

GMS Flash Alert

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Argentina – New Benefit Adjustment Formula Adopted

In accordance with National Decree DR 274/2024¹, Argentina's National Social Security Administration (Administración Nacional de la Seguridad Social, or ANSES) will adjust pensions each month based on the change in the national consumer price index two months prior, as measured by the country's National Institute of Statistics and Census (Instituto Nacional de Estadística y Censos, or INDEC).

WHY THIS MATTERS

The adoption of the new legislation is intended to provide Argentina's pensioners with better protection against inflation—which reached 288 percent on an annualized basis in March—and eliminate the need for ad-hoc benefit increases and bonuses.

More Details

On March 22, Argentina's president issued Decree 274/2024 which links future benefit adjustments under the country's contributory pension program to inflation starting in July 2024. ANSES will adjust pensions monthly based on the national consumer price index from two months prior, as measured by INDEC. As a transitional measure, pension will increase by 12.5 percent in April and additional increases in May and June based on the higher of the old or new adjustment formulas.

This change aims to provide better protection against inflation, which reached an annualized rate of 288 percent in March 2024. With this latest reform, Argentina's government has changed the benefit adjustment formula for contributory pensions four times since 2008. The previous formula, implemented in March 2021, adjusted pensions quarterly based on 50 percent of the quarterly change in ANSES's revenues and 50 percent of the quarterly change in national wages (as measured by INDEC or the Ministry of Labor, whichever is higher). For the first quarter of 2024, this formula produced a benefit increase of 27.18 percent, which fell short of the 51.6 percent inflation rate for the same period.

KPMG INSIGHTS

Companies with employees on Argentinian payrolls should take note of this decree, as the updated amounts will also be considered in the calculation of social security contributions, which will therefore vary monthly. For company directors, the increase in social security contributions will affect the calculation of Income Tax Withholding.

Questions about the rules, who they apply to, and what next steps are advisable should be addressed to a qualified tax professional or a member of the GMS team with KPMG in Argentina (see the Contact Us section).

FOOTNOTE:

1 See Decreto 274/2024 (Decree DR 274/2024) at: <https://www.argentina.gob.ar/normativa/nacional/decreto-274-2024-397577/texto> .

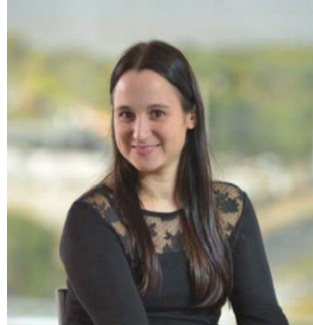
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Contact us

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