



Organization (briefly): Normally non Argentinian investors set up a corporation (sociedad anónima) or a LLC (sociedad de responsabilidad limitada) to operate in the country. The benefits of such organizations consist mainly in the way money can enter or leave the country. Argentina is one of the most deeply regulated financial markets and foreign capitals are subject to a 33% withholding rate for a twelve month period if they are not handled by residents. A corporation set up in Argentina enables a foreign firm to act as a resident. There also pre-established periods of time to pay for imports and to receive money from exports. Foreign companies need government authorization to pay dividends, interest gains and distribute normal profits among shareholders. A foreign company can hold the 100% shares of a resident corporation, providing the corporation does not invest in TV channels, radio stations or financial institutions. In such cases more than 50% of its shares must belong to Argentinian investors. All corporations and individuals doing business in Argentina must have a tax ID number called CUIT. It must also be noted that penalties for not having this tax ID number or not issuing legal invoices or receipts include the closing of the business.

Taxes: As you will see below, we have three main kinds of taxes in Argentina:

- national taxes,
- provincial taxes and
- City taxes.

National taxes:

Corporations and individuals are subject to these main national taxes:

1. Income tax and transfer pricing
2. VAT
3. Assets tax
4. Labor tax
5. Presumptive income tax
6. Tax on bank debits and credits
7. Import and export rights
8. Real estate ownership transferal (only for persons, not for corporations)
9. Tax on luxury goods

Income tax: Resident corporations must pay for the bulk of their world income in Argentina. The rate applied for corporations is 35%, but income tax effectively paid by the same corporation in other countries (save those with null or very low taxation) is considered a credit. Gains from capital financial investments, dividends, sales of shares and government bonds are exempt from income tax. There are deductible expenses, mainly those incurred to keep the source of taxable profit, such as depreciation of assets, salaries payments, director's fees, interest paid, etc. If expenses are not supported by the proper documentation (contracts, invoices, etc.) they are not deductible and the corporation is obliged to pay a 35% tax over nondeductible expenses. Accounting provisions are not deductible. Director's fees, royalties and transportation expenses are not fully deductible. Other national, provincial and city taxes are considered deductible expenses. Tax penalties are not deductible. Operations between related companies are subject to transfer pricing. If both companies can prove that the transactions are performed under the same terms as those by independent parties, there is no additional tax to be paid. If not, the resident company pays a 35% rate over the difference.

Tax season typically falls in May and June, because income tax law states that income tax should be calculated and submitted 5 months after the close of the fiscal year. Income obtained by non-residents is subject to a 35% withholding tax.

This withholding tax is also applied to the following payments performed by residents on behalf of non-residents:

| Kind of Payment | % of payment subject to tax | % of tax to be withheld |
|---|------------------------------------|--------------------------------|
| Dividends (Corporations and LLC) | 0 | 0 |
| Profit remision | 100 | 35 |
| Loans in favour of resident financial agents or meant to finance asset imports | 43 | 15,05 |
| Loans issued by banks operating in other countries (save those with null or very low taxation) | 43 | 15,05 |
| Loans issued in favour of residents by financial institutions other than the ones stated in previous points | 100 | 35 |
| Technical assistance fees | | |
| Single payment | 60 | 21 |
| Payment in installments | 80 | 28 |
| Royalties | 80 | 28 |
| Copyright | 35 | 12,5 |
| Movies, tv & radio shows | 50 | 17,5 |
| News agencies | 10 | 3,5 |

| | | |
|------------------------------------|----|------|
| International freight (containers) | 20 | 7 |
| International travel | 10 | 3,5 |
| Salaries | 70 | 24,5 |
| Real estate rental | 60 | 21 |
| Other assets rental | 40 | 14 |
| Sales of goods placed in Argentina | 50 | 17,5 |
| Other payments | 90 | 31,5 |

Individuals are subject to an increasing rate of tax that varies from the 9% to the 35% of taxable income. The different rate is applied according to the level of the individual's profits and every individual is entitled to deduct a fixed amount on behalf of his/her spouse, children and other persons under his charge.

2. VAT: Vat taxes all sales of services or goods and imports performed in Argentina. Some goods, such as bread, water and milk, are exempt from this tax, as well as exports (exports are subject to other tax retention). Life insurance policies, interest produced by savings accounts, books, newspapers and medicine for humans are also exempt from this tax. The normal VAT rate is the 21%. Communications, electricity, gas and water are subject to the 27%. Other goods, such as raw foods and fixed assets are subject to a rate of 10.5%. Fiscal credits on purchases lower taxable sums whenever both parties are directly related.

3. Assets tax : Persons must pay a tax rate ranging from 0.75% to 1.50% over the value of all their assets. Corporations must pay 0.5% over net value of shares.

4. Labor tax: This tax is paid by employers and employees and it is meant for funding retirement payments. Employers must deduct from employees' salaries and pay around the 17% and they also have to pay an additional 19% (depending on the type of contract) over monthly wages.

5. Presumptive income tax: This tax is used as a tax credit against income tax. It taxes all assets at a rate of 1%. Shares and acquisition of fixed assets (year of purchase and the next) are exempt from this tax.

6. Tax on bank debits and credits: Every bank transaction is taxed with a 6%o rate.

7. Import and export rights: Average tax on imports is 15%. Exports of commodities are subject to a rate of tax withholding (retenciones) ranging from the 12% to the 35% (this one in the case of soy). The rates calculated on sales value for these export rights are:

- Corn: 10%
- Sunflower: 30%
- Soy: 30%
- Meat: 10%

- Fruits: 5%
- Rice, honey: 10%
- Oil derivatives: 45%
- Wine: 0%

8. Real estate ownership transferal (only for persons, not for corporations): Individuals who do not pay income tax over the sales of real estate because they are not habitual for them must pay a 1.5% tax rate over the value of the property.

9. Tax on luxury goods:

| Goods | Tax rate on sales price |
|------------------------------------|-------------------------|
| Tobacco | |
| Cigarettes | 60 |
| Cigars | 16 |
| Tobacco leaves | 20 |
| Spirits | 20 |
| Beer | 8 |
| Non alcoholic drinks | 4 to 8 |
| Luxurious objects | 10 |
| Motor vehicles exceeding \$ 212000 | 12,5 |
| Ships & planes | 4 to 8 |
| Electronic appliances | 17 |

Provincial taxes:

- 1. Sales taxes** (ingresos brutos): All sales performed within the limits of Provincia de Buenos Aires , save exports and real estate, are subject to a 3.5% rate sales tax (ingresos brutos).
- 2. Real estate and cars number plates:** Properties and vehicles are subject to a decreasing 5% tax, payable in installments during the year.

City taxes

Every city charges property at an average of 0.5% rate in order to fund common services, i.e. janitorial services.