

GMS Flash Alert



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Argentina - Important Income Tax Scale Changes for 2023

On 11 August 2023, Argentina's tax authorities published Dictum Law N° 5402/2023¹, that introduces new modifications to the country's income tax (*impuesto a las ganancias*) which affects the progressive tax scales for calculating monthly withholdings in respect of dependent employees from August to December 2023. According to the new rules, a reimbursement will be effected for every employee considering his or her annual withholdings from January to July, in comparison to the annual withholdings that they would have been subject to applying the new tax scales.

Additionally, the new rules introduce an increase of the special deduction applicable to public employees, dependent employees, and retired people to reduce the tax burden of an important portion of the taxpayers.

WHY THIS MATTERS

Changes introduced by the Dictum Law affect many taxpayers who are subject to income tax withholdings, whose year-to-date tax paid will decrease when applying the new scales, and a windfall will come their way in the form of a reimbursement of over-withholding, if applicable, to be effected between August and September. This development also positively affects some taxpayers whose monthly salaries are between certain amounts and therefore they will benefit from an increase in the special deduction, which will have the effect of lowering their tax burdens. Where such individuals are on assignment and subject to these rules, their employers' international assignment costs may be lower.

It is essential to get in front of the changes described in this newsletter and to communicate quickly and clearly with key stakeholders, so that they can properly plan, budget, and make necessary adjustments

Each individual's tax status should be determined in light of his or her particular situation.

General Resolution 5402/2023 – Decree 415/23²: New Income Tax Scales and a Tax Reimbursement for Dependent Employees

On 11 August 2023, General Resolution 5402/2023 was published, alongside its Decree 415/2023, introducing an increase in the income tax progressive scales, equivalent to 35 percent of the current scale values, to be applied by employers when calculating withholding tax on their employees' monthly salaries.

This new rule's purpose is to avoid the new salary policies driven by the government being "neutralized" because of the change in the tax burden, considering the high inflation situation in the country.

These new scales must be considered from August payroll calculations onwards.

Furthermore, the differential amount resulting from comparing the recalculation of the withholding tax from January to July, against what had been withheld – which in most cases results in a balance in favor of the employee – is to be restored/repaid to the taxpayer in two parts, 50 percent in August and 50 percent in September. This reimbursement must be included in the employees' salary pay slips as "Beneficio Decreto 415/23," when salaries are paid in those months.

General Resolution 5402/2023 – Decree 414/23³: Income Tax Special Deduction Increase

It is important to note that in accordance with General Resolution 4003 there is no withholding tax applied when the monthly salary or average monthly salary as from 1 January 2023 to April 2023, does not exceed ARS 404,062. The aforementioned amount was increased to ARS 506,230 (from 1 May 2023) and it increased again to ARS 700,875 from 1 August 2023. [ARS 1 = EUR 0.00268 | ARS 1 = USD 0.00285 | ARS 1 = GBP 0.0023 | ARS 1 = BRL 0.0139 (Source: www.xe.com)]

On 11 August 2023, General Resolution 5402/2023 was published, alongside Decree 414/2023, introducing an increase of the special deduction (*deducción especial incrementada*) applicable to dependent employees whose monthly salaries are between certain ranges. For gross salaries that do not exceed the amount of ARS 700,875 monthly, the increase in the special deduction must be equivalent to an amount that results in a taxable net income of ARS 0 for the taxpayer after deducting applicable personal and family allowances. For gross salaries that are between ARS 700,875 and ARS 808,341, there will be a fixed incremental amount of the special deduction established by the tax authorities (AFIP).

KPMG INSIGHTS

Companies with globally-mobile employees – especially those who are foreign citizens in Argentina – should consult with their tax service professionals about the new income tax changes that affect the monthly payroll calculations in order to make sure processes are adjusted properly and they are in compliance.

For employees inbound to Argentina, pre-departure and/or on-arrival conversations with those who will be subject to Argentine tax law should include mention of applicable tax rates, thresholds and brackets, exemptions, deductions, credits, allowances, and the impact on the mobile employee, especially in light of the changed tax scales.

FOOTNOTES:

- 1 *Resolución General 5402/2023*. [RG 5402/2023 \(Dictum Law\)](#).
- 2 *Decreto 415/2023*. [Regulatory Decree 415/2023](#): *new income tax scales; tax reimbursement*.
- 3 *Decreto 414/2023*. [Regulatory Decree 414/2023](#): *special deduction increase*.

Contact us

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