ARGENTINA

Currency: Peso (P)	Dial Code To: 54	Dial Code Out: 00
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A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

COMPANY TAX: Companies domiciled in Argentina are subject to income tax on all their income, whether sourced in Argentina or in a foreign country. Non-resident companies are subject to tax on Argentine source income. Income from export of goods situated in Argentina is deemed to be fully taxable, and for other specific international activities (e.g. new agencies, insurance, commercial use of films produced abroad, international transport, etc) the tax law establishes a certain percentage as presumed income.

The tax rate for corporations (Sociedades Anónimas, Sociedad de Responsabilidad Limitada – Limited Liability Corporation-, en Comandita) and branches of foreign companies domiciled in Argentina is 35%. For other partnerships, the tax is charged to each partner according to a progressive tax rate scale ranging from 9% to 35% depending on the amount of the taxable income.

Foreign recipients not qualifying as a permanent establishment in Argentina are subject to withholding tax at source. The rate is 35% on the applicable presumptive net income percent, depending on the type of payment made (i.e., interest, fees, royalties, rentals, etc.).

For companies organized or incorporated in Argentina, any Income Tax (or similar tax) paid abroad on a foreign source income is creditable against Argentine Income Tax, up to a limit (see paragraph C).

Company income is taxed on an accrued basis during the company's business year. The tax is assessed annually within five months after fiscal year end. The advanced payments must be paid monthly on the basis of the tax amount paid the previous year. Moreover the AFIP (Tax authority) has enforced several withholding tax regulations that involve almost all kind of activities. The Income Tax withheld during the fiscal year is creditable against the Income Tax assessed.

CAPITAL GAINS TAX: There is no separate tax levied on capital gains for companies organized in the country or for branches, as they fall under the scope of Income Tax. For foreign corporations, capital gains are also included under withholding at source Income Tax regime at the time payment is made.

For foreign resident companies that own shares issued by an Argentine company, gains derived from the alienation of those shares are not levied with income tax, provided that the owner's shares (issued by the foreign resident company) are registered (not issued to the bearer). The same exception is applicable on the alienation of shares and bonds that quote on the Stock Exchange.

On the other hand, for foreign companies residing in tax heavens (off shore companies) that are shareholders of an Argentine company, gains derived from the alienation of those Argentine shares are levied with Income Tax. The applicable withholding tax rate is 17.50%.

VALUE ADDED TAX (VAT): This tax is applied to the all stages of productive and selling processes (output tax), and the tax amount of the immediately preceding stage is deductible (input tax).

The tax is imposed on the following transactions:

- Sale of personal property situated in Argentina.
- Leases and services, including financial and insurance services.
- Real Estate lease.
- Work performed on third-party real property.
- Work performed on owned real property, in the case of constructors.
- Production of personal property commissioned by a third party.
- Procurement of natural goods commissioned by a third party.

- Permanent import of personal property.
- Services provided from abroad but used in Argentina.

VAT is assessed on a monthly basis. The inception of the taxable event is to issue the invoice, delivery the good, render the service, or the receipt, the earliest.

The standard tax rate, currently 21%, is charged on the net price of the transaction. There are some leases and services levied at 27% (electricity, telecommunications, etc.). Some goods and services are levied at 10.50% (bovine meat, fresh vegetables, lodgings, interests on loans received from argentine financial institutions, property plant and equipment included in a list provided, newspapers and magazines, transportation for individuals, etc.).

Exports are levied at a zero rate (destination country method). Exporters can apply input tax (incurred in making exports) against output tax arising from other taxable transactions. In case of a net input tax (internal charge), exporters are entitled to a refund (under a special procedure established by the tax authority). Foreign tourists are also entitled to a VAT refund (cash or in credit card account) included in personal property purchases and lodging services.

There are several withholding and collection at source regimes in force. The VAT withheld or collected at source is creditable against the internal charge. In case of a reminding tax credit, it can be offset against any other federal tax liability.

FRINGE BENEFITS: No tax is levied specifically on fringe benefits, since they are levied with Income Tax and Social Security Contributions.

MINIMUM PRESUMPTIVE INCOME TAX (ASSETS TAX): This tax is levied on all assets located in Argentina or in foreign countries, owned by companies domiciled in Argentina, or branches of foreign companies located in Argentina.

The tax Act sets how to value the assets, to which, in general, the current market value must be given. Some assets are not levied, e.g.: shares of other companies domiciled in Argentina, dividends earned, investment in constructions (for 2 years), new movable goods purchase (for 2 years). Companies having less than $ 200.000 of assets are not levied. Field Real Estate property is levied allowing a special deduction of up to $ 200.000.

The tax rate is 1%. Banks and Insurance Companies assess the tax on a 20% of their assets basis.

Although in fact this is an “assets tax”, the spirit of the law is to set a minimum of Income Tax (for example, in case of tax losses). The Income Tax assessed may be creditable against Minimum Presumptive Income Tax, for the same fiscal year.

If in the same fiscal year Income Tax is higher than Minimum Presumptive Income Tax, the net will not generate tax credit. On the other hand, if in the same fiscal year Minimum Presumptive Income Tax is higher than Income Tax, the net of Minimum Presumptive Income Tax may be carried forward and offset against Income Tax in the following ten fiscal years. Despite this tax credit, every fiscal year the company must pay effectively at least the amount of Minimum Presumptive Income Tax assessed. Therefore, every year the company must assess both, yet pay either Income Tax or Minimum Presumptive Income Tax, the higher.

SINGLE SIMPLIFIED TAX: This is a volunteer tax, applicable for individuals and small societies that perform little activity, which income does not surpass a threshold set by the Act. The taxpayer can choose whether to pay Income Tax and VAT, or substitute both paying monthly Single Simplified Tax. The tax is determined considering a scale of income.

LOCAL TAXES: The different Provinces and Jurisdictions within the territory of Argentina apply local taxes. A brief description is provided as follows:

Turnover Tax: This is a provincial tax levied on the various stages of productive and selling processes, but no input tax is deductible from the tax amount of the immediately preceding stage (waterfall effect).

In general, it applies to gross revenues accrued during each fiscal period (month). The tax rate is approximately 3% for commercial activities, 1.5% for industrial activities, and 1% for primary activities, according to the regulations enforced by each provincial tax act.

Under an agreement signed between the National Administration and the Provincial Administrations, several exemptions to some productive activities have been established and the tax scheme will be reshaped gradually, until this tax becomes ineffective and replaced by a “neutral” tax. In general, industrial activities are not levied in the jurisdiction where the factory is located.

Stamp Tax: The duty is levied, in each of the country’s jurisdictions, on juristic acts and instruments entailing a flow of wealth between the parties involved in the legal relationship. Thus, Stamp Tax is applicable, inter alia, to acts whereby transactions on Real Estate and civil, commercial, or financial obligations are documented. Rates vary according to the jurisdiction and the type of instrument involved, the most common one being 1.00% of the contract value. Under the aforesaid fiscal agreement, Stamp Tax is also to be phased out in the future, yet nowadays it is still in effect.

Land and Car Taxes: These taxes, typically “ad valorem”, are levied on land and automobiles located or registered within any of the country’s 24 provinces. The fiscal assessment value of the assets and the applicable tax rate vary according to each jurisdiction.

Rates: These are municipal levies applied on a range of taxable bases in the various jurisdictions, in consideration of services provided by each township. The taxable event is the performance of an activity for profit in a town. The tax rate, set by each Municipal Act, is applicable on the turnover, and depends on the activity performed.

OTHER TAXES

Excise Tax: This is a federal tax on specific goods and services, levied on a variety of items such as cigarettes, tobacco, alcoholic beverages (whisky, spirits, liquor, etc.), soft drinks, beer, some electronic products, automobiles, ships and aircrafts, mobile phone services, insurance premiums, luxury items (jewelry, stones, pearls, furs, etc.), electronic products (microwave oven, television set, radio, etc.). Excise Tax is levied on the sale price. The tax rate varies depending on the item. Furthermore, a Fuel and Gas Tax is levied on sales of these products.

Social Security Contributions: These are federal taxes levied on employee work and calculated on the salaries of working employees. Both the employer and the employee are taxpayers. The employer assesses the tax and files tax return with the official authority, including self-assessment plus withholding.

Withholding Social Security Contributions on salaries is 17%, and employers are subject to Payroll Tax at 24% (small and medium companies) or 28% (big companies).

Payroll Tax (employers contribution) can be partially considered an Input Tax for VAT purposes in some provinces. The amount that can be offset depends on the employer’s geographical situation, ranging from nil in Buenos Aires up to 10.75%.

Tax on Checking Account Debits and Credits: This tax is levied on financial transactions. The taxable event is not only each debit and credit in a checking account, but also a large variety of financial transactions (money remittances, money orders, check deposit on saving accounts, etc.). The Law sets several exceptions (i.e.: time deposits, saving accounts, stock exchange agents, non-profitable associations, etc.).

Preventing tax avoidance purposes, it is a binding procedure to pay with check any amount higher than $ 1.000.

The tax rate applicable is 0.60% on each debit and 0.60% on each credit on checking account; thus, the whole transaction is levied at a 1.20% rate. On the other hand, for specific activities performed by taxpayers (that must use checking account highly), a 0.075% rate is applicable.

A 17% of the tax amount paid monthly is creditable against Income Tax or Minimum Presumptive Income Tax, indifferently. The remaining 83% of the tax is considered an expense. The idea is that Financial Institutions act as withholding agents, to ensure the revenue generated by some of the most important taxes.

B. DETERMINATION OF TAXABLE INCOME

Deductions for Income Tax assessment purposes include expenses needed to obtain, maintain and preserve such income. Income Tax Act lists specific regulations for assessing the cost of products, fixed assets, real estate, or securities sold, as well as deductible bad debts, and property plant and equipment depreciation.

Investment Allowance: At present, there is no income tax incentive scheme in force allowing additional deductions, in whole or in part, for investment on facilities and equipment.

Depreciation of Fixed Assets: Personal property may be depreciated over their estimated useful life on a straight-line basis. For real estate, the law establishes a depreciation rate of 2.00% annually on the portion attributable to the building. Assets subject to depletion (mines, quarries, etc.), may be depreciated, not on the straight-line method, but proportionally to the units extracted in each period.

Stock/Inventory: Inventories should be valued for tax purposes, as of the end of each business year, at acquisition cost (last purchase value) in the case of resale goods and raw materials. For self-manufactured items, the inventory value is determined on the basis of the sales price at the end of the fiscal year taking any direct expenses associated with the sale and the net profit margin away. In special cases where cost accounting systems are maintained, own-production goods could be valued at their production cost.

Capital Gains and Losses: As companies' capital gains are taxed, capital losses are deductible, subject to the limitations noted in paragraph "Losses" below.

Dividends: Corporate dividends are subject to Income Tax only if dividends exceed the taxable income. If the dividend passed does not exceed the taxable income, it is not levied, whoever their recipients are, provided that the dividend is distributed on nominative (registered) shares. If the dividends outnumber taxable profit, the company that approves these dividends will withhold 35% on the difference (equalization tax). No tax credit is derived from the tax withheld because dividends are not levied as income for the recipient (the whole tax was withheld).

Interest Deduction: Interest is deductible on condition that it is related to activities levied with Income Tax, otherwise the deduction is denied. Notwithstanding, there is a threshold set on deductible interest. The limit must be applied under the "Thin Capitalization Rule", provided that all of the following conditions take place all together:

- Liabilities deriving interest exceed 2 times the Net Worth, at fiscal year end.
- Loans granted by foreign residents that control the Argentine Company (directly or indirectly).
- The withholding tax rate applicable on interest for foreign residents is 15.05% (that is 35% tax rate on 43% presumptive net income).

If all conditions do not take place simultaneously, no limitation is applied and interest is fully deductible (that is logical because when the withholding tax rate applicable is 35%, the full tax was withheld so that the deduction is allowed. See paragraph F for more details about withholding tax on interest).

If the limit is applicable, interest is not deductible on the percentage of 2 times Net Worth over total liabilities. The remaining percentage of interest is deductible.

Losses: Income Tax Losses made in a given fiscal year may be carried forward to the next five years after the one in which the loss was incurred, yet taxpayers may only offset losses against the same kind of income. Thus, stocks and foreign-sourced losses may only be offset against income of the same kind.

Foreign capital inflows: No special regulations exist to control incoming funds, as the current policy is designed to encourage inflows of foreign capital. However, foreign companies should pay Personal Assets Tax (see below) because Argentine Law deems that stock belongs to a resident individual.

On the other hand, there are specific regulations in force to control outgoing funds set by the Central Bank.

Incentives: Promotional tax schemes are enforced for new investments in agricultural transactions and tourism in certain areas of Argentina. Approval of new industrial investment projects has been suspended.

Corporate mergers: Corporate reorganizations (split-ups and mergers/ consolidations) are to be considered "tax free" provided that legal requirements and proceedings are fulfilled. Particularly those related to maintenance of the original distribution of shareholders' interests and continuance of the business activity carried out, reorganized. In such cases, any outstanding tax loss carry forward, as well as other existing allowances and liabilities, may be passed on the successor companies.

Shares and bonds: For corporations domiciled in Argentina, the income produced by share holding is levied when share alienation takes place (not just because of holding them). On the other hand, bonds must be valued at their current value, therefore, the income produced by bond holding is levied whether they are sold or not.

For foreign residents domiciled in any country but Tax Heavens, the alienation of shares (issued by an Argentine Company) is not levied with Income Tax.

C. FOREIGN TAX RELIEF

Any sums local residents effectively pay for similar taxes on foreign-sourced income may be creditable against Argentine Income Tax up to the limit of the increase in the tax liability resulting from aggregating the foreign-sourced income.

D. CORPORATE GROUPS

Companies belonging to the same group or holding, but having separate legal status, should pay their taxes separately. Nevertheless, payment is waived in the case of taxes arising from corporate reorganizations (split-ups and mergers/consolidations) which comply with established legal requirements, particularly those related to maintenance of the original distribution of ownership interests and continuance of the business being reorganized. In such cases, any outstanding tax loss carry forward, as well as other existing allowances (net input tax internal charge) and liabilities, may be passed on the successor companies.

E. TRANSFER PRICING AND RELATED PARTY TRANSACTIONS

Under Argentine Law, juristic acts executed between foreign-owned local companies and the controlling foreign individuals or legal entities are deemed to have been executed on an Arm's Length basis as long as the obligations, consideration and terms provided thereunder are in conformity with normal market practices as between non-related entities.

For Income Tax assessment purposes, the Argentine Law provides the traditional methods generally used for transfer pricing (comparable uncontrolled price, resale price, cost plus, profit split, transaction net margin).

F. WITHHOLDING INCOME TAX FOR FOREIGN TRANSACTIONS

When Argentine-source income is paid to foreign recipients not having a permanent establishment – branch, office, etc. – domiciled in Argentina, such income is subject to 35% withholding tax.

For each activity, the law establishes a percentage of presumptive net income on which 35% withholding tax is applicable, thereby reducing the effective tax rate. The following chart shows the presumptive net income percentages:

Income	Presumptive net income % A	Effective withholding tax rate % 35% × A
Interest on loans granted by overseas banks only if the lender bank is domiciled in a country whose Central Bank (Federal Reserve) has supervision on financial activity. Off shore banks domiciled anywhere are not included.	43%	15.05%

Income	Presumptive net income % A	Effective withholding tax rate % 35% × A
Interest on loans granted by overseas banks, corporations or individuals domiciled in a country whose Central Bank (Federal Reserve) does not apply supervision on financial activity. This item includes off shore banks domiciled anywhere.	100%	35.00%
Interests for time deposits made by foreign residents (either companies or individuals) in financial institutions located in Argentina, provided that time deposit interest is not levied with Income Tax in the country of residence	43%	15.05%
Royalties under specific regulations (the contract must be duly registered with the official authority)	60%-80%	21% - 28%
Other royalties	90%	31.50%
Author's Copyright (the play must be duly registered with the official authority)	35%	12.25%
Salaries of technicians, professionals, sportsmen, and artists for temporary work in Argentina (individuals) (not applicable when the provider is a company).	70%	24.50%
Personal property leases	40%	14.00%
Real Estate property leases	60%	21.00%
Alienation of assets situated in Argentina	50%	17.50%
Other incomes (not previously included)	90%	31.50%

G. EXCHANGE CONTROL

At present, there are exchange controls in effect. Foreign currency can be freely transferred in but to transfer it out the reason must be proved filing forms with the Central Bank (i.e.: dividends, loans, etc.).

H. PERSONAL TAX

Taxes levied on individuals consist basically of two taxes:

- Income Tax
- Personal Assets Tax (Wealth Tax).

Income Tax: The tax is levied on income earned in Argentina and abroad by individuals residing in Argentina.

It is payable on an annual basis, with advanced payments (every two months), and any expenses incurred in generating such income may be deducted from gross income. The law establishes fixed deductions: non-taxable minimum, special tax free amount, dependant allowance, etc.

Capital gains not related to income-generating activity are not subject to tax. In the case of alienation of real property not assigned to such activity, a 1.50% Real Estate Sales Tax is charged on the selling value of the property, regardless of whether a loss or a profit is made.

Under Income Tax Act, some exemptions are provided for the financial and capital markets, whereby interest on time deposits, government securities, and income from stocks and bonds that quote on the Stock Exchange, are not subject to tax.

On the other hand, the alienation of stocks (issued by an argentine company) is not levied with Income Tax provided that the activity of buying and selling stocks is not performed on a regular basis.

Employees are subject to withholding tax at source, for which the employer is responsible (withholding agent).

Resident individuals are liable to the tax on the basis of a progressive tax rate scale, ranging from 9% to 35% of annual taxable net income.

Personal Assets Tax (Wealth Tax): This tax is levied on:

1. All assets located in Argentina or in foreign countries, that belong to individuals domiciled in Argentina.
2. All assets located in Argentina, that belong to individuals domiciled in foreign countries.
3. Shares issued by an Argentine Company. In this case the Tax Act has the company pay the tax on behalf of the shareholders.

Individuals residing in Argentina:

This tax is levied on all assets located in Argentina and in foreign countries. The sums the taxpayer pays abroad as a result of a similar tax levying assets located in foreign countries, are creditable against Personal Assets Tax.

The only deduction allowed is the amount of liabilities arising from the taxpayer's home purchase or construction.

Investment on shares issued by an Argentine Company are not to be included on the taxable base, because the Tax Act has the company pay this tax on behalf of the shareholders. This does not mean that shares are exempted, but the tax should be fully paid by the company that issues the shares. The legislation allows the company to claim the tax to each shareholder.

The tax is assessed on the value of property deducting a non-taxable minimum amount of $ 102,300, and it is calculated on a progressive tax-rate-scale basis. The applicable rate is 0.50% on taxable base valued up to $ 200,000, and 0.75% when exceeding that amount.

Individuals residing in a foreign country:

The tax is also charged on assets located in Argentina and owned by individual foreign residents. In this case, the tax rate is 0.75%. Neither deductions nor non-taxable minimum are allowed.

This tax deems that some assets (securities, non-exploited real estate property, etc.) located in Argentina and owned by foreign companies, belong to individuals and are levied with Personal Assets Tax.

Shareholders of an Argentine Company, residing in foreign countries, have to pay this tax. The tax liability is not assessed directly but throughout the company, that is obliged to pay the tax on behalf of its shareholders.

Shares issued by an Argentine Company:

The tax liability arising from holding shares of an Argentine Company, whose shareholders are individuals residing in Argentina, individuals residing in a foreign country, or companies (or any entity) domiciled in a foreign country; should be assessed and paid directly by the company that issues the shares.

The Tax Act deems that shares whose holders are companies (or entities) domiciled abroad, belong indirectly to individuals residing in a foreign country, thus the tax is levied on those shares.

When the shareholder is an Argentine Company, those shares are not levied to avoid double or multiple taxation on the same taxable base. Therefore, only "holding" Argentine Companies will pay the tax on their investments.

The taxable base is the Argentine Company's equity value assessed in the last Financial Statements closing as of December 31st of each year. The tax rate is 0,50%.

In this case, the tax is assessed and paid by the Argentine Company on behalf of the shareholders. The tax paid is not deductible for Income Tax purposes, because the company is legally allowed to claim the tax to its shareholders.

Foreign company's branch that qualify as a permanent establishment in Argentina (but not organized as an Argentine Company) are not levied with this tax, because they are already levied by Minimum Presumptive Income Tax.

Concerning foreign companies shareholders of Argentine Company's shares, residing in Treaty Countries (for the avoidance of double taxation), it is important to analyze each Tax Treaty to understand whether shares are levied in Argentina or in the country where the holder has its fiscal residence.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

	Dividends %		Interest %		Royalties %	
Non-Treaty Countries	Nil/35		15.05 – 35	(9)	21 to 31.50	(6)
Treaty Countries						
Austria	15	(1)	12.50		15	
Australia	10/15	(1)	12		10/15	(7)
Belgium	10/15	(1)	12		3/5/10/15	(7)
Bolivia		(4)		(4)		(4)
Brazil		(4)		(4)		(4)
Canada	10/15	(1)	12.50		3/5/10/15	(7)
Chile		(4)		(4)		(4)
Denmark	10/15	(1)	12		3/5/10/15	(7)
Finland	10/15	(1)	15	(3)	5/10	(8)
France	15	(1)	20	(3)	18	(5)
Germany	15	(1)	10	(2)	15/15	(3)
Italy	15	(1)	20	(3)	10/18	(5)
Norway (10)	10/15	(1)	12.50		3/5/10/15	(7)
Spain	10/15	(1)	12.50		3/5/10/15	(7)
Sweden	10/15	(1)	12.50		3/5/10/15	(7)
Switzerland	10/15	(1)	12		3/5/10/15	(7)
The Netherlands	10/15	(1)	12		3/5/10/15	(7)
United Kingdom	10/15	(1)	12		3/5/10/15	(7)

References:

(1) This is the percent ceiling set under the agreement; however, it is only applicable when the conditions set under (B) are met (Dividends).

(2) For credits associated with the sale of equipment, bank loans, and public works financing.

(3) This is the ceiling set by the treaty for the remaining cases; nevertheless, when the effective rate for non-treaty countries is lower, this latter rate is applicable.

(4) Under the agreement no ceilings were set, but the jurisdiction where the tax should be levied was established. Therefore, applicable rates are those for non-treaty countries.

(5) A 10% rate is appropriate only where the payment is related to author's copyright.

(6) Varies according to contract purpose and terms.

(7) A 3% rate applies to the use of news, a 5% rate applies to the author's copyright, a 10% rate is appropriate for the use of trademarks, patents and technical assistance and 15% rate to the other cases.

(8) A 5% rate is appropriate only where the payment relates to author's copyright.

(9) See withholding taxes description (F).

(10) The exchange of instruments has not occurred as of the date of publication.