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ARGENTINE TAX SYSTEM

1 POLITICAL CONFIGURATION

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

Likewise, the Nation and Provinces government system is conform 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.

2 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.

3 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 Taxes¹) and another between the Provinces and the City of Buenos Aires (Multilateral Agreement).

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

4 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.

5 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).

5.1 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	\$ 4,800,000	\$ 16,800,000	\$ 19,800,000	\$ 5,800,000	\$ 7,400,000
Small	\$ 30,000,000	\$ 102,200,000	\$ 119,200,000	\$ 34,600,000	\$ 47,300,000
Medium section 1	\$ 228,900,000	\$ 829,900,000	\$ 1,001,800,000	\$ 289,000,000	\$ 378,900,000
Medium section 2	\$ 363,100,000	\$ 1,212,800,000	\$ 1,431,200,000	\$ 412,800,000	\$ 568,300,000

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

Also, Resolution (SEyPYME) 340-E / 2017 establishes a limit on the value of assets for companies that carry out the following activities:

- 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 \$ 100,000,000.

In certain cases, it should also be considered the number of employees that the company has, in order 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.

5.2 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.

6 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.

6.1 National taxes

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

6.1.1 Income Tax

6.1.1.1 Tax object

It applies to the worldwide revenues or profits of the companies and individuals who resides 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.

6.1.1.2 Taxable basis

6.1.1.2.1 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.

6.1.1.2.2 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.

6.1.1.3 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 (F. 4501), through which it is determined whether the transactions have been carried out under similar conditions as of independent parties.

Likewise, there are also obligations that reach those companies that have had import and export transactions of goods with a known price (without minimum amount from which to inform), and without a known price, with independent subjects for a value that, in total, exceeds \$ 10,000,000 in the fiscal period (F. 867).

Additionally, it should be noted that AFIP has implemented an informative regime country by country, and an informative regime for the entities that resides in the country and are member of groups of multinational entities.

On the other hand, when operating with other entities within the same economic group, it must be taken into account that there are restrictions for the tax deduction of the interests (and the exchange rate) originated in financial debts incurred by the companies with linked subjects.

6.1.1.4 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.

6.1.1.5 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:

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

However, they are reached by the 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%.

- Dividends distributed from 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 2018 and 2019. From fiscal period 2020, 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.

6.1.1.6 Tax rates

6.1.1.6.1 Companies

The tax rate either for local companies or for stable establishments belonging to foreign subjects, is 25% for fiscal periods started as from 01/01/2020.

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

6.1.1.6.2 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 2019 is as follows:

Concept		Amount
Non-taxable profit		\$ 85,848.99
Family charges	Spouse	\$ 80,033.97
	Sons, daughters	\$ 40,361.43
Special deductions	Independent workers	\$ 171,697.97
	Dependent workers	\$ 412,075.14
	New professionals	\$ 214,622.47
Insurance premiums		\$ 12,000.00
Burial expense		\$ 996.12
Prepaid medicine fee		5% of net income
Household personnel		\$ 85,848.99

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 2019):

Accumulate net taxable profit		Will pay \$	Plus the %	On the surplus of \$
From \$	To \$			
0	33,039.81	0	5	0
33,039.81	66,079.61	1,651.99	9	33,039.81
66,079.61	99,119.42	4,625.57	12	66,079.61
99,119.42	132,159.23	8,590.35	15	99,119.42
132,159.23	198,238.84	13,546.32	19	132,159.23
198,238.84	264,318.45	26,101.45	23	198,238.84
264,318.45	396,477.68	41,299.76	27	264,318.45
396,477.68	528,636.91	76,982.75	31	396,477.68
528,636.91	En adelante	117,952.11	35	528,636.91

6.1.1.6.3 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:

- 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:
 - 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.

- B. Dividends and similar utilities: they are subject to a tax of 7% for fiscal periods 2018 and 2019. As from fiscal period 2020, the tax rate will be of 13%. In these cases the equalization tax 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 shares, representative securities, certificates of deposit of shares, mutual funds shares (close), digital coins, etc.: whenever they are listed on stock exchanges authorized by the "Comisión Nacional de Valores" (CNV) but NOT under the public offering regime, as well as not listed on stock exchanges or markets, the tax rate is 15% on the result of the sale.
- E. 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.

6.1.1.6.4 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%.

6.1.1.7 Fiscal period and payment of the tax

6.1.1.7.1 Residents

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

6.1.1.7.2 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.

6.1.2 Minimum Presumptive Income Tax

6.1.2.1 Tax object, application and taxable basis

The tax levies the corporate assets located in the country or abroad and the rural properties belonging to individuals or undivided succession, valued according to the normative dispositions. For the purposes of this tax, liabilities are not deductible.

6.1.2.2 *Special taxable basis*

For certain activities, due to its singular characteristics, should be taken into account special taxable basis. Those activities are:

- Financial entities, insurance companies and leasing companies: the taxable basis is 20% of the assets levied.
- Consignees of farm, fruits and products of the country: the taxable basis is 40% of the assets exclusively assigned to the consignment activity, and 100% with respect to the other assets.

6.1.2.3 *Exempted and non-computable assets*

The following properties, among others, are exempted from the tax:

- Shares and other equities of companies subject to the tax.
- Shares of mutual funds, insofar they were integrated by public offering securities, precious metals, currencies, rights and obligations derived from forward agreements and options, instruments issued by financial entities and money.
- The properties of the assets levied in the country, which value as a whole does not exceed \$ 200,000. If such amount is exceeded, the tax applies over the entire assets.

For the tax assessment purposes, will not be computable:

- Depreciable movable assets, except vehicles, of first use in the year of acquisition and in the next one.
- The value of investments for the construction of new buildings or improvements, in the year of the investment and in the next one.

6.1.2.4 *Tax rate*

The tax rate amounts to 1% per annum. However, the following considerations must be taken into account:

- The Income Tax assessed for the fiscal period upon which the Minimum Presumptive Income Tax is being assessed, may be computed as payment on account of the latter. The excess of Income Tax shall not generate a balance in favor of the taxpayer.
- If the Income Tax turned insufficient to absorb the Minimum Presumptive Income Tax, the payment made for the latter may be computed as a payment on account of the Income Tax in any of the following ten fiscal periods, as long as in those periods exists an excess of the Income Tax with respect to the Minimum Presumptive Income Tax, and up to the value of such excess.
- Due to the Law 27,264 (july 2016), for Micro, Small and Medium enterprises (MIPyMES) the tax is not applicable for the fiscal periods initiated as of 01/01/2017.

- The tax is derogated for fiscal periods initiated as of 01/01/2019.
- It has been established the no application of the tax, as long as accounting losses arise from the Financial Statements, and simultaneously, tax losses from the Income Tax returns.

In the case of real estate not assigned to the company's business, such as investments, there must be taken into account:

- The minimum of \$ 200,000 is not computable.
- The resulting tax is not cancelled against the Income Tax assessed for the fiscal period for which the Minimum Presumptive Income Tax is being assessed.

6.1.3 Personal Assets Tax

6.1.3.1 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 \$ 2,000,000. Also, in the case of real estate destined to house-room, 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.

6.1.3.2 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.

6.1.3.3 Tax rates

The payable tax arises from the application on the total value of the assets subject to tax, considering if correspond the non-taxable minimum, the progressive scale whose aliquots range between 0.25% and 0.75%.

6.1.4 Value Added Tax

6.1.4.1 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 of 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.

6.1.4.2 Tax rates

In the Value Added Tax Law three different aliquots coexist:

- A general rate of 21%.
- 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.²
 - 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.
 - 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.

6.1.4.3 Fiscal period

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

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.

6.1.5 Internal Taxes

6.1.5.1 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.

6.1.5.2 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.

6.1.6 Tax on Bank Debits and Credits

6.1.6.1 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.

6.1.6.2 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.

6.1.7 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, \$ 1,151,066.58 and \$ 1,726,599.88 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.
- In the case of sale of movable assets, the maximum unit price may not exceed the amount of \$ 19,269,14.
- 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.

6.1.7.1 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.

6.1.7.2 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 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).

6.2 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.

6.2.1 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.

6.2.2 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.

6.2.3 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.

6.2.4 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:

6.2.4.1 Safety and hygiene fee

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

6.2.4.2 Fee for the preservation of the municipal road network

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

6.2.4.3 Lightning, sweeping and cleaning fee

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

6.2.5 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 satisfy:

- 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.

7 SOCIAL SECURITY REGIME

7.1 Self-employed regime

7.1.1 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 structures 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.

7.1.2 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:

Category	Activities	Annual gross income \$	Monthly amount in \$
I	Retired by Law 24,241	Without limit	1,931.20
I	Voluntary adhesion for the case of religious, housewives, managers of cooperatives, holders of condominiums, professionals who contribute to another special box	Without limit	1,931.20
I	Professions or trades, leases and rendering of services, insurance producers	Less than or equal to 20,000	1,931.20
I	Merchants	Less than or equal to 25,000	1,931.20
II	Professions or trades, leases and rendering of services, insurance producers	Older to 20,000	2,703.66
II	Merchants	Older to 25,000	2,703.66
III	Administration or management of commercial or civil companies and partners of companies	Less than or equal to 15,000	3,862.40
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	6,179.82
V	Administration or management of commercial or civil companies and partners of companies	Older to 30,000	8,497.26

7.2 Full time employees

7.2.1 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:

Destination of the contributions	Employee contribution	Employer contribution (2)	
		(1)	Rest
Argentine Integrated Pension System (IPS)	11%	20,40%	18,00%
National Institute of Social Security for Retirees and Pensioners (NISSRP)	3%		
Social Work and Solidarity Fund for Redistribution	3%	6%	
Total	17%	26,40%	24,00%

(1) Employers who shall jointly comply with the following requirements:

- That their main activity be the trade or the rendering of services.

- That the total gross invoicing, net of taxes, corresponding to the average of the last three business years, have been higher than \$ 48,000,000.

The employee contributions are calculated over the entire gross remunerations, from a minimum taxable basis of \$ 3,621.04 up to a maximum of \$ 117,682.47 in the case of SIPA, INSSJP and Social Welfare Fund.

The employer contributions allocated to SIPA (Retirement, INSSJP, AAFF and FNE) and Social Works are calculated over the entire gross remunerations of the employee, from a minimum taxable basis of \$ 3,621.04 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.

(2) Social Security contributions (employer): upon the assessed taxable base, before applying the corresponding rate, an amount of \$ 17,509.20 will be monthly deducted for each worker as gross remuneration.

The implementation of this non-taxable minimum began to be applied gradually as of February 2018. Therefore, for the year 2019, the amount to be deducted from the tax base is \$ 7,003.68.

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.

7.2.2 Family salary

Below we detail the amounts in force for the current period:

Allowance	Definition	Requirements	IGF from \$3,621.04 to \$31,494	IGF from \$31,494.01 to \$46,191	IGF from \$46,191.01 to \$53,329	IGF from \$53,329.01 to \$107,658
Per child	Monthly amount per child less than 18 years old	That the child is under the charge of the employee	\$ 2,031	\$ 1,368	\$ 825	\$ 423
Per handicapped child (*)	Monthly amount per handicapped child with no age limit	That the child is under the charge of the employee after the month when the handicap is evidenced with the employer	\$ 6,620	\$ 4,681	\$ 2,953	\$ 2,953
Pre-birth	Monthly amount from the moment of the conception until birth	Must be evidenced at the third or fourth month of pregnancy and shall require a minimum and continuous length of service of three months	\$ 2,031	\$ 1,368	\$ 825	\$ 423
School assistance	Monthly amount payable in march each year	For each child regularly attending basic and polymodal teaching establishments	\$ 1,701	\$ 1,701	\$ 1,701	\$ 1,701
For maternity	Monthly amount during the period of statutory leave	Three-month minimum and continuous length of service	The amount the worker should have received during her employment, without cap for income family group (IGF)			
For birth	Single amount in the month when it is certified	Six-month minimum and continuous length of service	\$ 2,367	\$ 2,367	\$ 2,367	\$ 2,367
For adoption	Single amount in the month when it is certified	Six-month minimum and continuous length of service	\$ 14,173	\$ 14,173	\$ 14,173	\$ 14,173
For marriage	Single amount in the month when it is certified	Six-month minimum and continuous length of service. Both spouses receive it if they are full-time employees	\$ 3,546	\$ 3,546	\$ 3,546	\$ 3,546

(*) No minimum or maximum IGF limit.

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		

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	Rentals accrued per annum, up to \$	Tax payable \$	Tax payable \$
A	138,127.99	30 m2	3,300 KW	51,798.00	1,294.12	1,294.12
B	207,191.98	45 m2	5,000 KW	51,798.00	1,447.06	1,447.06
C	276,255.98	60 m2	6,700 KW	103,595.99	1,654.25	1,626.29
D	414,383.98	85 m2	10,000 KW	103,595.99	1,950.73	1,904.69
E	552,511.95	110 m2	13,000 KW	129,083.89	2,562.32	2,304.15
F	690,639.95	150 m2	16,500 KW	129,494.98	3,067.02	2,649.34
G	828,767.94	200 m2	20,000 KW	155,393.99	3,577.30	3,016.55
H	1,151,066.58	200 m2	20,000 KW	207,191.98	6,254.58	5,218.63
I	1,352,503.24 ^(*)	200 m2	20,000 KW	207,191.98	-	7,501.79
J	1,553,939.89 ^(*)	200 m2	20,000 KW	207,191.98	-	8,615.55
K	1,726,599.88 ^(*)	200 m2	20,000 KW	207,191.98	-	9,738.22

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

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