their assignees who could be liable to the income tax on new taxable events noted below will be covered under the company’s tax reimbursement and tax services policies with respect to such taxation or if they will leave each assignee to meet his/her own liability and compliance obligations.

Changes in Income Tax Levied on Individuals

New Taxable Events

- **Sales of real estate** are to be taxed at a rate of 15 percent, except when the real estate sold is the permanent place of abode (as long as the real estate that is being sold is acquired in or after 2018).
- **Operations with crypto currencies**, such as Bitcoins, are to be taxed at a rate of 15 percent.

- **Financial operations generating Argentine-sourced income** are no longer tax exempt. Financial operations related to time deposits, bonds, mutual funds, and other instruments will be taxable at a rate of 5 percent if the operation is denominated in AR\$ (Argentine pesos). Financial operations related to time deposits, bonds, mutual funds, and other instruments will be taxable at a rate of 15 percent if the operation is denominated in foreign currency or in AR\$ with an adjustment clause.
- **New “transparency” regulations** are applicable to shareholders of companies incorporated in tax havens or corporations where more than 50 percent of their income is portfolio income. Shareholders will be required to report income/loss derived from the operations conducted by the company (disclosed in the annual financial statements) as if such operations were conducted directly by them.
- **Severance payments** to high-level executives that exceed the amounts set forth by law will be taxable to the terminated executive.

KPMG NOTE

The Argentine tax authority is still preparing the regulatory decree that will provide further clarification on the application of the new law.

Changes Applicable to Employers’ Social Security Contributions

The rate applicable to companies that paid social security contributions at a rate of 17 percent will be gradually increased by 0.5 percent each year, until a rate of 19.5 percent is reached.

- 17.5% for 2018
- 18% for 2019
- 18.5% for 2020
- 19% for 2021
- 19.5% for 2022

The tax rate applicable to companies that paid social security contributions at a rate of 21 percent will be gradually decreased by 0.3 percent each year, until a rate of 19.5 percent is reached.

- 20.7% for 2018
- 20.4% for 2019
- 20.1% for 2020
- 19.8% for 2021
- 19.5% for 2022

A tax threshold has been introduced for employers' social security contributions. The nontaxable minimum amount will be as follows:

- AR\$2,400 for 2018
- AR\$4,800 for 2019
- AR\$7,200 for 2020
- AR\$9,600 for 2021
- AR\$12,000 for 2022

AR\$1 = €0.04
AR\$1 = £0.035
AR\$1 = US\$0.0485
AR\$1 = R\$0.168

FOOTNOTE:

1 Law No. 27,430 ("the Law"), published in Argentina's *Official Gazette* on 29 December 2017. The Law is generally effective 1 January 2018.

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Contact us

For additional information or assistance, please contact your local GMS or People Services professional or the following professional with the KPMG International member firm in Argentina:



Adriana Laurino

Partner

Tel. +54 11 4316 5784

alaurino@kpmg.com.ar

The information contained in this newsletter was submitted by the KPMG International member firm in Argentina.

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