

# DOING BUSINESS

ARGENTINA

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## **ARGENTINE TAX SYSTEM**

### ▪ **POLITICAL CONFIGURATION**

The Argentine Republic has three levels of Government (Jurisdictions): Nation, Provinces and Municipalities.

Likewise, the Nation and Provinces government system is conforming by three different powers:

- The Executive that deals with the administration.
- The Legislative, in charge of enacting the laws.
- The Judiciary, responsible for the administration of justice.

On the other hand, the Municipalities have an administrative power - the Mayor's Office - and a legislative power - the Deliberative Board -, but do not have their own administration of justice.

### ▪ **TAX POWER DISTRIBUTION**

The National Constitution states the tax powers that correspond to each one of the three levels of government mentioned before:

#### A. Nation

A.1 On an exclusive and permanent basis: the customs duties.

A.2 Concurrently with the Provinces and on a permanent basis: the indirect taxes.

A.3 Concurrently with the Provinces and on a temporary basis: the direct taxes.

#### B. Provinces

B.1 Concurrently with the Nation and on a permanent basis: the direct and indirect taxes.

#### C. Municipalities

C.1 Have the tax power afforded by the jurisdiction from which they depend.

In 1994 the National Constitution was reformed but maintaining with the new text the tax powers that such jurisdictions had in the prior text.

▪ **LOCAL TAX COORDINATION**

Given the overlapping of the tax competitions and in order to share the national tax collection with the Provinces and the City of Buenos Aires, looking forward to overcome the internal double or multiple taxation problems, two inter-jurisdictional agreements have been entered: one among the Nation, the Provinces and the City of Buenos Aires (Co-participation of National Taxes<sup>1</sup>) and another between the Provinces and the City of Buenos Aires (Multilateral Agreement).

▪ **INTERNATIONAL TAX COORDINATION**

In international matters, with the aim of regulating the fiscal issue in transnational trade operations, agreements have been subscribed with the following countries:

- A. Of a general nature with Sweden, Germany, Bolivia, France, Brazil (amendment protocol entered in force on 07/29/2018), Austria (in force up to December 12/31/2008), Italy, Chile, Spain (in force up to 12/31/2012 and new Tax Treaty since 2013), Canada, Finland, The United Kingdom of Great Britain and Northern Ireland, Belgium, Denmark, The Netherlands, Australia, Norway, Russia, Switzerland, Uruguay, Mexico and United Arab Emirates. Regarding the United States, a Tax Treaty has been subscribed but it has not been ratified by Law yet, therefore it is not in force.
- B. In international transportation matters with Belgium, Greece, Canada, Denmark, Finland, France, Italy, Great Britain, Norway, Peru, Portugal, The Netherlands, Sweden, Switzerland, Yugoslavia, Chile, U.U.S.S., Uruguay, Japan, Ecuador, Spain, Democratic Germany, Cuba, U.R.S.S., Israel, Poland (not in force because it has not been ratified), Colombia, Brazil, Islamic Republic of Iran, Venezuela, Paraguay, Malaysia, Mexico and Panama.
- C. With respect to Cooperation and Mutual Assistance agreements with Andorra, Armenia, Aruba, Azerbaijan, Bahamas, Bermuda, Chile (not in force), China, Costa Rica, Curacao, Ecuador, Arabian Emirates, Spain (not in force), U.U.S.S., Guernsey, Italy, Isle of Man, India, Ireland, Cayman Islands, Jersey, Macao, Macedonia, OECD (multilateral, country by country information exchange and automatic information exchange of financial accounts), Principality of Monaco, San Marino, South Africa, Turkmenistan and Uruguay.

Currently and as a result of the MERCOSUR (South common market), the Republic of Argentina is devoted to tax harmonizing tasks with the other members of said market (Brazil, Uruguay and Paraguay). Venezuela is suspended as a state party of MERCOSUR. On the other hand, Bolivia is in an adhesion process.

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<sup>1</sup> Many of the national taxes have their own specific allocation regime prior to the Co-participation Regime.

▪ **MICRO, SMALL AND MEDIUM-SIZED ENTERPRISE (MIPyME)**

Law 27.264 dictated in July 2016 creates tax benefits and a Regime for the promotion of productive investments for companies categorized as Micro, Small and Medium-sized Enterprises (MIPyME).

▪ **MIPyME definition**

They are those companies whose average net sales of the last 3 fiscal years are within the following parameters:

Sector / Category	Agriculture	Industry and mining	Commerce	Services	Construction
Micro	\$ 30.770.000	\$ 45.540.000	\$ 57.000.000	\$ 13.190.000	\$ 24.990.000
Small	\$ 116.300.000	\$ 326.660.000	\$ 352.420.000	\$ 79.540.000	\$ 148.260.000
Medium section 1	\$ 692.920.000	\$ 2.530.470.000	\$ 2.588.770.000	\$ 658.350.000	\$ 827. 210.000
Medium section 2	\$ 1.099.020.000	\$ 3.955.200.000	\$ 3.698.270.000	\$ 940.220.000	\$ 1.240.680.000

In the case of controlled and/or controlling companies, this requirement must be met at the economic group level.

Also, Resolution 19/21 updates the values of the limits for total annual sales, employed personnel and assets expressed in pesos as of April 2021.

- Real estate services performed on their own with own or leased assets, or in exchange of a fee or contract.
- Financial activities and insurance services.

For this regard, the total value of the assets cannot exceed \$ 193,000,000.

In certain cases, it should also be considered the number of employees that the company has, to qualify as a Micro, Small or Medium-sized enterprises.

The companies that carry out any of the following activities cannot register in the regime:

- Service of private homes that hire domestic service.

- Services of organizations and extra-territorial bodies.
- Public administration, defense and mandatory social security.
- Services related to games of chance and gambling.

▪ **Benefits**

Tax benefits consist of:

- Payment term of 90 days for the Value Added Tax.
- Simpler procedures for the application of the Value Added Tax no withholding certificate.
- Better compensation conditions of the Banks Credits and Debit Tax with the Income Tax.
- Exclusion of the Minimum Presumptive Income Tax.
- Compensation as payment on the Income Tax of 10% on the value of productive investments made during the fiscal year.
- Conversion of the Value Added Tax originated in productive investments into bonds to cancel national and custom duties taxes.
- Withholdings reduction for commerce micro enterprises.
- Better conditions on the application of payment facility plans.

In order to obtain these benefits, certain steps and requirements established by the applicable regulations must be respected.

▪ **BRIEF SUMMARY OF THE TAX SYSTEM**

In this chapter, we will make a brief detail of the Argentine tax system. For a more clearly and simple understanding, we will not include certain taxes based on a specific nature such as, for instance, those that levy liquid fuels derived from the oil, natural compressed gas, and the generation and distribution of electric power.

▪ **National taxes**

The current legislation consistently applies all over the country. There are, however, tax promotion regimes in certain Provinces, regions, and economic sectors.

▪ **Income Tax**

▪ ***Tax object***

It applies to the worldwide revenues or profits of the companies and individuals who reside in the country; as well as to the revenues obtained in the country by beneficiaries residing abroad.

For the residents that assess their liability incorporating revenues obtained abroad, it is admitted the fiscal computation for taxes paid abroad up to the limit of the increase of the liability resulting from the incorporation of such revenues.

- *Taxable basis*
- Residents

The taxable basis for taxpayers residing in the country is assessed subtracting from the income the costs and expenses that are necessary to obtain, maintain and preserve the taxable profit.

- Non residents

The taxable basis for foreign beneficiaries who obtain revenues of Argentine source, is calculated on the basis of revenue presumptions, in accordance with detailed in Annex I hereof.

- ***International operations: thin capitalization and transfer pricing***

The relations of the branches and affiliates with their parent company and other related companies are governed by the arm's length rule principle.

In this sense, there are obligations of an informative nature that must be fulfilled before the local tax authority ("Administración Fiscal de Ingresos Públicos" - AFIP) that reach those companies that have had transactions with related parties located abroad, or with companies located in non-cooperating jurisdictions for fiscal transparency purposes or in low or no taxation jurisdictions.

Among the aforementioned obligations, there must be complied with the submission of an annual return, as well as with a detailed Transfer Pricing report, through which it is determined whether the transactions have been carried out under similar conditions as of independent parties.

The AFIP has written the General Resolution 4717/2020 (05/14/2020) by means of which everything related to Transfer Pricing has been regulated and with it, the formal requirements for the presentation of obligations for closed years have been established from December 2018.

Information to present:

- **Transfer Pricing Study (F. 4.501)**

In the event of exceeding certain thresholds, the Transfer Pricing Study must be submitted, consisting of a report stating the justifications for the analysis of the operations subject to the transfer pricing regulations (operations with related parties, non-cooperative jurisdictions or low or no tax).

The report must be certified by an independent professional accountant or graduate in economic sciences with signature authenticated by the Professional Council of Economic Sciences, college or entity that exercises control of their enrollment.

It must contain, among other data, the mathematical calculations and formulas that justify the prices or margins obtained and must be accompanied by the documentation that accredits the elaboration processes of said calculations. Specifications are included in the case of intermediaries and exports of listed goods.

If the reporting subject had agreed cross-border financial benefits with entities belonging to the same Group of Multinational Companies during the fiscal period to be reported or that affect it, additional information must be added.

The obliged to present it are (GR 5010/2021)

- ✓ Operations with related parties or subjects of low or no tax jurisdictions or non-cooperative jurisdictions when all the transactions subject to the transfer pricing system as a whole in the annual period exceed \$ 3,000,000 or individually \$ 300,000.

- **Master File**

In the case of exceeding certain thresholds of operations with related parties that belong to the same Group, the master file must be presented, in order to provide information to the group (structure and organization, activities, intangible assets, financial activities between group entities, situation group financial and tax):

- ✓ When the total consolidated income of the GMN does not exceed \$ 4,000,000,000 in the year prior to the presentation.
- ✓ When the transactions with related parties abroad do not exceed \$ 3,000,000 in the annual period or \$ 300,000 individually.

- **Information Regime: Form N ° 2,668**

The RG 4717 established that the subjects mentioned in article 2 are obliged to submit the information regime, using the affidavit form F. 2,668, in one of the last TWO (2) Fiscal periods prior to the one for which information must be reported would have been required to submit information on international operations or transfer prices according to this general resolution or General Resolution No. 1122 as amended and supplementary.

- ✓ Imports and exports with independent subjects for an annual amount greater than \$ 10,000,000.
- ✓ Operations governed by transfer pricing regulations (with related parties and with subjects of low or no taxation jurisdictions or non-cooperative jurisdictions) when



all the combined transactions in the annual period exceed \$ 3,000,000 or individually \$ 300,000.

- ✓ In the event that the taxpayer does not have operations to report, he must present the F.2.668 indicating the option "no movement". This obligation will continue during the following two fiscal periods, even when the established amounts are not exceeded, or it continues without movement.

On June 18, 2021, GR (Public Revenue Tax Authority, hereinafter AFIP) 5010/2021 was published in the Official Gazette, which establishes a new Simplified Regime for International Operations and introduces some modifications to the current regulations on Transfer Pricing, including the extension of the expiration dates for some submissions.

### **Simplified Regime of International Operations**

The taxpayer who are affected by the filings of F.2668 Affidavit and F.4501 Transfer Pricing Study may choose to formalize said obligations through the Simplified Regime of International Operations established in GR5010 provided that they are included in any of the situations listed below:

1. When the total annual billing is less than the highest amount established for the median category, section 1, whatever the activity foreseen by the GR 220 of the SEPyme1 (today, this value is equivalent to AR\$ 2,588,770,000) and the following requirements are met jointly:

- Do not present recurring negative results in the Financial Statements of the fiscal period to be reported and the two immediately preceding ones.
- Has not undergone a business restructuring process in the fiscal year to be reported or in the two immediately preceding ones.
- Do not carry out operations with related parties and / or domiciled subjects, constituted or located in non-cooperative jurisdictions or with low or no taxation that involve royalties, license fees or research and development agreements for a total that together exceeds 1% of the highest amount established for the medium category, section 1, whatever the activity provided by GR220 / 19 of SEPyme.
- Do not carry out operations for the provision or acquisition of services with related parties and / or domiciled, incorporated, or located in non-cooperating jurisdictions or with low or no taxation for an amount that, as a whole, represents more than 1% of the total billing of the local subject.
- Do not review the quality of giver or borrower with related parties abroad.

2. When the total of its international transactions with related parties does not exceed 2.50% of its total billing and concomitantly meets the following requirements:

Do not carry out operations with related and / or domiciled subjects, constituted or located in non-cooperating jurisdictions or with low or no taxation that involve royalties, license fees or research and development agreements for a total that as a whole exceeds 0.50 % of your total billing.

Do not present recurring negative results in the Financial Statements of the fiscal period to be reported and the two immediately preceding ones.

Has not undergone a business restructuring process in the fiscal year to be reported or in the two immediately preceding ones.

Has not carried out import and export operations with the intervention of an international intermediary.

3. In some cases, when it is an exempt entity and has an exemption certificate issued by AFIP.

4. When carrying out import and / or export operations with independent parties whose annual amount, per fiscal year, as a whole is greater than the sum of AR\$ 10,000,000 and less than AR\$ 60,000,000.

Additionally, are excluded those subjects who:

a) They are part of Groups of Multinational Companies that must present the “Report by Country by Country”.

b) Those who are obliged to present the “Master File” or who may choose to submit a note as an affidavit ratifying the information included in the last Master File submitted.

In the event that the obliged taxpayer chooses to submit the F.2672 Simplified Regime of International Operations, it must not submit the F.2668 Affidavit or the F.4501 Transfer Pricing Study.

In order to formalize the option to comply with the Simplified Regime and to justify compliance with the transfer pricing rules, the taxpayer must declare, as an affidavit, within the form “F. 2672 International Operations Simplified Regime” of the period to be reported, that its situation falls within the established ones and that the prices of its operations have been agreed as if they had been carried out between independent parties, without the intervention of an international intermediary. Additionally, it should

be added that the content of F.2672 is detailed in the Annex to GR 5010 and its presentation in AFIP must be made until the sixth month immediately after the closing date of the fiscal year.

- *Treatment of tax losses*

The tax losses generated in one fiscal period may be carried forward up to the fifth subsequent fiscal period.

There are limitations to the use of certain net losses such of, among others, those originated from the sale of shares and other corporate equities, and those originated in operations from a foreign source.

- *Treatment of dividends*

As of Law 27,430, that introduced several changes to the Income Tax Law, depending on when the utility that is being distributed has been generated, varies the tax scheme. In this way, the current taxation scheme of dividends is as follows:

- Distribution of utilities generated until 31/12/2017: they are not subject to the payment of tax on dividends.

However, they are reached by the analysis so-called “Equalization Tax”. Through it, it is intended to subject to tax the dividends and any other distribution of profits that were not taxed by the Income Tax in head of the company. This situation usually happens when the accounting profit is greater than the taxable one. In these cases, the tax rate is 35%.

- Distribution of utilities generated as of 01/01/2018: they are subject to the payment of a tax of unique and definitive nature, with a tax rate of 7% for the fiscal periods beginning on January 1, 2018, January 1, 2019, January 1, 2020, and January 1, 2021, inclusive. From fiscal periods beginning after January 1, 2021, the tax rate is 13%. In these cases, the Equalization Tax mentioned above is not applicable.

It is important to highlight that this revenue will have the treatment of a schedular tax, being taxed independently of the rest of the income. This schedular tax is also applicable for the stable establishments at the moment they remit their profits to its parent company.

- *Tax rates*
- *Companies*

The tax rate either for local companies or for stable establishments belonging to foreign subjects, is 25% for fiscal periods started as from 02/01/2021.

Notwithstanding what was said in the previous paragraph, the tax rate is 30% for the fiscal periods started as from 01/01/2018, 01/01/2019, 01/01/2020 y 01/01/2021 inclusive.

- Individuals

Despite of companies, individuals residing in the country can apply as non-taxable income, general and personal deductions.

The amount of such deductions for the fiscal period 2021 is as follows:

Concept	2021	Patagonia 2021
Non-taxable profit	\$167.678,40	\$204.567,66
Special deductions independent workers	\$ 335.356,79	\$409.135,30
Special deductions dependent workers	\$419.196,02	\$511.419,13
Spuse	\$156.320,63	\$190.711,18
Sons, daughters	\$ 78.833,08	\$96.176,36

Once the referred deductions were made, upon the remaining income a progressive scale is applied, starting at 5% and asymptotically reaching 35%, according to the below diagram (scale in force for fiscal period 2021):

Accumulate net taxable profit	Will pay \$	Plus the %	On the surplus of \$
From \$	To \$		
0	64.532,64	0	5
64.532,64	129.065,29	3.226,63	9
129.065,29	193.597,93	9.034,57	12
193.597,93	258.130,58	16.778,49	15
258.130,58	387.195,86	26.458,39	19
387.195,86	516.261,14	50.980,79	23
516.261,14	774.391,71	80.665,80	27
774.391,71	1.032.522,30	150.361,06	31
1.032.522,30	En adelante	230.381,54	35

▪ **Schedular taxes**

Another change introduced by the Law 27,430 was a new taxation scheme based on schedular taxes. In this sense, certain kinds of profits are separate from the subject's income, granting them an independent treatment for tax purposes. Those profits are:

<b>Renta de fuente argentina</b>	<b>Tasa</b>
Property Sale (acquired from 01/01/2018)	15%
Financial income (fixed term interest in USD or \$ with adjustment clause)	15%
Disposal of government securities, bonds, and listed shares	exempt
Disposal of unlisted shares, digital currencies, etc.	15%
Equalization tax (earnings accumulated until 12/31/2017)	35%
Dividends (earnings generated from 01/01/2018)	13%
Dividends (earnings generated from 02/01/2021)	7%

- A. Financial income: such is the case of yields of bank deposits, government securities, negotiable obligations, mutual fund shares, financial trusts debt securities, bonds and other securities. The tax rate is:

The returns from Argentine government bonds, negotiable obligations and FCI are exempt from Income Tax from the year 2019.

The tax rate in the case of fixed-term interest in foreign currency or in national currency with a clause of is:

- 15% if the capital is expressed in national currency with an adjustment clause or in foreign currency.

Upon the assessed tax a special deduction can be computed, whose amount is equal to the non-taxable profit.

- B. Dividends and similar utilities: they are subject to the payment of a tax of unique and definitive nature, with a tax rate of 7% for the fiscal periods beginning on January 1, 2018, January 1, 2019, January 1, 2020, and January 1, 2021, inclusive. From fiscal periods beginning after January 1, 2021, the tax rate is 13%. In these cases, the Equalization Tax mentioned above is not applicable.
- C. Sale of financial instruments: such as government securities, negotiable obligations, debt securities, mutual funds shares (open), etc. The tax rate is:
- 5% if the capital is expressed in national currency without an adjustment clause.
  - 15% if the capital is expressed in national currency with an adjustment clause or in foreign currency.

Upon the assessed tax a special deduction can be computed, whose amount is equal to the non-taxable profit.

- D. Sale of real state and transfer of property rights: the tax rate is 15% on the result of the sale. Bear in mind that this tax applies to real estate acquired as of 1/1/2018.

It should be noted that as of the effective date of the Social Solidarity and Productive Reactivation Law (Law 27,541 BO 12/23/2019), the cedular tax for the fiscal year 2020 is left without effect, existing only for operations of sale of shares, quotas and social participations and shares of condominiums of closed mutual funds, all of them without listing.

- Specific taxes within the income assessment subject to progressive tax

- A. Sale of foreign financial instruments: such as shares, representative securities, certificates of deposit of shares, digital coins, government securities, bonds and other foreign securities. The tax rate is 15% on the result of the sale.

- B. Sale of real state and transfer of property rights NOT situated in Argentina: the tax rate is 15%.

- *Fiscal period and payment of the tax*
- Residents

The tax is paid for fiscal period, which depending on whether the resident prepares or not business balance sheet, it coincides with the business or calendar year.

- Non-residents

In the case of foreign beneficiaries, the payment of the tax is made through a withholding at the source, at the moment of drawing the funds abroad.

- **Minimum Presumptive Income Tax**

Repealed for exercises started on 01/01/2019

- **Personal Assets Tax**

- *Tax object, application, and taxable basis*

The tax applies on:

- All property individuals may own as of December 31 of each year, except rural properties subject to the Minimum Presumptive Income tax and the shares and other equities in the net worth of the companies.
- Non-exploited real estate or assigned to lease recreation or holiday resort owned as of December 31 of each year by companies organized abroad.
- Negotiable obligations and shares of mutual funds belonging to companies organized in tax havens.
- Shares and other holdings in the equity of commercial companies, which holders are individuals and/or undivided successions domiciled in the country or abroad, companies and/or any other kind of legal entity domiciled abroad.

Upon the taxable basis, the Law admits the deduction of non-taxable minimum of \$ 3,000,000. Also, in the case of real estate destined to houseroom, they will not be reached by the tax provided that their value is equal to or less than \$ 18,000,000.

This tax admits the computation of fiscal credit for taxes paid in other countries, up to the limit of the increase of the obligation generated by the incorporation of the properties therein located.

- *Passive subjects and parties responsible for the debt of others*

The following are subject to the tax:

- The residents in the country, for all their properties regardless of their location.
- The representatives of foreign residents, for the properties of their represented parties located in the country.
- The companies, regarding the shares and other holdings in the equity of commercial companies.

- *Tax rates*

Assets that exceed the non-taxable minimum for less than \$ 3,000,000, will pay 0.50% on the surplus.

Assets that exceed the non-taxable minimum between \$ 3,000,000 and \$ 6,500,000 will pay \$ 15,000 plus 0.75% on the excess of \$ 3,000,000.

Assets that exceed the non-taxable minimum between \$ 6,500,000 and \$ 18,000,000, will pay \$ 41,250 plus 1.00% on the excess of \$ 6,500,000.

Assets that exceed the non-taxable minimum by more than \$ 18,000,000, will pay \$ 156,250 plus 1.25% on the excess of \$ 18,000,000.

- **Value Added Tax**

- *Tax object and taxable basis*

It is a non-cumulative multi-phased tax that levies the added value for each of the production and commercial stages of goods and services.

It is structured as a charge that arises from settling tax against tax through the financial application of the fiscal credit, even for the one resulting from the acquisition of property, plant and equipment.

The tax levies the sales of movable assets, the works, the leases (even the lease of real estate) and the provisions of services rendered in Argentina. On the other hand, the sale of real estate, except for the works carried out on own property, is not subject to the tax.

Regarding the international aspect, this tax has adopted the criteria of taxation in the destination country. That's why the border fiscal adjustment must be made, which implies levying the final imports of movable assets and the provision of services rendered abroad whose use or effective exploitation is within the country.

In contrast, the final exports of movable assets and the provision of services rendered within the country whose use or effective exploitation takes place abroad are exempt from the tax.

Law 27,430 has also introduced clarifications and amendments to the Value Added Tax Law. Among them, it has clarified the concept of effective use or exploitation, establishing that it exists in the jurisdiction in which the immediate use or the first act of disposition of the service by the borrower is verified.

Likewise, it was settled the taxation of digital services provided by foreign residents, whose use or definitive exploitation is carried out in the country.

- *Tax rates*

In the Value Added Tax Law three different aliquots coexist:

- A general rate of 21%.



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- A differential rate of 27%, which applies to the sale of gas, electric power, tap water, telecommunication services, sewer and drainage services; as long as they are used in production stages.
- A reduce rate of 10.50% that applies, among others, to the following activities:
  - Primary production of:
    - ✓ Live animals of avian and cuniculus species, and of bovine, ovine, porcine, camelids and goats.
    - ✓ Meats and edible wastes of animals from the previous point, fresh, cooled or frozen, not submitted to cooking or manufacturing processes.
    - ✓ Fruits legumes and vegetables, fresh, cooled or frozen, not submitted to cooking or manufacturing processes.
    - ✓ Grains -cereals and oleaginous plants, excluding rice- and dry legumes -beans, peas and lentils-.
    - ✓ Honey from bees in bulk.
    - ✓ Wheat flour.
    - ✓ Bread, cookies, bakery and/or patisserie pastry and biscuits, made exclusively with wheat flour, without pre-packaged for commercialization.
  - Cultivation works (preparation. plough. etc. of the ground), sowing and/or planting, application of agrochemicals, fertilizers and their application and harvest of the three first primary productions described above.
  - Construction of works on real estate owned by third parties intended for housing.
  - Construction of works on own real estate intended for housing made by building companies.
  - Bank interests and commissions originated from loans granted by financial entities governed by the respective law, and financial entities settled in countries where their Central Banks have adopted the international standards of bank supervision established by the Basle Bank Committee.
  - The sales, leases and imports of certain specifically determined property, plant and equipment.<sup>2</sup>
  - The sales of journals, magazines and periodical publications, as well as the subscriptions of digital newspaper editions of online information, when non-exempt. In the case of subjects whose activity is editorial production, the treatment may vary.

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<sup>2</sup> Additionally, the fiscal credit of these properties may be freely available if certain requirements are complied with.

- Public transportation of passengers for more than 100 kilometers (public transportation of passengers for less than 100 kilometers is exempted).
- The services of sanitary, medical and paramedical assistance provided by cooperatives, mutuals or pre-paid medicine companies, when non-exempt.
- The sales of propane, butane and oil liquid gas.
- Fertilizer for agricultural use.
- *Fiscal period*

In most cases the tax is assessed and paid monthly. Rural producers may opt for an annual fiscal period.

There are also different regimes of withholding, collection and/or payments on account of the tax.

- **Internal Taxes**

- *Tax object and taxable basis*

This is a mono-phase sales tax applicable at the producing stage and to the import of the following goods and services: tobacco, alcoholic beverages, beers, non-alcoholic beverages, syrups, extracts and concentrates, mobile and satellite telephone services, champagne, luxury goods, motorcars and engines, recreation or sport boats, aircrafts and certain electronic devices specifically described in the legal regulations.

- *Tax rates and fiscal period*

There are different tax rates pursuant to the good or service subject to tax. The tax is payable for fiscal year, which coincides with the calendar year.

- **Tax on Bank Debits and Credits**

- *Tax object and taxable basis*

The following operations are subject to the tax:

- The debits and credits in bank checking accounts.
- Certain transactions carried out by financial entities, where bank checking accounts are not used.
- All movements or delivery of funds owned or belonging to third parties that any person may make on its own account or on the account of third parties.

- *Tax rates*

The tax rates vary depending on the type of transaction. They are:

- Debits on bank checking accounts: 6 per thousand.
- Credits on bank checking accounts: 6 per thousand.
- For the rest of the transactions: 12 per thousand.

In certain cases, is possible to reduce the mentioned tax rates.

This tax has the peculiarity that it may be computed as credit of the Income Tax and/or the Minimum Presumptive Income Tax. However, such calculation is subject to the following proportions:

- For transactions subject to the tax rates of 6 and 12 per thousand, 33% of the Tax on Debits and Credits.
- For transactions subject to a lower tax rate than the ones indicated above, 20% of the Tax on Debits and Credits.

#### ▪ **Simplified regime for small taxpayers**

Commonly known as Monotributo, this simplified regime unifies the tax component (Value Added Tax and Income Tax) and the pension component (Social Security System) in a single monthly installment. It is intended for small taxpayers, who if join, will be exempt from the general regime of Value Added Tax and the Income Tax.

They are considered small taxpayers, and therefore liable to fit within this regime to:

- Individuals who sale of movable assets, render services or execute works.
- Undivided estates as continuators of individuals that were adhered to this regime, until the last day of the month where the declaration of heirs is dictated, the validity of the will that verify the same purpose is declared or one year after the death of the deceased, whichever comes first.
- Individuals who are members of worker cooperatives.

On the other hand, the following activities are not included:

- The exercise of management or administration of companies.
- De facto or irregular companies.

In addition, there are a several requirements that must be fulfilled in order to adhere to this regime, such as:

- The gross income for the last 12 months should not be higher than, in the case of leases and/or provision of services, \$ **2.353.535,10** and **\$3.530.302,65** for the rest of the activities.
- Not exceed the maximum parameters referred to the surface covered, electric energy consumed and amount of rental of premises, stated per annum for their categorization.
- The taxpayers may not import movable assets and/or services, for their later commercialization.
- Do not perform more than three simultaneous activities or have more than three operating units.

The sections of the scales established, and the taxes derived thereof are shown in Annex II hereof.

▪ *Recategorization*

At the end of each calendar semester, the accumulated gross income and the other parameters obtained in the previous twelve months must be calculated. If these parameters are different from those corresponding to the current category, the taxpayer must proceed to modify his category.

In the case that, having made the aforementioned calculations the taxpayer continues included in the same category, this situation should also be confirmed before the AFIP.

▪ *Legal recategorization - Exclusion*

If through the periodically checks carried out by AFIP it appears that the taxpayer is mistakenly classified, AFIP will proceed to automatically recategorize or exclude him from the regime. The controls made are based on the checking of acquisition of goods, realization of personal expenses or bank accreditations plus 20% or 30% depending on whether it is goods or services.

Likewise, the AFIP will be able to carry out a legal exclusion if the taxpayer does not meet any of the requirements detailed above or if one of the following situations happens

- The acquisitions of goods or realization of personal expenses for a different value from the income declared, when they were not duly justified.
- Difference between the bank deposits from the income declared at the time of categorization.
- The value of the purchases plus the expenses of the development of the activity during the last 12 months, turn equal to or more than 80% of the maximum gross income established for category K in the case of sale of goods, or 40% of the gross income established for category H when it comes to rendering of services.

- The inclusion of the taxpayer in the public register of employers with labor sanctions (REPSAL).

- **Local taxes**

The local taxes are independently legislated for each of the provinces and for the City of Buenos Aires. Below we proceed to briefly detail them.

- **Turnover Tax**

This is a cumulative multiple-phase tax that levies the sales of goods and the rendering of services. Generally, the legislation from each jurisdiction differs only with respect to the tax rates. However, regarding the taxation of the exports there are different criteria between them. In this sense, some jurisdictions tax this type of transactions, meanwhile the others exempt them.

It is payable for calendar year, with monthly and bimonthly advances, as provided by each jurisdiction.

- **Real Estate Tax**

This is a real tax that levies the urban and rural property, regardless of the legal status of the owners thereof. Both the taxable basis and the rates are fixed by each of the jurisdictions. The tax is paid per calendar year with monthly and bimonthly advances, as provided by each jurisdiction.

- **Tax on the fleet of motorcars and the settlement of vehicles**

This is a real tax that levies the ownership of such properties, regardless of the legal status of the owners thereof. Both the taxable basis and the rates of the tax are fixed by each of the jurisdictions. The tax is paid per calendar year with monthly and bimonthly advances, as provided for by each jurisdiction.

- **Municipal Charges**

Most municipalities do not collect their own taxes. Instead, they collect compensatory fees for services that, in general, are not related to their costs, but serve to finance such level of government. Those fees are not charged by Autonomous City of Buenos Aires. Among them are the following:

- *Safety and hygiene fee*

This fee generally levies the amount of the gross income obtained by the taxpayer.

- *Fee for the preservation of the municipal road network*

This fee usually levies the value of rural properties located in the municipality.

- *Lightning, sweeping and cleaning fee*

It is similar to the one described in the previous point but applies to urban properties.

▪ **Stamp Duty**

It is a provincial tax that levies the formalization of instruments between parties.

Generally speaking, the taxable event on Stamps Duty occurs with the existence of one or more legal acts, formalized in public or private instruments, or by correspondence in specific cases, were granted in the jurisdiction that has the power of tax or have effect in it, and as long as they have an onerous qualification.

From this definition are extracted the three budgets that are required for the birth of the tax obligation in the Stamp Duty: instrumentation, territoriality and onerosity.

Regarding its instrumentation, the Tax Federal Co-participation Law (Law 23,548) in its section 2) of subsection b) of article 9º, provides that instrument means any deed, paper or document from which arises the improvement of the acts, contracts and operations mentioned in the first part of the preceding paragraph, so as to review the external characters of a legal title by which the fulfillment of the obligations can be demanded without the need for another document and regardless of the acts actually performed by the taxpayers.

In general, the Tax Codes of the different jurisdictions adopted the same definition. So only the acts or contracts that comply with the instrumental principle detailed in the previous paragraph, would be "instruments" taxed by the Stamp Tax.

On the other hand, the ones call "correspondence contracts" are subject to Stamp Duty as long as the following requirements were satisfying:

- That exist an offer that obliges the signatory to fulfill its obligations.
- That the acceptance reproduces the proposal or its statements or essential elements that allow to determine the purpose of the contract, or that the acceptance arises from the signature of the budgets, orders or proposals.
- That were celebrated or have effect in a jurisdiction of the country.
- That has an onerous qualification.

It is essential to analyze the offer formalization and the electronic correspondence acceptance to determine if they comply with the instrumental requirements.

- **SOCIAL SECURITY REGIME**
- **Self-employed regime**
- **General framework: independent workers**

Contributions to this regimen must be paid by all those who are self-employed workers, including directors of corporations, managers of limited liability companies, legal representatives of Argentine branches of foreign companies, etc.

This regime is structured according to series of categories, in which ones the workers fall into depending on the activity carried out and the annual gross income earned in the immediately preceding calendar year.

▪ **Amounts in force**

The worker must review the amount of his gross income once a year and, if necessary, reclassify himself in a new category.

Those workers who during the previous fiscal year have obtained net profits (gross income less the expenses necessary to obtain it) lesser than 30% of their gross income, may opt to be included, during the entire following year, in the category immediately below from the one that would have corresponded them.

Workers may also choose to be included in a category higher than the one that corresponds to them according to the regulations in force.

The contribution to retirement of self-employed workers is allocated to the Argentine Comprehensive Social Security System (SIPA).

Below we detail the category table in force for the current period (2021):

Category	Activities	Annual gross income \$	Monthly amount in \$
I	Retired by Law 24,241	Without limit	4656.32
I	Voluntary adhesion for the case of religious, housewives, managers of cooperatives, holders of condominiums, professionals who contribute to another special box	Without limit	5092.85
I	Professions or trades, leases and rendering of services, insurance producers	Less than or equal to 20,000	5092.85
I	Merchants	Less than or equal to 25,000	5092.85
II	Professions or trades, leases and rendering of services, insurance producers	Older to 20,000	6518.76
II	Merchants	Older to 25,000	7129.90
III	Administration or management of commercial or civil companies and partners of companies	Less than or equal to 15,000	9312.58

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IV	Administration or management of commercial or civil companies and partners of companies	Older to 15,000 and less than or equal to 30,000	14900.11
V	Administration or management of commercial or civil companies and partners of companies	Older to 30,000	20487.57

- **Full time employees**
- **Contributions to Social Security**

Monthly the employer will submit and pay through the form F. 931 in AFIP the contributions in his care, together with the corresponding withholdings (employee contributions).

Below we present in a summary table, the contributions corresponding to both the employee and the employer:

NATIONAL REGIME OF SOCIAL SECURITY. PRIVATE SECTOR	(%)	CONTRIBUTION (%)	
		Art 19 inc. a) (1)	Art 19 inc. b) (2)
SIPA. Law 24.241	11%	12,35 %	10,77 %
INSSJP. Law 19.032	3%	1,57 %	1,59 %
Law 24.714 Family's asignations	-	5,40 %	4,70 %
Ley 24.013 National Fund of Employment	-	1,08 %	0,94 %
<b>Total</b>	<b>14%</b>	<b>20,40 %</b>	<b>18 %</b>

The employee contributions are calculated over the entire gross remunerations, from a minimum taxable basis of \$ 6.411,08 up to a maximum of \$ 208.357,30 in the case of SIPA, INSSJP and Social Welfare Fund.



The employer contributions allocated to SIPA (Retirement, INSSJP, AAFP and FNE) and Social Works are calculated over the entire gross remunerations of the employee, from a minimum taxable basis of \$ 6.411,08 and without any maximum amount. Regarding the contributions allocated to the ART (solely), they are calculated over the total amount of the remunerations and non-remuneratory concepts monthly declared by the employer.

Professionals, researchers, scientists, and technicians hired abroad to work in Argentina for a period not exceeding 2 years, can request the exemption of contributions to the Integrated Pension System Argentina (SIPA). For this, they must not have a permanent residence in the country and must be covered against old age, disability, and death contingencies in their country of nationality or permanent residence.

Gradual implementation of a minimum non-taxable amount of \$ 12,000 for each worker, an amount that is updated from 01/01/2019 by the IPC.

The update was repealed by law 27,541, establishing the values of \$ 7,003.68 and \$ 17,509.20

Notwithstanding, for certain activities such as textile, clothing, footwear and leather goods, as well as for certain companies of the primary and industrial sector, the 100% of the aforementioned deduction is allowed (\$ 17.509,20).

## ANNEX I

## INCOME TAX

## Treatment of the benefits drawn to residents abroad

Concept	Net income (A)	Effective rate (B)	Grossing up (C)
1. Transfer of technology agreements governed by such law:			
1.1 Technical assistance, engineering or consulting services non-obtainable in the country, up to the amounts registered in the INPI	60%	21%	26.582%
1.2 Assignment of rights or licenses (exploitation of letters patent)	80%	28%	38.889%
2. Copyright for authors and artists residing abroad	35%	12.25%	13.96%
3. Interests from credits			
3.1 Paid by financial entities for deposits in savings accounts, special savings accounts, time deposits or bank acceptances	43%	15.05%	17.716%
3.2 For the other interest, see detail below			
4. Salaries and fees derived from personal activities	70%	24.50%	32.45%
5. Lease of movable assets	40%	14%	16.279%
6. Leases and rentals from real estate	60% (*)	21%	26.582%
7. Onerous transfer	50% (*)	17.50%	21.212%
8. Other income	90%	31.50%	45.985%

9. Transfer of shares or equities not listed on stock exchanges authorized by the "Comisión Nacional de Valores" (CNV)	13.50% on gross income or 15% on net income
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- A. Legal presumption that does not admit evidence in contrary, except for the revenues shown with (\*).
- B. It amounts to 35% of the presumption of the net income.
- C. It is the effective rate when the local user assumes the tax from the foreign beneficiary

**List of withholdings on other interests from credits**

Foreign creditor	Local debtor	Tax to be withheld (as % of the interests)	
		Effective rate	Rate with grossing up
Anyone	(1) (2) (3)	15.05%	17.72%
(4)	Anyone	15.05%	17.72%
Anyone except for (4)	Anyone except for (1) (2) and (3)	35%	53.85%

1. Financial entities including funds taken under conditions regulated by BCRA.
2. Financing of imports of movable assets except for motorcars.
3. Registered bonds issued by countries with reciprocity relations implemented.
4. Financial entities settled in jurisdictions not considered as tax havens or in jurisdictions that have entered into agreements with Argentina for the exchange of information and also that due to the enforcement of their internal regulations, may not allege bank or stock exchange secrecy or any other kind of secrecy upon the request of fiscal information. The entities comprised are the ones that are under the supervision of the central bank or equivalent agency of the respective jurisdiction.

**ANNEX II**
**SIMPLIFIED REGIME**

The amounts of the integrated tax shown in the tables include both the fee corresponding to the tax component plus the fee corresponding to the pension component.

Category	Gross income up to \$	Surface affected up to	Electric power consumed per annum, up to	Tax payable \$	Tax payable \$
A	370.000	30 m2	3,300 KW	2.646,22	2.646,22
B	550.000	45 m2	5,000 KW	2.958,95	2.958,95
C	770.000	60 m2	6,700 KW	3.382,62	3.382,62
D	1.060.000	85 m2	10,000 KW	3.988,85	3.988,85
E	1.400.000	110 m2	13,000 KW	5.239,44	5.239,44
F	1.750.000	150 m2	16,500 KW	6.271,46	6.271,46
G	2.100.000	200 m2	20,000 KW	7.314,87	7.314,87
H	2.600.000	200 m2	20,000 KW	12.789,38	12.789,38
I	2.910.000 <sup>(*)</sup>	200 m2	20,000 KW	-	15.339,68
J	3.335.000 <sup>(*)</sup>	200 m2	20,000 KW	-	17.617,10
K	3.700.000 <sup>(*)</sup>	200 m2	20,000 KW	-	19.912,74

<sup>(\*)</sup> Applies only for the case of sale of goods, not so for rendering and/or location of services.

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