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Taxation and Investment in Argentina 2011

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Contents

1.0 Investment climate

- 1.1 Business environment
- 1.2 Currency
- 1.3 Banking and financing
- 1.4 Foreign investment
- 1.5 Tax incentives
- 1.6 Exchange controls

2.0 Setting up a business

- 2.1 Principal forms of business entity
- 2.2 Regulation of business
- 2.3 Accounting, filing and auditing requirements

3.0 Business taxation

- 3.1 Overview
- 3.2 Residence
- 3.3 Taxable income and rates
- 3.4 Capital gains taxation
- 3.5 Double taxation relief
- 3.6 Anti-avoidance rules
- 3.7 Administration
- 3.8 Other taxes on business

4.0 Withholding taxes

- 4.1 Dividends
- 4.2 Interest
- 4.3 Royalties
- 4.4 Branch remittance tax
- 4.5 Wage tax/social security contributions

5.0 Indirect taxes

- 5.1 Value added tax
- 5.2 Capital tax
- 5.3 Real estate tax
- 5.4 Transfer tax
- 5.5 Stamp duty
- 5.6 Customs and excise duties
- 5.7 Environmental taxes
- 5.8 Other taxes

6.0 Taxes on individuals

- 6.1 Residence
- 6.2 Taxable income and rates
- 6.3 Inheritance and gift tax
- 6.4 Net wealth tax
- 6.5 Real property tax
- 6.6 Social security contributions
- 6.7 Other taxes
- 6.8 Compliance

7.0 Labor environment

- 7.1 Employees' rights and remuneration
- 7.2 Wages and benefits
- 7.3 Termination of employment
- 7.4 Labor-management relations
- 7.5 Employment of foreigners

8.0 Deloitte International Tax Source

9.0 Office locations

1.0 Investment climate

1.1 Business environment

Argentina has a presidential system, checked by a bicameral Congress. The legislative branch of government (Congress), which consists on the House of Representatives and the Senate, enacts legislation. Legislation is generally proposed by the president.

Argentina is a member of the Mercosur (Southern Common Market) trade agreement, along with Brazil, Paraguay and Uruguay. The preferential import tariffs within Mercosur countries vis-à-vis third parties have helped to boost trade between the two major partners, Argentina and Brazil. Most of Argentina's exports are to Mercosur countries, followed by the EU, the U.S. and Asia. Argentina's main imports are industrial inputs, capital goods, parts and food.

The country is richly endowed with natural resources. The most important industries are those related to agribusiness, food and beverages, chemicals, petrochemicals and motor vehicles. The government has created incentive regimes to develop other areas, such as software, biotechnology, bio-fuel production and mining.

Price controls

The government controls prices in some sectors, such as urban transport; local telephone services; electricity, water and gas distribution at the retail level; and tolls on highways and rivers.

Intellectual property

The Transfer of Technology Law, 22,426 governs agreements relating to the transfer, assignment or licensing of technology or trademarks. The law defines technology to include patents, industrial models and designs, and any technical knowledge applicable to manufacturing a product or rendering a service.

Law 25,859, covering patents, broadened the scope of protection for patent holders by preventing third parties from using the patented procedure. The law also validates international research and technical examinations made by certain international patent offices.

The registry of trademarks at the National Trademark Registry Agency establishes the right to exclusive use for exploitation for 10 years, which may be renewed indefinitely for the same period of time.

Patents are granted for 20 years from the date of publication. The owner of a patent has the right to prevent third parties from using, offering or selling the patent without consent.

Article 17 of the Constitution protects intellectual property. Law 11,723 on Intellectual Property provides copyright protection. Infringements of industrial property rights are a criminal offense. A foreign licensor or its local licensee may institute legal procedures.

1.2 Currency

The currency in Argentina is the Argentine Peso (ARS).

1.3 Banking and financing

Banks are increasingly funding their operations through deposit-taking rather than other financing options. Most deposits are short-term (generally the minimum term is 30 days).

Argentina's financial center is the capital, Buenos Aires.

1.4 Foreign investment

Foreign companies may invest in Argentina on an equal footing with domestic firms without prior government approval. Foreign investors have the same rights and obligations as domestic investors and may enter any area of economic activity without a local partner. Approval or special procedures generally are not required. However, if the investment of a foreign company consists of holding equity in an Argentine company, the foreign company must be registered with the

Superintendency of Corporations of the jurisdiction in which the Argentine company is located. Furthermore, the government has taken a tougher stance towards some new foreign companies, such as requiring that new foreign firms provide information to the government about their shareholders.

1.5 Tax incentives

Tax incentives are available for certain activities, such as mining, forestry, software production, biotechnology and biofuel production. There is a tax-free zone (Tierra del Fuego) with special incentives for certain activities and free trade zones.

1.6 Exchange controls

Argentina operates a complex foreign exchange control regime. The transfer of funds out of and into the country must be made in accordance with central bank regulations. Restrictions are imposed on inward and outward investment and interest and other amounts payable in foreign exchange. It may be necessary to provide documentation or obtain authorization from the central bank, and 30% of certain inbound loans may be frozen for one year as a legal reserve deposit (i.e. a portion of the incoming funds will be held in a non-remunerated bank account). Loans granted for investments in fixed assets and inventory are exempt from the reserve requirements (although minimum terms are required).

Dividends may be paid without approval with respect to profits arising from an audited financial statement. Capital contributions can enter Argentina without restriction, but require central bank authorization for repatriation. Residents (both legal entities and individuals) outside the financial sector may access the exchange market to purchase foreign exchange up to a monthly ceiling of USD 2 million under the "Residents Foreign Asset Accumulation" scheme.

2.0 Setting up a business

2.1 Principal forms of business entity

There are basically three kinds of legal entities by means of which commercial activities may be carried out in Argentina: a corporation (*sociedad anónima* or SA), a limited liability company (*sociedad de responsabilidad limitada* or SRL) and a branch of a foreign company. These entities are regulated by Argentine Corporate Law 19,550. Businesses also may be established as sole proprietorships, general partnerships and cooperatives.

Formalities for setting up a company

Procedures for setting up a new firm are simple. The name of the company is first vetted by the Superintendency of Corporations to ensure that no other company has the same name. This involves submitting a simple form with the firm's name and type of organization. The inspectorate responds within two weeks. Registration takes place when the new company submits its notarized contract.

Foreign companies interested in incorporating local companies or in having interests in local companies must be registered with the Public Registry of Commerce. Foreign companies doing business in Argentina must present their balance sheets to the government and show what assets the firm has in each country in which it operates.

Forms of entity

The corporation is the most commonly used legal entity used by businesses. Most corporations are regulated by the CL and resolutions issued by the Superintendency of Corporations. Public companies also are subject to regulations issued by the National Securities Commission (CNV).

Requirements for an SA

Capital. A minimum capital of at least ARS 12,000 is required. Corporate capital stock must be appropriate for the development of the corporate purpose. Therefore, the Superintendency of Corporations may request that a company set an amount of capital higher than the minimum. At least 25% of the capital must be paid in at the time of incorporation and the remaining amount paid within the next two years if cash is paid in consideration for the stock. When the consideration for the stock is other than cash, subscriptions must be fully paid in.

Shareholders. A minimum of two shareholders is required. The CL does not set minimum or maximum amounts of capital or percentages that an individual should own in a company or corporation to be considered a shareholder. However, current criteria in Buenos Aires City (main location) require that the maximum participation allowed by a sole shareholder is around 95% of the capital stock, with the remaining 5% owned by at least one other shareholder.

Shareholders can be domestic or foreign companies, or individuals of any nationality or residence. Shareholder liability is limited to full payment of the stock subscribed by each shareholder.

Board of directors. For most corporations, a board may be comprised of only one director. Three board members are required for certain corporations (i.e. where the capital exceeding ARS 10 million is publicly held or in the case of public utilities).

There are no nationality requirements for directors, nor is it required that they also be shareholders. However, there are special rules regarding the actual domicile of the directors. The board must appoint a president. An absolute majority of the board constitutes a sufficient quorum. Special requirements apply to public companies.

Management. The board of directors is responsible for the management of the business of the corporation. Shareholders are the governing body.

Taxes and fees. Fees and related expenses for registration of a local company are around USD 5,000, and some provinces may apply up to a 1% stamp tax upon registration.

Types of shares. Capital stock is represented by shares. Shares must be nominative, non-endorsable and may or may not be represented by certificates. Issuance and ownership of non-certificate shares arises from records in the company's share registry book.

Control. Unless shareholder meetings are unanimously held (i.e. 100% of the capital stock is present at the meeting and all resolutions are adopted by unanimous vote), meetings should be called by means of publication (for five days in the Official Gazette and, in specific cases, in a national newspaper for at least 10 days and no more than 30 days in advance of the meeting).

Shareholders' meetings may be ordinary or extraordinary, depending on the issues to be addressed.

Shareholders representing the majority of voting shares must attend ordinary meetings. Decisions are made by a majority of votes of those in attendance. An initial extraordinary meeting must have a quorum of 60% of votes of those present; a second meeting requires a quorum of 30%.

Labor. There is no requirement that labor be represented on the board or in management.

Requirements for an LLC (SRL)

The SRL is one of the most commonly used legal structures after the corporation.

Partners. There must be at least two and no more than 50 partners (with the Superintendency of Corporations applying the same 95% maximum limit on capital owned by a single partner). Partners can be domestic (except corporations) or foreign companies or individuals and no nationality or residence requirements apply. The liability of a partner is limited to the full payment of the equity participation subscribed by the partner.

Capital. There is no minimum capital requirement. As with the SA, however, the Superintendency of Corporations requires the capital to be appropriate for the purpose and may request that the company fix a higher amount of capital than that decided on by the partners. The capital must be subscribed in full and 25% paid in at the time of incorporation, with the balance paid in within two years. Contributions of capital other than cash must be fully paid in at the time of incorporation.

Management. Management duties are performed by one or more managers, acting individually or jointly, as set forth in the articles of incorporation. A manager is not subject to a nationality requirement. If the managers act jointly or there is only one manager, the absolute majority of all managers appointed by the partners must reside in Argentina. Managers need not be partners.

Partners meetings. Company resolutions are adopted as set forth in the bylaws of incorporation. If a sole partner represents the majority vote, amendments to the bylaws require the vote of another partner.

Labor. There is no requirement that labor be represented on the board or in management.

Branch of a foreign corporation

A foreign company may set up a branch in Argentina.

An application for branch registration must be made in Spanish, be notarized and filed locally, and must include the articles of incorporation and bylaws of the head office and a copy of the resolution allowing the Argentine branch. There generally is no need for a branch to have a specific amount of capital. For management, only a legal representative duly authorized to operate the branch must be appointed. The branch must have accounting separate from its head office and it must file annual financial statements with the Superintendence of Corporations.

In Buenos Aires City, branches must comply with Resolution 7/2005 or, if applicable, with the information requirements for investment vehicles.

Foreign corporations usually operate through a separately incorporated subsidiary, rather than a branch, primarily to minimize potential legal liability. If a branch is sued, all of the foreign corporation's assets, not just its domestic assets, may be subject to liability. In contrast, if a subsidiary is sued, the foreign corporation's liability would generally be limited to the assets owned by that subsidiary.

2.2 Regulation of business

Mergers and acquisitions

The government generally is supportive of mergers and acquisitions that promote efficiency as long as the results are not monopolistic (although the government has also allowed transactions that clearly resulted in monopolies).

All mergers and acquisitions involving companies with domestic revenue exceeding ARS 200 million require authorization by the National Antitrust Commission. Reports of the intended transaction must be presented to the commission within seven days of the agreed deal. This law does not apply to foreign firms that have no prior presence in Argentina.

Monopolies and restraint of trade

Antitrust law prohibits acts related to the production or exchange of goods and services that limit, restrict, falsify or distort competition or access to the market, or if they constitute an abuse of a dominant position in a market that may damage the general economic interest.

The following is a list of non-exhaustive prohibited practices: (1) fixing, determining or manipulating prices; (2) exchanging information to fix or manipulate prices; (3) limiting or controlling the technical development, production or distribution of goods or services; (4) establishing conditions of sale, minimum quantities, discounts or other marketing rules; (5) conditioning contracts on the acceptance of services or supplementary purchases that are not normally connected with such contracts; (6) impeding market access by competitors; (7) refusing, without commercial reason, to fulfill orders contracted under current market conditions; (8) imposing, without commercial reason, discriminatory specifications on the sale or purchase of goods or services; (9) conditioning the sale of goods on the purchase of other goods or the use of a service, or conditioning the provision of a service on the use of other services or the purchase of goods; (10) fixing the purchase or sale to a condition of not using, purchasing, selling or supplying goods or services submitted in existing market conditions; (11) suspending the provision of a dominant monopolistic service in the market to a provider of public services or of services that are of public interest; (12) dividing zones, customers, markets or suppliers among competitors; (13) agreeing or coordinating bids in public bids; and (14) selling or providing services below production cost without commercial justification to harm competitors.

The National Antitrust Commission is responsible for ruling on monopoly issues and has ample investigative powers. The Commission is able to initiate investigation proceedings *ex officio* or at the request of any party or entity. The Commission may impose conditions and issue cease and desist orders as a preventive measure at any stage of the process. The Commission's decisions are subject to judicial review.

2.3 Accounting, filing and auditing requirements

Accounting standards

Accounting standards are developed by a national professional body, the Argentine Federation of Professional Council in Economic Sciences (*FACPCE*). These standards, called technical resolutions, are adopted with minor changes by government regulatory bodies, such as the National Securities Commission (national regulator for public companies) or the Corporate Inspection Department (regulators for private companies in the 24 jurisdictions or provinces). The central bank and the National Insurance Superintendency supplement the professional accounting standards with rules designed specifically for companies under their control. Certain rules of these two regulators may cause material departures from professional accounting principles.

Argentine professional accounting standards currently are based mainly on a 1998 IFRS ruling, therefore creating many differences to current IFRS (including the fact that local accounting principles do not contemplate the use of a functional currency or revaluation model for property, plant and equipment).

FACPCE issued a technical resolution in 2009-2010 fully adopting IFRS for public companies quoting their shares or bonds on the capital markets (except for banks and financial institutions, insurance companies and other entities subject to special government regulations, including cooperatives). The change to IFRS is mandatory for public companies for fiscal years commencing

on 1 January 2012 (optional for fiscal years commencing on 1 January 2011). It is a full adoption with the same effective dates determined by the IASB for each standard or interpretation. Private companies will be able to elect to adopt full IFRS, IFRS for SMEs or local technical resolutions as from the same dates. An endorsement from the Corporate Inspection Department of certain jurisdictions, including the Buenos Aires City, is still in process.

Auditing requirements

Annual financial statements and an auditor's opinion must be filed. Only one jurisdiction (one of the 24 provinces) accepts submissions to the Corporate Inspection Department not covered by an independent audit but with an independent accountant's special report called a "certificate." Auditing standards are established in a technical resolution issued by the FACPCE. These standards differ from the International Auditing Standards issued by the IFAC, although there is a plan for their adoption in the near future.

Filing requirements

Public companies must file quarterly and annual financial statements with the National Securities Commission and the Buenos Aires stock exchange, prepared on the basis of Argentine professional accounting standards. The filing includes consolidated and stand-alone financial statements (the latter being those with legal status for corporate decisions), compared with the previous year or period. Financial statements include a statement of the financial position, a statement of income, a statement of the evolution in shareholders' equity and a statement of cash flow, as well as supplementary information in the form of schedules or notes. If the parent company is a public company, financial statements of companies under the control, joint control or significant influence also should be filed with those of the parent company. Complete financial statements currently are required for quarterly filings, but once IFRS is effective, condensed financial statements will be accepted for interim periods.

An additional document, called the summary of financial information, must be included in the annual and quarterly statements. This document includes a summary of comparative financial statements (five periods), certain defined ratios and general comments on the operations for the period and the business perspectives of the board of directors.

Annual filings include the board of directors' report to the shareholders, with an annex concerning certain aspects of corporate governance.

Private companies file annual financial statements with the Corporate Inspection Department of each jurisdiction in the country. They file the same set of financial statements as public companies, although they are subject to fewer disclosure requirements.

In addition to filing with the Corporate Inspection Department, banks, financial institutions and insurance companies must file quarterly financial statements with the central bank and the National Insurance Superintendency, respectively, in accordance with relevant regulations.

3.0 Business taxation

3.1 Overview

The federal tax system is based on five main taxes: income tax, payroll tax, value added tax (VAT), import and export taxes, and the tax on financial transactions. Withholding taxes also are levied. The provinces and the city of Buenos Aires levy property, sales and stamp taxes.

3.2 Residence

A company is resident in Argentina if it is incorporated in Argentina.

3.3 Taxable income and rates

Argentine tax residents are subject to tax on worldwide income, with a tax credit granted for tax paid abroad on foreign income. Nonresidents pay tax only on Argentine-source income (in the latter case, tax is usually levied in the form of a final withholding tax, at various rates depending on the particular type of income). Corporations, limited liability companies and branches are generally taxed in the same way.

The corporate income tax rate is 35%.

An annual tax on minimum presumed income is applied at a rate of 1% on the assets of Argentine tax residents, although certain activities (e.g. banking and insurance) are subject to a reduced rate. The presumptive tax is applied only in excess of income tax. If this tax is payable, it is creditable against the excess of income tax over the minimum tax in the following 10 years.

Taxable income defined

Taxable income is the difference between income or gains derived by the taxpayer and expenses incurred to obtain the income and keep and maintain its source.

Dividends received by an Argentine company from another Argentine company are exempt from income tax, whereas dividends received from a foreign company are subject to tax, with a credit granted for the underlying corporate tax paid on the profits out of which the dividends are paid, as well as a credit for any withholding tax suffered on the dividends.

Deductions

All expenses incurred in obtaining and preserving taxable income may be deducted. In addition to regular business expenses, deductible items include taxes paid (except for income tax and net worth tax), arm's length payments made to foreign affiliates and donations up to a maximum of 5% of taxable income. Interest payments may be deducted unless the thin capitalization rules apply, and the deduction of trademark payments to foreign beneficiaries is limited to 80% of the total amount paid. All deductions are subject to review by the tax authorities. Other limits on certain expenses may exist (vehicles, entertainment, etc.).

Depreciation

Annual depreciation rates are 2%-33%, calculated on a straight-line basis. The usual rates are 2% for buildings; 10% for machinery and equipment; and 20% for dies, tools and vehicles (with a cap for vehicles). Special depreciation rates may be negotiated with the tax authorities for machinery and equipment with a shorter life expectancy than that implied under the standard rates.

Intangible assets without a defined life (such as goodwill or brands) may not be amortized for income tax purposes.

Reserves

Reserves, except for those for bad or doubtful debts and severance payments, generally are not deductible.

Losses

Net operating losses may be carried forward for up to five years. The carryback of losses is not permitted. Certain losses (i.e. foreign source losses or losses incurred on the sale of shares) may be set off only against profits of the same kind.

3.4 Capital gains taxation

Most capital gains are included in taxable income and taxed at the normal corporate income tax rate. Gains derived from the sale of shares by an Argentine entity are subject to income tax, whereas gains derived by nonresidents from the sale of shares of Argentine corporations are exempt. Gains on the sale of SRL quotas are taxable both for domestic entities and nonresidents. There is no distinction between short- and long-term gains.

3.6 Double taxation relief

Unilateral relief

A foreign tax credit can be claimed for foreign tax paid up to the Argentine tax liability computed with respect to the foreign-source income. Withholding taxes suffered are creditable, and, under certain conditions, underlying direct and indirect income tax paid.

Tax treaties

Argentina has only concluded 17 income tax treaties, which do not always follow the OECD model treaty. To obtain benefits under a treaty, a certificate of residence with specific information is required; the Argentine authorities have a special certificate that must be used.

Argentina has exchange of information agreements with non-treaty countries as part of the G20 initiative.

Argentina Tax Treaty Network			
Australia	Chile	Germany	Spain
Belgium	Denmark	Italy	Sweden
Bolivia	Finland	Netherlands	Switzerland
Brazil	France	Norway	United Kingdom
Canada			

3.6 Anti-avoidance rules

Transfer pricing

Under Argentina's transfer pricing rules, transactions between related resident affiliates must be at arm's length. Five transfer pricing methodologies are authorized: (1) the comparable uncontrolled price method, (2) cost-plus method, (3) resale price method, (4) profit split method and (5) transactional profit margin method. A "sixth" method, which is a variation of the comparable uncontrolled price method, must be used in certain circumstances and for certain products, mainly commodities.

Argentina also imposes documentation requirements. The tax authorities may request information on transactions with affiliated companies if the arm's length nature is not sufficiently documented.

Thin capitalization

Argentina's thin capitalization rules operate to deny an interest deduction if a company's debt-to-equity ratio exceeds 2:1 and interest is paid to a controlling financial institution or, in general, other entity resident in a tax treaty country. The excess interest is reclassified as a dividend payment.

Controlled foreign companies

The CFC rules require resident shareholders to include in their taxable income the taxable profits derived by a company resident in a low-tax jurisdiction from passive income. The following income is considered passive income: dividends, interest (unless obtained commercially, such as where the subsidiary is a bank), royalties, rent from real property (unless commercially exploited), and gains from the sale of shares, participations and bonds, as well as transactions involving derivatives and similar financial instruments (unless made for hedging purposes).

The CFC regime applies only to passive income that comprises at least 50% of the income of the foreign subsidiary. The passive income of the CFC to be included in the taxable income of an Argentine shareholder is that derived by the CFC in the CFC's fiscal year ending in the fiscal year of the Argentine shareholder. Argentina has a black list that includes countries considered low tax jurisdictions, and for countries not on the black list, a list of "special low tax regime" countries. Current taxation will not apply if at least 50% of the profits of the low-taxed company are related to active income. Foreign partnerships and branches are taxed on an accrual basis.

General anti-avoidance rule

Argentina's tax procedure law includes an economic reality principle as a general anti-avoidance rule. Under this rule, the tax authorities can look at the actual economic transaction and disregard the legal form and structure used by the taxpayer if it does not reflect the actual intent of the taxpayer.

3.7 Administration

Tax year

The tax year is the fiscal year.

Filing and payment

Companies must make 10 advance payments of income tax during the year, with the first installment, equal to 25% of the previous year's income tax liability, paid by the 15th day of the sixth month after the start of the company's fiscal year. The other nine installments must be equal to 8.33% of the previous year's income tax liability.

The income tax return must be filed electronically by the 10th day of the fifth month after the end of the company's fiscal year.

Consolidated returns

Argentina does not allow the filing of consolidated returns.

Statute of limitations

The general statute of limitations is five years, counted as from 1 January of the year immediately following the year the tax return was due (e.g. for a tax return due in March 2010, the statute of limitations starts on 1 January 2011 and runs through 31 December 2015). Exceptionally, statute of limitations periods still running as at 31 December 2008 are extended for an additional year (i.e. to six rather than five years). The same rules apply for both assessment and collection purposes.

Tax authorities

Argentina's tax collector is the Federal Administration of Public Revenue.

Rulings

Argentina does not have a ruling system in place, but there is a binding consultation system that requires the fulfillment of certain requirements.

3.8 Other taxes on business

See Section 5.8, below, on financial transactions.

4.0 Withholding taxes

4.1 Dividends

Dividends and other profits from limited liability companies or branches are subject to withholding tax only if they exceed accumulated taxable income with certain adjustments. If applicable, the withholding rate is 35%.

4.2 Interest

The general 35% withholding tax is reduced to 15.05% in the following cases:

- The borrower is a financial institution;
- The lender is a bank or financial institution located in a non-tax haven jurisdiction;
- The interest relates to certain bonds that are registered in countries that have concluded an investment protection agreement with Argentina; or
- The transaction involves the financing by a seller of depreciable movable property.

4.3 Royalties

Patent royalties and fees for technical assistance, engineering or consulting services paid to nonresidents are subject to a final withholding tax of 35% on a prescribed percentage of the gross payment, which varies depending on the type of payment. The effective withholding tax rates that result are 28% (35% x 80%) on patent royalties and technical assistance available locally, and 21% (35% x 60%) on fees for technical assistance, engineering or consulting services, provided the agreement under which the royalties or fees are paid is registered by the National Institute of Industrial Property (INPI) and, in the case of fees, the services cannot be obtained in Argentina. If these conditions are not satisfied, the effective rate on the royalties or fees is 31.5% (35% x 90%).

Royalty payments to nonresident authors in respect of the exploitation of copyrights in Argentina are subject to a final withholding tax of 35% on 35% of the gross payment (effective withholding tax rate of 12.25%), provided the works are registered with the National Copyright Bureau and other conditions are satisfied.

Film and television royalties are subject to a final withholding tax of 35% on 50% of the gross payment, resulting in an effective rate of 17.5%.

4.4 Branch remittance tax

Argentina does not levy a branch profits tax.

4.5 Wage tax/social security contributions

The pension system is financed with funds generated by an employer contribution of 17% or 21% of payroll (without a cap and based on the size and activities of the company) and an employee contribution of 14% of salary (with a monthly cap). Self-employed individuals must make their own monthly contribution consisting of a fixed amount.

Workers are eligible for social benefits, including medical assistance and hospitalization, which are financed with funds generated by an employer contribution of 6% of payroll (up to a monthly cap) and an employee contribution of 3% of salary (up to a monthly cap).

5.0 Indirect taxes

5.1 Value added tax

VAT is levied on the sale of personal property located or placed within the country, construction and other contracts and services performed or rendered within Argentina, and the import of personal property and services rendered abroad, but economically used in Argentina.

The general VAT rate is 21%, although an increased rate of 27% is applied to a few services, such as the supply of certain communications services, power, natural gas and water. A reduced rate of 10.5% applies to capital goods and other specific items. Exports are zero-rated.

VAT returns must be submitted monthly, with a final return submitted electronically by 30 June of the following year (an extended deadline applies for taxpayers represented by a tax advisor).

Sales taxes are levied at the provincial level and in some municipalities (such as in the city of Buenos Aires), generally at a rate of 4% on gross revenue. Higher rates may be imposed on certain services in some provinces; industrial activities usually are exempt or subject to lower rates.

5.2 Capital tax

Argentina does not levy capital duty.

5.3 Real estate tax

The provincial governments levy a real property tax on urban and rural land, with the rate depending on the jurisdiction. The tax base for the real property tax is generally the fiscal value of the property determined by the applicable authority.

5.4 Transfer tax

Argentina does not levy transfer tax.

5.5 Stamp duty

Stamp tax is levied on the formal execution of public and private instruments. Documents subject to stamp tax include all types of contracts, notarial deeds, receipted invoices confirmed by a debtor, promissory notes and negotiable instruments.

The rate is 1%, but there are exceptions, such as real estate sales, where the rate ranges from 2.5% to as high as 4%. Stamp tax may be paid by means of fiscal stamps, a stamping meter or tax return.

Each province has its own stamp tax law that applies within its territory. There are some instances of double taxation for which no legal remedy exists.

In Buenos Aires City, the stamp tax was reinstated in 2009 at a general rate of 0.8%. The rate is higher for the transfer of title to real property in certain cases.

5.6 Customs and excise duties

Argentina imposes export duties depending on the goods exported (commodities are in general subject to export duties and manufactured products are in most cases subject to reduced rates). The importation of goods is subject to import duties, with special exemptions for certain capital goods.

Excise taxes are levied on certain products (e.g. fuel, luxury items, cigarettes and certain beverages).

5.7 Environmental taxes

There are no federal environmental taxes. Some provinces in specific activities have created special assessments.

5.8 Other taxes

Financial transactions tax

The tax on financial transactions is levied on debits and credits in current accounts at a rate of 0.6% per transaction. Of the amount levied on credits, 0.2 percentage points may be taken as an advance payment of income tax or minimum presumed income tax, resulting in an effective rate of 0.4%, and, therefore, 1% on a complete collection/payment cycle. There are some exemptions.

Net wealth/net worth tax

A personal asset tax of 0.5% is applied to any equity interests in companies organized in Argentina when the owners are local individuals or foreign residents. The local entity is responsible for the payment and has the right to be reimbursed by the owners for the tax paid.

6.0 Taxes on individuals

Individuals in Argentina are subject to income tax, wealth tax and social security contributions.

6.1 Residence

The following individuals are generally considered residents:

- Argentinean individuals, whether native or naturalized, but excluding those who have lost their "permanent resident" status for income tax purposes either because they acquired permanent resident status for immigration purposes in another country or because they resided abroad for a continuous period of 12 months. Short trips to Argentina do not interrupt the 12-month continuous period if, cumulatively, the trips do not exceed 90 days in a 12-month period.
- Foreign individuals granted a permanent resident visa or individuals who have remained in Argentina holding temporary visas for 12 months. Temporary absences will be disregarded to the extent they do not cumulatively exceed 90 days in a 12-month period. (Foreign individuals with a temporary visa, as well as accompanying relatives, who are required to remain in Argentina by reason of their employment for a period not exceeding five years, are not considered Argentine residents.)
- Under certain circumstances, individuals who, having lost their permanent residence in Argentina or acquired permanent residence elsewhere, re-enter Argentina with the intention of residing there permanently.

6.2 Taxable income and rates

Argentine residents pay tax on their worldwide income, while nonresidents only pay tax on their Argentine-source income.

Taxable income

Employment income, including most employment benefits, is taxable, as is income derived from the carrying on of a business or profession. Rental and interest income also is subject to tax. Most Argentine-source financial income is exempt (e.g. interest on time deposits in local banks, interest from bonds, etc.). Dividends paid by local companies and sale of shares and bonds are not subject to tax.

A foreign individual with an employment contract for up to five years is taxed only on Argentine-source income, provided the individual holds a temporary visa.

Deductions and reliefs

A number of personal allowances may be deducted in computing taxable income (e.g. special employee deduction, additional deduction for a spouse or child, etc.), but certain requirements must be met. Subject to restrictions, deductions include those granted for medical expenses, medicare, certain donations, mortgage interest, retirement annuities and domestic help.

Rates

Rates are progressive from 9% to 35%.

In addition, professionals working in the country for no more than six months during the year are subject to a single and final income tax withholding of 24.5%.

6.3 Inheritance and gift tax

Argentina does not levy an inheritance or a gift tax, although the Buenos Aires Province introduced such a tax as from 1 January 2011.

6.4 Net wealth tax

The worldwide assets of individuals domiciled in Argentina held as of 31 December each year are subject to the personal assets tax to the extent the aggregate value of the assets exceeds ARS 305,000. Deposits in local banks and public bonds are exempt.

The net wealth tax rates are as follows: .5% for amounts exceeding ARS 305,000 up to ARS 705,000; .75% for amounts over ARS 705,000 up to ARS 2 million; 1% for amounts exceeding ARS 2 million up to ARS 5 million; and 1.25% on amounts exceeding ARS 5 million. (For shares of local companies, however, the issuer withholds the tax at a 0.5% rate as a final payment.)

Foreign individuals coming to Argentina for employment purposes for a period not exceeding five years are not considered domiciled in Argentina and, thus, are taxed only on their Argentine assets. Argentine individuals domiciled abroad are subject to personal assets tax only on their Argentine assets. Payments are made through a substitute taxpayer.

6.5 Real property tax

The provincial governments levy a real property tax on urban and rural land, with the rate depending on the jurisdiction. The tax base for the real property tax is generally the fiscal value of the property determined by the applicable authority.

6.6 Social security contributions

The pension system is financed with funds generated by an employer contribution of 17% or 21% of payroll (without a cap and based on the size and activities of the company) and an employee contribution of 14% of salary (up to a monthly cap). Self-employed individuals must make their own monthly contribution consisting of a fixed amount.

Workers are eligible for social benefits, including medical assistance and hospitalization, which are financed with funds generated by an employer contribution of 6% of payroll (up to a monthly cap) and an employee contribution of 3% of salary (up to a monthly cap).

6.7 Other taxes

None

6.8 Compliance

The tax year for individuals is the calendar year.

Individuals who only derive employment income (that does not exceed ARS 144,000 annually) are not required to file an income tax return to the extent tax was withheld at source by the employer. Individuals with other types of income must make five prepayments at bimonthly intervals beginning in June of the tax year. Final payments of tax are made when the tax return is submitted (on an annual basis) in April or May of the year following the year the income was derived.

Foreign taxpayers are not required to file a tax return if their income tax liability is fully satisfied by tax withheld on income from Argentine sources.

7.0 Labor environment

7.1 Employee rights and remuneration

Argentina's labor law governs labor-management relations. There are also other regulations related to employee rights and remunerations, such as the Labor Union Law, the Labor Risk Law and collective bargaining agreements.

Working hours

The normal work week is eight hours per day on weekdays and half a day on Saturday for a total of 45 hours per week. The work week may not exceed 48 hours. Night shifts (between 9 pm and 6 am) may not exceed eight hours, but this restriction does not apply to employees working a "swing" shift (i.e. afternoon/evening shift). The schedule for employees engaged in "unhealthy" work (as determined by the Ministry of Labor, Employment and Social Security) may not exceed six hours per day or 36 hours per week.

Overtime is compensated at a 50% premium for work on weekdays and Saturday mornings, and a 100% premium for work after 1 pm on Saturdays, Sundays and holidays. Overtime may not exceed 30 hours per month or 200 hours per year.

7.2 Wages and benefits

There are two types of minimum salaries: the minimum adjustable salary and salary under a trade union agreement.

The minimum adjustable salary is the lowest remuneration an employee receives in cash (excluding family allowances) for normal work hours to ensure basic needs (e.g. food, housing, education, clothing, healthcare, transport, entertainment, holidays and pension benefits). The minimum amount, established periodically by the government, is ARD 1,840 as from 1 January 2011 for employees who work a full day. Actual salaries, however, are higher.

A salary under a trade union agreement is the minimum salary for the worker's job description and the amount established cannot be changed by either party. Collective labor agreements establish realistic minimum salary tables, which are generally used.

In addition to the minimum salary, an employee can freely agree to a higher salary. The law and collective bargaining agreements are the limits to the parties' freedom to agree on salary amounts.

Social benefits

Social benefits are designed to improve the quality of an employee's life or that of his/her family (e.g. refunding medical expenses, etc.). These benefits have a non-remunerative character and, therefore, are not subject to social security taxes, even though they are subject to income tax. They also cannot be considered in the calculation of benefits that are remunerative in nature (e.g. annual complementary salary, vacations, paid leave, etc.).

Accident insurance

Argentina operates an industrial accident and illness scheme, which mandates compulsory insurance run by private insurance companies, which cover workman's compensation and work-related illnesses.

Other benefits

Employees are given an extra month of salary as an annual bonus, which must be paid in two installments in June and December. The bonus is calculated as 50% of the highest salary received in the previous six months of employment.

Paid vacation is set at 14 days annually for up to five years of service, 21 days for five-10 years of service, 28 days for 10-20 years of service and 35 days for more than 20 years of service.

Paid sick leave is required by law. Leave of up to three months is allowed for employees with fewer than 10 years of service, and up to six months thereafter. Allowable sick leave is doubled for employees with dependents. In the event of a protracted illness, an employee's job must be held

open for 12 months, beginning after three to six months of illness, based on years of service. Maternity leave of three months is paid by the Social Security Authority. Mothers have the right to extend their leave by another three-month period without salary and they may not be fired for one year after giving birth.

7.3 Termination of employment

During the trial employment period, employers may lay off employees without compensation, as long as 15 days' notice is given. Companies must pay all employee contributions and benefits during the trial period.

For redundancies, employees who have worked with a company for more than five years must be given two months' notice. One month's notice is sufficient for employees with less than five years of employment. Employers may opt to provide payment in lieu of advance notice equal to the salary for either one or two months. Severance pay is calculated on the basis of one month of salary per year worked.

Employees are entitled to compensation for work-related accidents.

Laid-off workers are entitled to one month's salary for each year of service, but the base salary for calculation is limited to a maximum of three basic salaries. To this amount, employers must add the proportionate share of the annual bonus and any remaining vacation days. Companies normally pay all the amounts and sign an agreement with the employee to avoid future legal issues.

7.4 Labor-management relations

The General Confederation of Labor is the main employee organization, with some three million members. The Argentine Workers Central represents about 600,000 workers, mainly in the public sector. The level of unionization is nearly 30%.

7.5 Employment of foreigners

There are no restrictions on the employment of foreigners, provided they hold the appropriate visas. To enter into an employment contract in Argentina, a foreign individual must have a certificate of permanent residence or a certificate of temporary residence issued by the national immigration authority. It is also necessary to comply with the national social security contribution system. A foreigner can be exempt from these obligations for a fixed term as long as he/she complies with specific legal requirements or a reciprocity agreement exists with the country of origin.

8.0 Deloitte International Tax Source

Professionals of the member firms of Deloitte Touche Tohmatsu Limited have created the Deloitte International Tax Source (DITS), an online resource that assists multinational companies in operating globally, placing up-to-date worldwide tax rates and other crucial tax material within easy reach 24/7.

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9.0 Office locations

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