

GMS Flash Alert



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Argentina - Income Tax Calculations Are Changing

Over the last few weeks, a series of measures have been approved by the government in Argentina that modify the income tax calculation for the period October to December 2023 and for 2024.¹ This *GMS Flash Alert* summarizes some of the important changes, such as the above-noted change to the income tax calculation as well as new developments regarding the determination of earnings subject to taxation.

WHY THIS MATTERS

The changes will have an impact on the way the tax of employees is calculated. The purpose of these new regulations is to reduce the number of taxpayers liable to tax.

Changes for 2023

Until September of the current fiscal period, the calculation was carried out as follows:

According to salary level, the taxable population was divided into three sections:

- without withholding tax (salaries up to ARS 700,875 in September);
- with withholding, but incremental deductions (salaries between ARS 700,875 and ARS 808,341 in September);
- No additional benefits (salaries exceeding ARS 808,341 in September).

Then, all income and deductions up to September were accumulated and tax was calculated with the rates of the corresponding month (marginal rate 35 percent). In most cases, the third group that was included for income tax calculations had been paying at the marginal rate.

For October-December 2023 period:

According to salary level, the population is divided into two sections:

- **If the monthly gross income is less than 15 federal minimum wages (ARS 1,980,000):** No tax withholding.
- **If the monthly gross income is higher than 15 federal minimum wages (ARS 1,980,000):** Accumulate earnings since October.

The monthly income tax scale to be considered was also updated to reflect the increases in the salary amount basis. The marginal rate remains 35 percent, but for different amounts.

Changes for 2024

Law 27,725, approved by the Senate on September 28, establishes important new changes for the taxability of earnings derived from labor relationships, retirements, and pensions in FY 2024.² Local-source earnings will be considered independently for the income tax calculations.

“Cedular” Tax for those who receive “higher income”: It is calculated and determined independently, it will not be added with other income that an individual may obtain (e.g., if they obtained a rental property) and the withholding that is determined in this way will be final.

What is “higher income”? Defined in the Income Tax Law as a) performance of an employee for a public office with the exception of the judiciary, deputies, senators, and some others as indicated; b) personal work in a dependent relationship with the exception of directors and equivalent administrative positions; and c) retirements, pensions.

From what amount is such higher income taxable? Where an individual obtains higher income for an amount greater than 180 federal minimum wages annually (*SMVM*), he or she will be taxable. Calculated at the federal minimum wages value of December 2023, the amount is equivalent to ARS 28,800,000.00 annually / ARS 2,400,000.00 monthly.

Tax Scale: Tax rates vary between 27 percent and 35 percent and are applied to amounts determined in terms of federal minimum wages (the tax scale), which will be updated in January and July of each fiscal year. (For more information on Argentina’s tax system, see [Taxation of International Executives: Argentina](#), a publication of KPMG International.)

KPMG INSIGHTS

Companies with globally-mobile employees should review their local payroll in light of the new income tax changes. Monthly payroll calculations will be affected and it is essential that processes are adjusted properly and timely in order to achieve compliance.

For FY 2024, it is also important to analyze the impact with respect to the tax burden for employees who are also members of the board of their companies and will continue to be taxed at the general tax rates. The “Cedular tax” will not include this category of employee.

FOOTNOTES:

1 *Boletín Oficial de la República Argentina*, “Resolución General 5417/2023” (Fecha de publicación 16/09/2023) at: <https://www.boletinoficial.gob.ar/detalleAviso/primera/294272/20230916> .

2 “Ley de Impuestos a las ganancias, Ley 27725,” in the *Boletín Oficial de la República Argentina* (Fecha de publicación 06/10/2023) at: <https://www.boletinoficial.gob.ar/detalleAviso/primera/295606/20231006> .

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ARS 1 = USD 0.002857

ARS 1 = EUR 0.00267

ARS 1 = GBP 0.002337

ARS 1 = BRL 0.014

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Contact us

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



Rodolfo Canese

Partner

Tel. + 54 11 4316 5643

rcanese@kpmg.com.ar



Cecilia Nuñez

Director

Tel. + 54 11 4316 5749

cnunez@kpmg.com.ar

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

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