

# GMS Flash Alert

2020-016 | January 23, 2020



## Argentina - Law 27,541 Contains New Rules for Wealth Tax, Financial Income Tax

Recently, Argentina's government approved Law 27,541, which introduces changes to the country's Wealth Tax and Financial Income Tax, among other things.<sup>1</sup>

The changes to the Wealth Tax include an increase of the tax rates; applies different rates for assets in the country or outside it; and introduces new criteria for taxation under Wealth Tax rules.<sup>2</sup> These changes, applicable for tax year 2019, were enacted on 28 December 2019, by virtue of Executive Branch Decree 99/2019 implementing Law 27,541.

The Financial Income Tax was modified too, and a new tax was introduced for purchases of foreign currency, with effect from December 23, 2019.<sup>3</sup> This issue needs to be understood in conjunction with capped amounts for monthly purchases.

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### WHY THIS MATTERS

Changes introduced by this Law impact the taxation of individuals in Argentina and abroad who are subject to Argentine tax law.

The new measures could have the effect of increasing the burden of tax on individuals. Individuals, therefore – and their employers and tax service providers – might want to consider the implications of these changes when making decisions involving their assets and foreign currency purchases.

International assignment policies should be reviewed to determine whether they cover Wealth Tax and Financial Income Tax. Companies' international assignments companies' policies may need to be revised; for example, their tax equalization policies.

Furthermore, the imposition of financial restrictions could impact the structure of assignee compensation and compensation arrangements (allocation of costs) between home country and host country entities.

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## More Details

### Wealth Tax: Criteria of Taxation

The Argentinean tax authorities will use the same criteria that is used for income tax in Argentina. This is happening because the new statute replaces the term "domicile" with the term "residency," so 12 months living abroad or permanent residence in the other country, whichever has happened first, will be required in order to stop paying on worldwide assets. Henceforth, the criteria for income tax and Wealth Tax are aligned.

### Wealth Tax Rate for Assets in Argentina

The new Law has increased the percentages applicable to the personal assets of resident individuals in each case. The new applicable table starting FY 2019 is shown below:

Total value of assets that exceeds the minimum		Will Pay ARS	Adding the %	Above the amount that exceeds ARS
More than ARS	to ARS			
0	3,000,000	0	0.50%	0
3,000,001	6,500,000	15,000	0.75%	3,000,000
6,500,001	18,000,000	41,250	1.00%	6,500,000
18,000,001	Onwards	156,250	1.25%	18,000,000

### Wealth Tax Rate for Assets Abroad

Starting FY 2019, assets abroad will be taxable at higher rates than assets in Argentina:

Total Value of the assets in Argentina and abroad		The total amount of the assets located abroad which exceed the taxable minimum not used against Argentinean assets will be subject to the following percentages:
More than ARS		
0	3,000,000	0.70
3,000,001	6,500,000	1.20
6,500,001	18,000,000	1.80
18,000,001	Onwards	2.25

This increased percentage can be avoided if 5 (five) percent of the assets abroad are converted into cash and **repatriated before March 31 inclusive**. Please note that the repatriated funds need to be deposited in certain financial institutions maintained in the country prior to December 31 of the year of repatriation.

### Financial Income Tax

Interest from Argentine public bonds and Argentine private entities bonds will maintain the special treatment under the Financial Income tax rules established in FY 2018. Similar to the previous fiscal year, the taxpayer could choose not to

tax the interest at the moment of collection but instead defer it to the trade date by affecting its purchase value for such amount.

## Exchange Control Restrictions

There is a monthly cap amount of USD 200 to buy foreign currencies. In addition, Law 27,541 establishes a new tax of 30 percent that applies on the purchase of foreign currency – there are some exceptions. This tax is to be collected by credit card companies and financial entities.

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## KPMG NOTE

- Wealth Tax issues that were discussed during tax briefings held during 2019, have changed with this Law. Special attention to this issue and arranging time for discussions are recommended for assignments initiated in 2019.
- We encourage companies to review and discuss their tax equalization policies and revise them if determined appropriate following an analysis as to the impact of a change to such policies.
- Exchange control regulations will be a significant topic for discussion where inbound assignees are concerned. It has come to our attention that among expatriates there is awareness of this development and concern about the new restrictions.

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## FOOTNOTES:

1 See the Ley N° 27.541 ("Ley de Solidaridad Social y Reactivación en el Marco de la Emergencia Pública") and a related decree (*Decreto 58/2019*) published in the *Boletín Oficial* by clicking [here](#).

See also the related *Decreto 99/2019* published in the *Boletín Oficial* by clicking [here](#).

And, also see the related "Resolución General 4659/2020" published in the *Boletín Oficial* by clicking [here](#).

2 For prior coverage of Wealth Tax matters in Argentina, see GMS [Flash Alert 2019-071](#) (April 5, 2019).

3 For prior coverage of the loosening of restriction on foreign currency purchases, see GMS [Flash Alert 2016-004](#) (January 8, 2016).

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ARS 1 = EUR 0.015  
ARS 1 = USD 0.0166  
ARS 1 = GBP 0.0127  
ARS 1 = BRL 0.07

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

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