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WIRING FUNDS FROM ABROAD TO PROVIDE ARGENTINE COMPANY WITH OPERATING CASHFLOW. AVOIDING UNNECESSARY TAX EXPENSES.

An important subject that must be taken into account when operating a business in Argentina is how to provide the company with funds from abroad without incurring in unnecessary tax expenses. Below you will find the possible ways and the tax impact for each one.

There are mainly three ways to get funds from a foreign country to Argentina without incurring in a 30 % immobilization rate for a period of 365 days:

1. Traveling allowance: Every person traveling to Argentina is allowed to enter the country with a maximum of USD 10.000.-. This amount is allowed to every person entering the country, no matter how often they travel and it is not subject to any tax or certification referring to the origin of funds, it should be declared among the rest of personal items when going through Argentine customs.
2. Repatriation of funds performed by an Argentine resident: The concept of residence refers to persons that were born in Argentina, or have lived in the country for at least a 12 month period or any corporation funded by Argentine capital, as stated by the income tax law in art. 69.
 1. Requirements:
 - a. Bank account open under the resident's name in the US
 - b. Bank account open under the resident's name in Argentina

- c. Both accounts should be open under the exact same name
- d. If accounts are open in 2 branches of the same commercial bank (i.e. Citibank NY and Citibank BA), the transaction will only cost USD 15. If they are open in 2 different banks (i.e. NY Wachovia Bank and Citibank BA), the transaction will have a cost of USD 75.-.
- e. It is advisable to have a US notarized contract for transactions over USD 40.000. - providing the Argentina resident will have to certify the legal origin of funds. This contract should be stamped at the US Embassy in Argentina. In some cases it is not required for lesser amounts.
- f. No invoice is issued from Argentina for this kind of transaction; therefore this transaction is not taxed by VAT or sales tax.
- g. For transactions over USD 40.000.-: Funds should have been deposited in the US account for at 10 working days' period before the wiring takes place.

2. Procedure:

- a. Argentine resident should instruct the payer via payment order before the transaction in order to make sure amounts over USD 40.000.- are credited to the US account at least 10 days before the operation.
- b. Once this is done, Argentine resident should submit bank form 6-234 stating code of transaction 457.
- c. This form should be endorsed with a copy of the contract certifying the legal origin of funds.
- d. The form is processed by Argentine bank and the funds are converted to ARS and deposited in the local account within a 2/3 working days' period.

3. Tax impact:

- a. None for the transaction itself save for the USD 15 or 75 cost charged by the bank. The result of the operation stated in the US contract should be declared by the Argentine resident in his local income tax statement and charged a 5% grossing up as a result of the different income tax rates between Argentina and the US (35% vs. 30%). This 5% will affect the income after expense deductions.

3. Payments from a Non Resident to an Argentine Resident:

This is the most common form of funding from the US, it is taxed by VAT and / or sales tax (depending on what the Argentine resident writes on the invoice) and the requirements differ a little from those asked in case of funds repatriation by residents.

1. Requirements:

- a. Mandatory notarized contract for all cases to certify the legal origin of funds. This contract should be stamped at the foreign embassy in Argentina.
- b. There is no need to have matching accounts or to operate with the same commercial bank.
- c. Invoice issued by Argentine resident referring to:
 - The contract – names in the invoice and the US contract should match.
 - Services performed in favor of the non resident. The description of the services written on the invoice should match those stated in the contract.
 - Amount stated in the invoice should never exceed the total amount of the contract. If so, a contract addendum is needed referring to the greater amount.
- d. For transactions over USD 40.000.-: Funds should have been deposited in the US account for a 10 working days period before the wiring.
- e. Amount limits: None, but it is advisable not to transfer more than USD 250.000. - a month in order to avoid unnecessary attention by the local IRS (AFIP).

2. Procedure:

- a. Argentine resident should instruct the payer via payment order before the transaction in order to make sure amounts over USD 40.000. - are credited to the non resident's account at least 10 days before the operation.
- b. Once this is done, Argentine resident should submit bank form 6-234 stating codes of transaction ranging from 215 to 251 (depending on the concepts appearing in the contract).
- c. This form should be endorsed with a copy of the contract certifying the legal origin of funds and a copy of the invoice.

- d. The form is processed by Argentine bank and the funds are converted to ARS and deposited in the local account within a 2/3 working day's period.

3. Tax Impact:

- a. If the contract and the invoice refers to services rendered in favor of the US resident, they are taxed by 21% VAT and 3.5% sales tax (Provincia de Buenos Aires).
- b. The result of the operation stated in the US contract should be declared by the Argentine resident in his local income tax statement and charged a 5% grossing up as a result of the different income tax rates between Argentina and the US (35% vs. 30%). This 5% will affect the income after expense deductions.
- c. Vat and sales tax can be lowered to 0 when the invoice states "exportación de servicios de utilización económica en el exterior", but in such case the contract should allow for the Argentine resident to perform services that will only be of use in the foreign country.