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### **ARGENTINA**

#### **Country business profile**

##### **Introduction**

This guide is designed to give an insight into doing business in Argentina together with relevant background information, which will be of assistance to organizations considering establishing a business here, either as a separate entity, as a subsidiary of an existing foreign company, or anyone who is considering coming to work or live permanently in Argentina.

It is essential that advice be obtained from local professional sources before any business is undertaken. This report contains information and includes legislation in force as of May 2008.

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## **ARGENTINA**

### **Country business profile**

#### **1. The business environment**

##### **1.1 Population & Language**

The population of Great Buenos Aires is estimated to be 10 million of a total of 33 million. The city of Buenos Aires and the surrounding area, are located all the major industries and business of Argentina, with a recent trend of locating industries in the interior of the country. This region accounts for most of the consumer consumption of the nation, as one third of the population live in or near the capital city. There are also other important cities, including Cordoba, Rosario, Mendoza and Bahia Blanca.

Despite the diverse national origins of its people, a common language – Spanish- and culture unite the nation. Mostly younger people, and many businessmen at higher levels of industry and commerce, have a fair command of at least one other language, normally English.

Buenos Aires, the capital city of Argentina, is said to be the second largest city in the southern hemisphere and among twelve largest in the world.

##### **1.2 Religion**

Argentina enjoys full religious freedom. Roman Catholicism still remains the state official religion, as stated in the Argentine constitution. A large number of other religions operate in the country.

##### **1.3 Education**

The Argentine State and Provinces provide universal free education through at least one year kindergarten, six years of primary school, 3 years of middle school and 3 three years of secondary school. Likewise, an extended private and religious schooling is also available. The Argentine State and Provinces also offer universal free education coexist with a large number of private universities and colleges.

## **1.4 Geography and climate**

Argentina is located in the south of the American continent. It is the eighth largest country in the world, the fourth largest in the Americas, and ranks second and third in respect of area and population in Latin America.

It is comprised of the continental territory, plus the Antarctic territory and the intercontinental southern islands. The continental sector covers an area of 2,791,810 sq. Km., while the Antarctic and island territories cover 969,464 sq. Km. It is 3,460 km long from north to south and, in places, is 1,580 km. wide.

Argentina enjoys varied types of land and climates. The five main physical areas are the Pampas, the Mesopotamia, the North, the Andes and Patagonia. The country lies almost completely within the temperate zone of the South American continent.

## **1.5. Time, weights and measurements**

The country manages one time zone.

The metric system (gram, meter and litre) is used with regard to weights and measures.

## **1.6. Government**

### **1.6.1. General aspects**

The form of government of the Argentine Republic has traditionally been a republic federal system. Under the 1853 Constitution, amended in 1880, the country is divided into a Federal Capital, now the autonomous city of Buenos Aires, and 24 provinces. Each Province has its own Senate and Chamber of Deputies. Recently the city of Buenos Aires was transformed into an autonomous city and the Lord Mayor is elected in open elections.

Argentina's constitution provides separate powers within the executive, legislative and judicial branches of government.

### **1.6.2. Executive power**

In the national government, executive power is exercised by a President elected for two four year period, and a Vice- President, who acts as president of the Senate.

### **1.6.3. Legislative branch**

The legislative branch consists of two chambers, being Senators and Deputies. The Senate includes two senators from the Autonomous City of Buenos Aires.

The Deputies chamber is composed of representatives of all the provinces and Autonomous City of Buenos Aires.

#### **1.6.4. Judicial authority**

The Supreme Court of Justice and the lower Courts from the Judicial Authority. Judges are appointed for life and can be removed only in that case of misconduct whilst holding office.

#### **1.7. Currency**

The countries money currency is the Peso, which is divided into 100 Centavos, and is the legal tender in Argentina. However, domestic transactions can be made in either Peso, U.S. dollars, or in other foreign currencies.

The Argentine banking system is led by Banco Central de la Republica Argentina (B.C.R.A.) which was established in 1935.

The Bank's main functions are to manage the monetary policy, to act as banker to the government, to act as a note-issuing authority and to supervise and provide central banking system as a whole. It is responsible for arranging government borrowing, and for managing the national debt and the nation's gold and foreign currency reserves.

#### **1.8. Inflation**

Inflation in the recent years further to the 2001 debacle has increased to two figures in 2006. The estimated inflation rate for the year 2007 is 10%, but due to a policy of price controls and subsidies, the market prices are being distorted, creating a natural complication with the provision of goods.

#### **1.9. Forms of business organization**

##### **1.9.1. Types of Companies**

Argentine law permits a variety of business forms, principally sole proprietorships, corporations (Sociedad Anonima – S.A.), limited liability companies (Sociedad de Responsabilidad Limitada – S.R.L.) and branches of foreign companies. There is a Companies Law (C.L.) (No. 19550 and modifications), which applies throughout Argentina.

##### **1.9.2. Sociedad Anónima (SA)**

**Basic information:** An SA is similar to corporations in the U.S. and to joint stock companies in other English speaking countries, with limited liability of its owners, capital represented by transferable nominative shares and

management vested in a board of directors. It is the most widely used business entity in Argentina.

**Shareholders:** At least two shareholders are required to set up a SA and foreign or local individuals or corporations may be shareholders. In the case of two shareholder's, the minority shareholder may not hold less than 5% of the total shares. In order for a foreign company to be a shareholder of a SA the company must record its articles of incorporation and by-laws with the Superintendence of Corporations (IGJ). An annual shareholders meeting must be held within four months of the end of each fiscal year. This meeting is to deal with the approval of the financial statements, profit distribution, and appointment, removal and remuneration of the board of directors and of the statutory controllers (see "Management/Directors" below).

**Share Capital:** At the time of their formation local corporations must have a minimum capital of \$ 12,000 (aprox. U\$S 4.000) and the capital may be paid in during a term not exceeding two years from the date of the articles of incorporation. The capital must have a relation with the type of business to be carried out. The equity of a company is divided into shares, which must be registered. Transfers of shares are usually free but restrictions on transfers to third parties may be included in the by-laws.

**Formation:** A SA may be formed either privately or by public subscription. Formation of a SA requires the execution of a public deed. A summary of the public deed is published in the Official Gazette and the deed is subsequently registered in the Public Register of Commerce. Business organisations of any kind must also register with the national and local tax authorities.

Companies Law (CL) requires that the purpose of the corporate by-laws be precise and certain. In general terms and SA can be formed for any lawful purpose including manufacturing, trading or financing. Name approval is required to be obtained from the Superintendence of Corporations and approval is usually only withheld where the name is similar to one already registered.

The formation of a Company varies depending on its complexity and if prior registration of the foreign Company, as shareholder is required.

**Management / Directors:** Administrative duties are undertaken by a board of directors, which is elected by the shareholders, the directors may be shareholders or not. More than 50% of the directors must have their domicile in Argentina. The board can have any number of members although in certain cases there is a minimum imposed of three directors.

**Pension fund contribution:** All directors or managers in the case of SRL, must contribute monthly payments towards their pension fund. The amount to be paid increases according to the number of personnel the company employs.

**Statutory controllers:** are an optional body named by shareholders at the annual general meeting, but mandatory when the registered Company exceeds \$ 10million. There may be between one and three controllers appointed to watch over the activities of the board. The controllers are entitled to examine all corporate records and may also convene shareholders meetings when they deem it convenient or when requested to do so by at least 5% of the shareholders.

SA are controlled by the Company Registrar which charges an annual due, which is determined according to the total share capital reflected in the latest financial statements issued. The fee ranges from \$ 800 to \$ 2.500

### **1.9.3. Sociedad de Responsabilidad Limitada (SRL)**

An S.R.L. is effectively a limited partnership, in which the liability of each owner is limited to the extent of the total capital of the Company. An S.R.L. provides a convenient business form for small and medium- sized enterprises that do not require capital from the public. If there are more than twenty owners additional regulations apply, similar to those required by a S.A. and the maximum number of partners are 50.

The participation of partners in the capital of the SRL is not represented by shares but by quotas which are freely transferable unless otherwise specified in the by-laws of the company. While restrictions may be imposed by the by-laws on the transferability of the quotas, the by-laws may not make them completely non-transferable.

Formation of an SRL may be by a private or public deed. In the first case the by-laws may be issued in a private document with the signature of each partner certified by a notary public or by the Superintendence of Corporations.

In the second case the by-laws are issued and registered by a public notary. Summary of the by-laws is published in the Official Gazette and the by-laws themselves must be registered in the Superintendence of Corporations.

Administration is the responsibility of one or more managers who must be appointed by the partners, these being quota holders or not.

### **1.9.4. Branches of foreign companies.**

To be able to operate legally as a branch of a foreign company, proof of the existence of the parent company abroad and the articles of incorporation or partnership agreement of the parent company must be registered with the Public Registry of Commerce. The foreign company must also file a copy of its resolution deciding to establish the branch, appoint a local resident as its representative in Argentina and establishing its domicile in the country.

In addition to the above requirements the branch would also be required to fulfil the same publication and registration requirements that are required for Argentinean companies. Once the branch has permission to operate in Argentina with an appointed and registered representative, it can trade in accordance with its business plan. Nevertheless, the transactions made by the branch office are considered to be in the name of, for the account of, and under the responsibility of its head office.

There is no minimum capital requirement for a branch of a foreign company unless it is a bank or insurance company.

Presently, offshore companies are not permitted as foreign shareholders or subsidiaries thereafter.

### **Foreign Companies acting as shareholders**

Foreign Companies may become shareholders of local SA. The foreign Company must register its articles of incorporation and other related documents, which include stating a local address and representative, must be previously registered at the Superintendence of Corporations. The foreign Company must file annually information concerning its ongoing existence and resume of its financial statements. The Superintendence of Corporations has imposed restrictions on the type of Companies which are permitted to become local shareholders, being the main restriction set by offshore Companies and with assets valued in excess of those to be invested in Argentina.

#### **1.9.5. Joint Ventures.**

Individuals and Argentine domiciled corporations may develop or execute any kind of work or service within or outside the territorial limits of Argentina. Foreign corporations can also be part of a joint venture scheme, complying with the forms of business entity described above. However, a joint venture is accounted for in the business entities of the joint venture partners and a separate legal entity is, therefore, not required, except in respect of accounting for taxes, in certain cases.

#### **1.9.6. Trust Companies**

##### **Concept**

As per Law number 24.441 the trust structure has been legislated in Argentina. There shall be a trust when a person (creator) conveys the fiduciary ownership of specific properties to another (trustee), that binds himself/itself to hold for the benefit of the person specified in the contract (beneficiary), and to transfer said trust once a specific period of time has elapsed or upon the happening of a certain condition to the creator, to the beneficiary or the final recipient.

## **The parties**

The parties to the contract are the following:

The contract shall state the identity the parties that may be a natural or an artificial person:

The creator, is the person transmitting the asset

The trustee, is the person that receives -buys- the fiduciary assets (cannot be a beneficiary)

The beneficiary, who receives the benefits produced by the assets managed by the trustee

## **Characteristics of the asset given in trust**

The creator purchases the property to be put in trust, which has the following characteristics:

It is temporary: The asset given in trust is subject to specific duration of time which is established in the contract and the maximum time has been established in 30 years, from the date of constitution.

It is not absolute: The fiduciary cannot freely dispose of the assets given in trust; they are restricted and limited to the object for which the trust was formed and therefore cannot carry out actions related to the assets which are against the will of the trust.

It is a pure formal ownership: The assets object of the trust do not form part of the assets of the fiduciary, who solely holds the formal ownership to comply with the object of the contract.

The transmission of the asset has no monetary value for the trustee, who only receives it in trust, to comply with the object established by the Creator.

Therefore, the properties put in trust constitute an estate autonomous from the properties of the trustee and the creator.

The properties put in trust are not transmitted to the heirs of the trustee nor are they affected by extinction of the trustee, when it is an artificial person. In these cases, the assets given in trust will be transferred to a new trustee, who will be designated according to the contract by-laws.

## **Object of the trust**

The trust does not have an object in its self, but is a vehicle for the realization of a business venture. The most frequently utilized trusts are:

Financial trust: The trust is formed with the transmission of financial assets with the purpose of their specific investment by the trustee.

Guarantee trust: Certain assets are transferred to the trustee in order to utilise the proceeds of the aforementioned assets to comply with the unpaid debts of the creator.

Administration trust: Certain assets are transferred to the trust for their administration and use the proceeds as dictated by the contract.

Mixed trusts: This form is a mixture of one or more of the abovementioned uses.

### **Responsibilities of the parties**

As mentioned in articles numbers 15 and 16 of the trust Law, the assets put in trust shall be exempted from the individual or collective claims of the creditors of the trustee. Nor may creditors of the creator file claims hostile to the property put in trust, except when the is a wrongful act of fraud.

The creditors of the beneficiary may enforce their claims as to the issues arising from the properties put in trust and subrogate the beneficiary to his rights.

The properties of the trustee shall bear no personal liability for the obligations incurred into in the fulfilment of the trust, which shall only be cancelled with the properties put in trust. The insufficiency of the properties put in trust to meet said liabilities, shall not give rise to bankruptcy adjudication against the trustee. In such an event and should there be no other means provided by the creator or the beneficiary according to the provisions of the contract, liquidation shall take place, which shall be carried out by the trustee, that is to sell the properties constituting the trust and distribute the proceeds thereof among the creditors abiding the order of priority for privileges provided for in case of bankruptcy.

The state of insolvency of any of the parties, have the following consequences:

Insolvency of the creator: The properties are held outside the assets of the creator; therefore, they are exempt from any actions perpetrated by the creditors, except when it is a wrongful act of fraud.

Insolvency of the trustee: The trust is excluded from any actions of the creditors to the trustee. To this effect the accounting of the trust must be carried out separately from that of the trustee.

Insolvency of the beneficiary: The properties put in trust form part of the assets subject to the creditors.

### **Termination of the trust**

The causes for the termination of the trust are the following:

Expiration of the term of duration or the happening of the condition to which it had been subject or upon expiration of the maximum period prescribed by law (30 years form its constitution);

Cancellation by the creator had the same expressly reserved for himself/itself the power to do so; this revocation shall have no retroactive effect;  
Any other cause stated by the contract

Upon termination of the trust, the trustee shall be bound to hand over the properties put in trust to the final beneficiary or his successors.

#### **1.9.7. Other structures**

There are also for specific uses, the Foundation and Non for profit organizations.

#### **1.9.8. Audit and Accounting**

The board of directors is responsible for the maintenance of proper accounting records and for the preparation of financial statements. The financial statements must be approved by the shareholders, normally at a company's annual general meeting, having been circulated beforehand. The financial statements must be filed with the Superintendence of Corporations (Inspección General de Justicia).

#### **1.9.9. Form and content of financial statements**

Company law contains detailed requirements for disclosure and classification of financial statements. Those supervised by the "Bolsa de Comercio" and the "Comisión Nacional de Valores" must comply with additional accounting standards, entities similar to the Securities & Exchange Commission (SEC).

Audited financial statements are required for all corporations.

Wages and social charges incurred must be disclosed, and other items required to be shown separately are interest, income and expense, de depreciation and amortisation, extraordinary items and director's remuneration.

Additional information on the financial statement must be given in notes to the financial statements of source and application of funds is required for most business.

Audited financial statements are required for all corporations, and are also required for all corporations, and are also required for other companies whose gross sales and capital stock exceed a predetermined amount.

#### **1.9.10. Audit practice and independence**

The accounting profession is essentially self-regulated. It assists in setting the standards and accounting principles used for financial reporting by enterprises. The profession set high standards for the audit of financial statements.

**1.10. Labour relations and costs**

An employee collects a fortnightly or monthly payment depending principally if he is a factory worker or a blue-collar employee.

**1.10.1. Social services**

The cost of these programs is shared by both employers and employee. The employer's share reaches 29% of salary paid, whilst the average Argentine worker has about 20% of his wages deducted for social services premiums, excluding income tax.

The estimated cost breakdown for an employee is the following:

Description	Employers contribution	Employees Contribution
Pension fund	10,17%	11%
INSSJyP	1,5%	3%
FEN	0,89%	0%
Family allowance	4,44%	0%
Medical insurance	6%	3%
Life insurance	3,5%	0%
Workers compensation ART	2-3%	0%
SEC	0%	2%
Workers union	0%	0,50%

**1.10.2. Annual bonus**

All employees receive an annual bonus, equivalent one month's salary, payable half in the month of June and the balance in December.

Social security charges on this bonus are the same as those of a normal salary.

**1.10.3. Dismissal indemnities**

In case of compulsory dismissal, an employee is entitled to collect a dismissal indemnity, based on the highest salary received during the last year of employment and equivalent to one month's salary for every year employed. In case of dismissal or resignation, the employee is also entitled to a portion of his annual bonus based on the length of his employment for that year.

The dismissal payment is liable after the third month of employment. Additionally to the dismissal indemnity the employee is also liable to collect a notification compensation which varies between 15 days to 60 days of additional salary, depending on the time of employment by the Company.

#### **1.10.4. Employees holidays**

The employee is entitled to yearly holidays. Ranging between 14 days and 35 days, depending on the time of employment by the Company. The holiday compensation is calculated considering a month of 25 days.

## **2. Legal aspects**

### **2.1. Foreign investment legislation**

The country has a market-oriented economy based on private enterprise, free trade and down-sized State ownership. Encouragement of investment, therefore, has a high priority in economy policy.

Foreign investment is welcome. A foreign-owned business may be set up anywhere in the country subject to the same restrictions that would apply to a locally-owned business.

Foreign investors, most often in partnership with major and emerging companies, have played an important role in the change from state-run to privately-owned companies. All have contributed to the reactivation and growth in the economy.

### **2.2. Program for temporary imports of goods**

Those industries that require the import of raw or parts to process or assemble for re-export, may make use of the temporary import facility. The standard period for re-exportation is six months. With this procedure the local importing company avoids paying import duties, value added and income tax.

### **2.3. The tax system**

Argentina is organized as a federal system. Consequently, fiscal jurisdiction is distributed among the nation and the provinces. From this territorial distribution stems the first tax classification, as follows

#### **National Taxes**

- ❖ Income tax
- ❖ Minimum presumed income tax
- ❖ Tax on personal assets
- ❖ Value Added tax
- ❖ Tax on bank debits and credits
- ❖ Excise tax
- ❖ Asset tax on shareholders paid by corporations

- ❖ Other on specific transactions

### **Provincial Taxes**

- ❖ Land tax
- ❖ Turnover tax
- ❖ Stamp tax

Furthermore, there exist certain duties imposed as retribution for services rendered by provincial and municipal entities.

### **2.4 Labour unions**

Law No. 22.105 regulates trade union activity. Its main measures include workers' freedom of affiliation, a prohibition on unions engaging in political activities, and official control of union funds.

Legislation allows the existence of local unions (sindicatos), federations and confederations; the number of delegates may not exceed one per hundred workers, except for small firms. Unions and federations no longer receive or administer compulsory contributions for social welfare as in the past.

### **2.5. Imported Technology Legislation**

Law No. 22.426 covers all contracts whose object is the transfer, assignment or licensing of technology or trademarks of foreign origins. These contracts must be registered, so that the licensee may undertake the payment stipulated and deduct related expenses for tax purposes.

Contracts must be approved by the Technical Under secretariat before they can be registered by the National Registry of Licence Agreements and Transfer of Technology.

The main circumstances, under which approval may be denied, are:

- obsolete technology or that which is already available in Argentina under similar conditions;
- where there are either export prohibitions to the latter to use its own technology;
- where a disproportionate price is paid for the technology or trademarks to be transferred. In this special case, the law defines disproportion as follows:
  - more than 1% of the net sales value of the products or services concerned in use of trademarks.

- More than 25% of the sales of the products manufactured on technology related to the automobile industry.
- More than 55 of the sales of the products manufactured or services rendered in all other cases.

Branches of foreign companies may arrange technology agreements with their parent company if they are in line with normal market practice, with the following limitations:

- no royalties can be paid for the use of trademarks;
- amounts payable cannot be fixed sums;
- amounts have to be accrued annually at the licence's fiscal year end.

### **3. Tax on businesses**

#### **3.1 Corporate tax system**

##### **3.1.1 Income tax**

Worldwide income is the criterion adopted to calculate income tax. This means that individuals or corporations residing in Argentina are subject to taxation for income generated in the country and abroad. Non-residents are only subject to taxation on income generated in Argentina.

Taxes are calculated and settled on an annual basis, based on fiscal financial statements. Ongoing applicable rates are as follows:

❖ Corporations	35%
❖ Duly registered companies owned by foreign companies or individuals	35%
❖ Individuals (bracket progression)	9% to 35%

There exists a taxation system providing for five bi-monthly payment advances for individuals and ten monthly advances for companies, all of which will be deducted from final settlement.

Calculation basis for these advance payments is made up of taxes paid during the previous fiscal year less withholdings. Rates applied on the resulting figures are 25/8.33% for corporations and 20% for individuals, resulting in a total advance of 100% of the tax paid the previous year.

In the case of tax loss, or during the first fiscal year, there is no basis to calculate the advance payments.

The general criterion to deduct expenses, as set forth in the Income Tax law, is that these expenses are necessary to obtain and maintain taxable income. However, certain limitations apply, such as:

- ❖ Expenses related to vehicles are partially deductible, except certain freight vehicles.
- ❖ Entertainment expenses are deductible only up to 1.5% of total salaries paid to active personnel at closing date.

Travel expenses (abroad) are presumably originated from income generated in a foreign country. But the tax authority is entitled to approve their deduction if they are proved to be meant to obtain and maintain income generated in Argentina.

Tax losses are carried forward for five years, and there exists a tax credit system for income generated in a foreign country.

For income paid to foreign beneficiaries, the law provides for different assumptions in connection with net income as regards rate application. The withholding is taxed at the flat rate of 35% on the assumption established by the law.

### **3.1.2 Minimum presumed income tax**

This is a tax on Company assets domiciled in Argentina which exceed \$ 200.000, valued according to tax valuations. This tax is also liable to individuals who are owners of farmland. The affected assets are taxed at a 1% flat rate and paid in 11 monthly instalments. This tax is considered as a pre-payment towards income tax.

### **3.1.3 Value Added Tax**

The current system is established as a tax over consumption basis, with multiple stages.

It is settled monthly according to the system tax against tax, that is to say, considering purchase credits and sales debits.

Applicable ongoing rate is 21%. There are lower tax rates for particular sectors, such as the production of primary products 10.5% and communications 27%.

Exports are exempt. Tax credit arising from purchases related to exports could be applied to the tax to be paid for local market transactions, or be asked for reimbursement when there are no unpaid balances. The limit for reimbursement is calculated by applying the tax rate over the amount of exports made during the fiscal year.

#### **3.1.4. Bank debit and credit tax**

This tax is levied on the bank deposit and payments at a flat rate of 0.06% for either debits or credits. 34% of the tax on the credits may be considered a payment towards income tax.

#### **3.1.5 Excise tax**

Specific consumer goods are taxable at different rates and with various reporting and payment requirements. The tax is usually levied on an importer or manufacturer when a product is sold. Excise tax is generally paid by means of fiscal stamps.

#### **3.1.6 Asset tax on shareholders paid by corporations**

This tax is levied at a flat rate of 0,5% on the net worth value of a Company in respect to its shareholders, individuals or foreigners.

#### **3.1.7 Land Tax**

Real estate situated in the capital city and the different provinces is subject to taxation.

Settlement and communication of the amount to be paid by the taxpayers is done by the government authorities.

Calculation basis is the assessment value assigned by the government authority, and rates vary according to the jurisdiction. They are generally progressive.

#### **3.1.8 Turnover Tax**

In theory it is a tax imposed on profitable businesses, measured according to the gross revenue of the taxpayer in each of the jurisdictions.

The provinces and the capital city apply this tax.

In the case of economic activities carried over in different areas by the same taxpayer there is an agreement among the different tax authorities that establishes a special settlement system, in order to avoid double taxation.

Settlements are made on a monthly basis, and rates vary according to the jurisdiction and the nature of the activity.

As a guide, general rates in the Capital City and Buenos Aires are 3% and 3.5% respectively.

Exports are exempt.

### **3.1.9 Stamp tax**

Public or private documents or transactions requiring formal execution are liable to stamp tax, including among others notarial deeds, promissory notes and business contracts. The city of Buenos Aires only levies this tax on property deeds.

### **3.1.10 Withholdings**

Certain types of payments to non-residents are subject to Argentine withholding tax.

Following certain guidelines, Income Tax, Value Added Tax, and Turnover Tax are withheld at the moment of making the payment for a specific sales

## **3.2 Taxation on individuals**

### **3.2.1 Income tax**

Residents in Argentina are subject to income tax at the progressive rates, for their world income. Those individual that are not resident in Argentina are subject to income tax on the income generated in the country, which is collected through the withholding mechanism, which are calculated to become the full payment due, and the rates are depend on the type of income. Argentine derived dividends are not subject to the tax but under some circumstances may be liable to withholding.

Family members: Husband and wife must pay their taxes individually on their personal incomes. The income of the children, except under certain circumstances is declared by the parents.

Tax rates applicable to individuals: The table A shows the progressive rates applicable to Argentine individuals resident in the country.

Taxable income: The Law classifies personal income into four distinctive categories: income originated from real estate; income from capital; income from companies and income from the personal work. For each category there are particular deductions. The tax payable is calculated by the summation of all four income categories, net of admitted deductions.

**TABLE A**

**Progressive applicable rates for individuals**

Taxable income (\$)	Rate applicable to the range
<b>0-10.000</b>	<b>9% (1)</b>
<b>10.000 – 20.000</b>	<b>900 plus 14% (1)</b>
<b>20.000 – 30.000</b>	<b>2.300 plus 19% (1)</b>
<b>30.000 – 60.000</b>	<b>4.200 plus 23% (1)</b>
<b>60.000 – 90.000</b>	<b>11.100 plus 27% (1)</b>
<b>90.000 – 120.000</b>	<b>19.200 plus 31% (1)</b>
<b>More than 120.000</b>	<b>28.500 plus 35% (1)</b>

(1) over the range minimum

Income derived from personal work: This includes any remuneration paid to employees in cash or in kind, including salaries, hourly work, benefits (such as housing, stock options, food) and expense reimbursements. The benefits received in kind must be added to the taxable income at the market price. The personal service includes retirement payments, pensions and income derived from liberal professions, such as lawyer or accounting fees.

Foreign Income: Argentine residents must declare their income generated outside the country and add it to their taxable income before the deduction of withholdings. The tax paid abroad can be recognised as a tax credit.

Income derived from capital: In general, the income derived from capital of individuals is not taxed. Certain incomes are taxed, which include the income derived from the sale of fixed assets subject to amortization used by the contributor in his business. Properties used to generate the taxable income (other than farming), intangible assets, trade marks and patents.

Exempt income: The exempt incomes such as dividends paid by companies to Argentine residents, dismissal payments, insurance reclamations, the house rental of the contributor (excluding holiday residencies) and Government bonds interest.

Deductions: Individual may deduct various concepts to the taxable income. The current deductions are those detailed in Table B.

**TABLE B**

**Deductions to taxable income**

Deduction	Amount (\$)
<b>Non taxable income</b>	<b>7.500</b>
<b>Wife</b>	<b>8.000</b>
<b>Children (each one)</b>	<b>4.000</b>
<b>Other persons in your charge (each one)</b>	<b>3.000</b>
<b>Deductions from income derived from services</b>	<b>36.000</b>

Individuals may also deduct the payments towards the retirement fund and social security, donations to charities up to 5% of the yearly taxable income, life insurance and special retirement funds up to a limit and prepaid medical insurance and its immediate family.

**TABLE C**

**The deductible amounts shown in Table B. must be reduced in the following percentages, according to the taxable income**

(\$)	% of deduction
<b>0 – 91.000</b>	<b>0</b>
<b>91.000 – 130.000</b>	<b>50</b>
<b>130.000 – 195.000</b>	<b>70</b>
<b>195.000 – 221.000</b>	<b>90</b>
<b>More than 221.000</b>	<b>100</b>

**Calculation of the tax payable and payments**

The employers must withhold the income tax liable on salaries paid throughout the year on its Argentine resident employees. The tax calculated according to the progressive table A., once deducted the permitted deductions or benefits the employee may have. Those employees that their sole income is from their salary and have been withheld during the year the payable income tax do not need to file the yearly income tax filing.

The rest of the contributors, except those with incomes below the minimum taxable income, must prepare an income tax filing (31<sup>st</sup> December of each year) which falls due in the month of April of the following year. They must determine their taxable income, pay the tax, subtracting advance payments in a similar way as corporations.

Those non residents, in which the tax has been fully withheld, do not need to file a tax report.

### **3.2.2 Tax on personal assets**

This tax is applied to Assets in the country or abroad (real estate, shares, cash, etc.).

Settlement has to be made as of December 31 every year, valuing the assets according to legal regulations in force.

<b>Value in pesos</b>	<b>%</b>
<b>Under 305.000</b>	<b>0,00</b>
<b>305.000 to 750.000</b>	<b>0,50</b>
<b>750.000 to 2.000.000</b>	<b>0,75</b>
<b>2.000.000 to 5.000.000</b>	<b>1,00</b>
<b>Over 5.000.000</b>	<b>1,00</b>

Foreign shareholders, either individuals or corporations, owning registered shareholdings with broad corporate purpose by-laws are not subject to this tax.

### **4. Countries which the Argentine Republic has tax treaties:**

The legal treatment of foreign investment in Argentina has been set out in international law in over 40 international treaties.

Argentina is an active member in the Multilateral Investment Guarantee Agency and the Overseas Private Investment Corporation. Both insurance companies cover foreign investments for political risks such as exchange controls, seizures, wars and mutiny, as well as other risks, provided that the investment project has the written approval of the Argentine Government.

Argentine laws provide that written approval will not be refused unless the investment project breaches some existing law, which does not take place in practice given the vast freedom of the legislation applicable to foreign investment.

### **5. Economic agreements in the region**

As from January 1, 1995, Argentina established, together with Brazil, Paraguay and Uruguay, a customs union called Mercosur, with a vast territory of 12 million square kilometres, populated by 225 million inhabitants with a total GDP of 1.2 trillion US dollars including the states associated to Mercosur – Chile and Bolivia – which is today one of the most dynamic regional economic organisations in the world on a world scale. Recently, Venezuela has sought to form part of the Mercosur.

The customs agreement consists in the elimination of intrazone duties and non-tariff restrictions (among member countries), establishing a common external tariff and the coordination of commercial, industrial and macroeconomic policies.

In addition, a free trade zone was established with Chile and Bolivia, similar to NAFTA, as these economies are also in expansion and about to join Mercosur, along with Venezuela.

Due to the profound structural reforms already carried out, Argentina offers nowadays a highly favourable economic environment for investment and business. Indeed, Argentina is free of controls, on prices, salaries, interest rates or the exchange rate, having a high socio-economic mobility, boosted by the educational system and by growth, which offers a large number of consumers constituting a dynamic domestic market.

The wideness and depth of the deregulation program – having an impact on regulatory agencies, international trade, capital market and goods and services market – is perhaps best exemplified in the regulations applied to foreign investments: no approval of any kind is required, regardless of the amount or the sector of the economy where the investment is made.

## 6. Contact us

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